

H1 2023

FINANCIAL REPORT

S P H E R A F R A N C H I S E G R O U P S A



S P H E R A

KFC



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The interim condensed consolidated financial statements and the interim condensed separate financial statements presented on the following pages are prepared in accordance with International Financial Reporting Standards, as adopted by European Union ("IFRS").

The interim condensed consolidated financial statements and the interim condensed separate financial statements as of June 30th, 2023 **are unaudited**.

The financial figures presented in the descriptive part of the report that are expressed in million RON are rounded off to the nearest integer. This may result in small reconciliation differences.

NOTE: As of January 1st, 2019, Sphera Franchise Group applies IFRS 16 "Leases" standard that sets out the principles for the recognition, measurement, presentation, and disclosure of leases. When analyzing the performance of the Group, the management's focus is on the financial results that exclude the impact of IFRS 16. Therefore, the basis for the financial analysis on the following pages are the results excluding IFRS 16. Nonetheless, for most of the tables included in this report are provided financial results both including, as well as excluding the impact of IFRS 16.

ISSUER INFORMATION

INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Half-year report
For financial period	01.01.2023 – 30.06.2023
Date of publishing	30.08.2023
According to	Annex 14 of ASF Regulation 5/2018

ISSUER INFORMATION

Issuer's name	Sphera Franchise Group S.A.
Fiscal code	RO 37586457
Trade registry number	J40/7126/2017
Registered office	Calea Dorobanților nr. 239, 2nd floor, Bucharest sector 1

INFORMATION ABOUT FINANCIAL INSTRUMENTS

Subscribed and paid-up share capital	RON 581,990,100
Market on which the securities are traded	Bucharest Stock Exchange, Main Segment, Premium Category
Total number of shares	38,799,340
Symbol	SFG

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FINANCIAL RESULTS HIGHLIGHTS

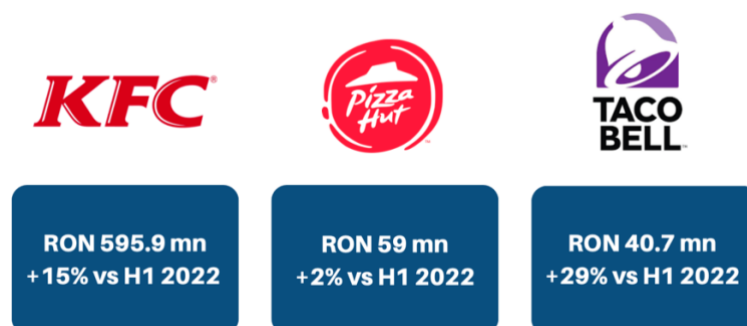
Sales per quarter



Sales per geography



Sales per brand



RON 33.3 mn

Restaurant operating profit in Q2 2023, +74% vs Q2 2022

RON 28.8 mn

EBITDA in Q2 2023, +65% vs Q2 2022

RON 12.1 mn

net profit in Q2 2023, +453.2% vs Q2 2022

RON 52.4 mn

EBITDA in H1 2023, +146.5% vs H1 2022

RON 19.4 mn

Net profit in H1 2023, versus net loss of RON 8.7 mn in H1 2022

4

new restaurants opened in H1 2023; of which two in partnership with Rompetrol

H1 2023 RESULTS ANALYSIS

In Q2 2023, Sphera Franchise Group reported growth in all its markets and for every brand in its portfolio. Historically, the company sees a sales uptick from one quarter to the next throughout the year, with the final quarter typically registering the highest performance. This trend is anticipated to continue in 2023. It's worth noting that Q2 2023 is the first quarter where results are compared to post-pandemic figures from Q2 2022. As a result, moving forward, the company expects its year-on-year growth rates to be more moderate, mirroring pre-pandemic levels and consistent with this year's projections.

Sphera Franchise Group generated sales of RON 360.5 million in the Q2 2023, a 10.1% increase vs Q2 2022, when the Group saw revenues of RON 327.4 million. Sales in Romania contributed to the total revenues with RON 311.3 million, registering a 9.4% increase in Q2 2023 vs Q2 2022, Italy with RON 44.4 million, a 14.4% increase, while the Republic of Moldova contributed with RON 4.9 million, a 19.7% increase. The contribution to the total performance remained largely consistent to the previous quarter, with Romania contributing 86.3% to total sales, Italy – 12.3% and the Republic of Moldova - 1.4%

Data in RON '000	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Change Q2-23/Q2-22	Change H1-23/H1-22
Sales by region								
Romania	241,607	284,592	297,301	315,594	289,218	311,266	9.4%	14.1%
Italy	33,545	38,768	45,512	48,510	40,951	44,364	14.4%	18.0%
Rep. Moldova	3,427	4,086	4,757	5,123	4,891	4,890	19.7%	30.2%
Total sales	278,579	327,445	347,570	369,228	335,060	360,520	10.1%	14.8%

In Q2 2023, Sphera Franchise Group experienced robust performance across all its markets, leading to favorable overall results. Specifically, the Group achieved an EBITDA of RON 28.8 million in Q2 2023, a substantial 65% increase compared to Q2 2022. Furthermore, the net profit soared to RON 12.1 million, representing a remarkable 453.2% growth year-on-year and a 64.3% increase from the previous quarter.

Sphera Franchise Group showcased remarkable top-line and bottom-line results in the second quarter, culminating with the most profitable first half of the year in the Group's history. In the first six months of 2023, the Group registered revenues of RON 695.6 million, a 14.8% increase vs H1 2022. Most of the revenues were generated in H1 2023 in Romania – RON 600.5 million (86.3% of total sales), followed by Italy – RON 85.3 million (12.3%) and the Republic of Moldova – RON 9.8 million (1.4%). Analyzing performance per brand, sales of KFC appreciated 15.4% in H1 2023 vs H1 2022, delivering RON 595.9 million in revenues, Pizza Hut increased 1.7%, contributing RON 59 million, while Taco Bell grew 29.1%, registering revenues of RON 40.7 million in the first six months of 2023. Similar to the geographical split, brand contributions to the total sales remained consistent with H1 2022 figures. Specifically, KFC accounted for 85.7%, Pizza Hut at 8.5%, and Taco Bell rounded up with 5.8%.

After a challenging 2022, restaurant expenses weight in sales decreased with almost 5pp, reaching 91.3% of sales in H1 2023 vs 96% in H1 2022. This was due to the 14.8% increase in restaurant revenues, which grew faster than the restaurant expenses, which only increased 9.2% in H1 2023 YoY. All the cost categories saw moderate increases, with the food and material costs rising 7.2% YoY to RON 232.8 million, lower than the inflation rate for food products registered at national level.

Company's efforts to motivate and secure its employee base are reflected in the 15.2% increase in payroll and employee benefits in H1 2023 vs H1 2022, reaching RON 163.3 million, mirroring the labor market evolution. Complementary, the number of employees increased with 4%, from 5,204 as of June 30th, 2022 to 5,388 as of June 30th, 2023, sustaining the continuing network evolution. The rent increased 13.2% YoY in H1 2023 to RON 50.5 million due to a larger restaurant footprint and reflecting the rent contract variable structure in line with the sales increase. Royalties increased in line with the sales, reaching RON 41.7 million, a 14.5% increase, while advertising increased by 8% to RON 35 million. Other operating expenses amounted to RON 91.7 million, a moderate 3.1% increase, due to the stabilization of the third-party and utility costs, which are the biggest contributor to this category. This position also includes aggregator commissions, which decreased by 11.1% in H1 2023 due to a lower share of sales for delivery compared to H1 2022 (RON 22.7 million in H1 2023 vs RON 25.5 million in H1 2022).

Due to the correct pricing strategy and increasing sales volumes, the group ended H1 2023 with a restaurant operating profit of RON 60.6 million, a 136.3% increase compared to H1 2022. The weight in

sales of the G&A expenses remained constant, amounting to 4.4%, as the costs reached RON 30.3 million in H1 2023, a 14.5% YoY increase. The operating result in H1 2023 was RON 30.3 million vs the operating loss of RON 0.8 million registered in H1 2022. The EBITDA amounted to RON 52.4 million in H1 2023, a 146.5% YoY increase.

The net finance costs decreased 18.4% YoY, reaching RON 5.2 million in H1 2023 vs RON 6.4 million in H1 2022. The profit before tax for H1 2023 amounted RON 25.2 million vs a gross loss of RON 7.2 million in H1 2022. The tax expense amounted to RON 5.7 million in H1 2023 vs RON 1.6 million in H1 2022 due the change in tax regime applicable for HORECA companies starting January 1st, 2023. Consequently, the Group ended H1 2023 with a net profit of RON 19.4 million, vs a net loss of RON 8.7 million registered in H1 2022.

Summary of interim Consolidated Financial Statements for H1 (excluding IFRS 16 Impact):

Data in RON'000	H1-23	H1-22	Y/Y %	% of Sales		Δ%
			H1-23/H1-22	H1-23	H1-22	
Restaurant sales	695,580	606,024	14.8%			
Other restaurant income	-	1,172	-100.0%			
Restaurant expenses	634,970	581,542	9.2%	91.3%	96.0%	-4.7%
Food and material	232,843	217,287	7.2%	33.5%	35.9%	-2.4%
Payroll and employee benefits	163,303	141,780	15.2%	23.5%	23.4%	0.1%
Rent	50,505	44,604	13.2%	7.3%	7.4%	-0.1%
Royalties	41,683	36,406	14.5%	6.0%	6.0%	0.0%
Advertising	34,986	32,314	8.3%	5.0%	5.3%	-0.3%
Other operating expenses	91,684	88,910	3.1%	13.2%	14.7%	-1.5%
Depreciation and amortization	19,965	20,241	-1.4%	2.9%	3.3%	-0.5%
Restaurant operating profit	60,610	25,653	136.3%	8.7%	4.2%	4.5%
General & Admin expenses	30,261	26,440	14.5%	4.4%	4.4%	0.0%
Operating Profit/(Loss)	30,349	(786)	-	4.4%	-0.1%	4.5%
Finance costs	6,231	6,724	-7.3%	0.9%	1.1%	-0.2%
Finance income	1,036	356	191.0%	0.1%	0.1%	0.1%
Profit/(Loss) before tax	25,153	(7,154)	-	3.6%	-1.2%	4.8%
Income tax expense	5,740	276	1979.7%	0.8%	0.0%	0.8%
Specific Tax	-	1,275	-100.0%	0.0%	0.2%	-0.2%
Profit/(Loss) for the period	19,413	(8,706)	-	2.8%	-1.4%	4.2%
EBITDA	52,351	21,234	146.5%	7.5%	3.5%	4.0%

Summary of interim Consolidated Financial Statements for H1 – results and evolution presented with and without IFRS 16 impact

Data in RON'000	H1-23	H1-23	H1-22	H1-22	Change (%)	
	1	2	1	2	2023/2022	2023/2022
					(1)	(2)
Restaurant sales	695,580	695,580	606,024	606,024	14.8%	14.8%
Other restaurant income	-	-	1,172	1,172	-100.0%	-100.0%
Restaurant expenses	630,536	634,970	578,197	581,542	9.1%	9.2%
Food and material	232,843	232,843	217,287	217,287	7.2%	7.2%
Payroll and employee benefits	163,303	163,303	141,780	141,780	15.2%	15.2%
Rent	15,761	50,505	13,789	44,604	14.3%	13.2%
Royalties	41,683	41,683	36,406	36,406	14.5%	14.5%
Advertising	34,986	34,986	32,314	32,314	8.3%	8.3%
Other operating expenses	91,684	91,684	88,910	88,910	3.1%	3.1%
Depreciation and amortization	50,275	19,965	47,711	20,241	5.4%	-1.4%
Restaurant operating Profit / (Loss)	65,044	60,610	28,999	25,653	124.3%	136.3%
General & Admin expenses	29,895	30,261	25,856	26,440	15.6%	14.5%
Operating Profit/(Loss)	35,149	30,349	3,143	(786)	1018.3%	-
Finance costs	13,885	6,231	10,752	6,724	29.1%	-7.3%
Finance income	1,036	1,036	356	356	191.0%	191.0%
Profit/(Loss) before tax	22,300	25,153	(7,253)	(7,154)	-	-
Income tax expense	5,643	5,740	241	276	2241.5%	1979.8%
Specific Tax	-	-	1,275	1,275	-100.0%	-100.0%
Profit/(Loss) for the period	16,657	19,413	(8,769)	(8,706)	-	-
EBITDA	89,102	52,351	53,915	21,234	65.3%	146.5%

Notes: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

The weight of G&A expenses in sales in H1 2023 remained constant, at 4.4% share of restaurant sales. Payroll and employee benefits accounted for 68.8% of total G&A expenses, with a total value of RON 20.8 million, with the weight in sales remaining stable at 3%. Third-party services decreased 6.8% YoY and accounted for 10.7% of total G&A expenses, with a total value of RON 3.2 million. Rent increased 8.1% to RON 2.1 million (7% of total G&A expenses), while depreciation and amortization increased 14.5% to RON 2 million (6.7% of total G&A costs).

	Data in RON '000				Change (%)		Percentage of sales			
	H1-23	H1-23	H1-22	H1-22			2023	2023	2022	2022
	(1)	(2)	(1)	(2)	2023/ 2022 (1)	2023/ 2022 (2)	(1)	(2)	(1)	(2)
General and administration (G&A) expenses	29,895	30,261	25,856	26,440	15.6%	14.5%	4.3%	4.4%	4.3%	4.4%
Payroll and employee benefits	20,814	20,814	17,338	17,338	20.0%	20.0%				
Third-party services	3,238	3,238	3,474	3,474	-6.8%	-6.8%				
Depreciation and amortization	3,678	2,037	3,061	1,780	20.2%	14.4%				
Rent	126	2,132	108	1,973	16.7%	8.1%				
Banking charges	368	368	371	371	-0.8%	-0.8%				
Transport	603	603	563	563	7.1%	7.1%				
Other*	1,069	1,069	941	941	13.7%	13.7%				

Note: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

*Other expenses include maintenance & repairs, smallware, insurance, advertising, phone & postage, miscellaneous expenses.

The restaurant operating profit for the Group saw a 136.3% increase, from RON 25.7 million in H1 2022 to RON 60.6 million in H1 2023. This growth is attributed to improved performance across all brands, with particularly strong contributions from USFN Romania (KFC Romania: RON 52.2 million, +69.7% vs H1 2022), USFN Moldova (KFC Moldova: RON 1.6 million, +54.9% vs H1 2022), USFN Italy (KFC Italy: RON 6.7 million, vs restaurant operating loss of RON 3.4 million) and CFF (Taco Bell: RON 1.6 million, +250.5% vs H1 2022). Moreover, ARS halved its restaurant operating loss in H1 2023, registering a negative result of RON 1.7 million.

Similarly, the EBITDA has followed a positive evolution, increasing from RON 21.2 million in H1 2022 to RON 52.4 million in H1 2023, a remarkable appreciation of 146.5%. This improvement can be mainly attributed to effective cost-control measures taken by the companies, leading to the increase in restaurant operating profit. Like restaurant operating profit evolution, USFN Italy took EBITDA from negative, as reported in H1 2022, to positive territory in H1 2023. The EBITDA margin varied per brand, with USFN Moldova having the highest margin of 15.9%, followed by USFN Romania: 9.3%, USFN Italy: 7.1%, and CFF: 3.8%.

Finally, the net profit for the Group significantly increased from a net loss of RON 8.7 million in H1 2022 to a net profit of RON 19.4 million in H1 2023. This turnaround can be attributed to the strong performance of USFN Romania and USFN Moldova, which together registered a combined net profit of RON 27.5 million, and USFN Italy, where the Group efficiently controlled expenses and streamlined activities, including the closing of the two non-viable units, and has consequently reached breakeven.

Breakdown of consolidated results by Group companies – H1 2023 (excluding IFRS 16 Impact):

Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	SFG Cons
Restaurant sales	500,846	58,964	9,781	85,315	40,678	19,664	(19,667)	695,580
Dividends revenue	-	-	-	-	-	73,003	(73,003)	-
Other restaurant income	-	-	-	-	-	-	-	-
Restaurant expenses	448,613	60,713	8,186	78,575	39,104	-	(220)	634,970
Food and material	174,176	16,500	4,044	23,616	14,504	-	3	232,843
Payroll and employee benefits	115,265	17,007	1,503	20,297	9,231	-	-	163,303
Rent	34,001	5,779	529	7,185	3,011	-	-	50,505
Royalties	30,024	3,484	585	5,105	2,485	-	-	41,683
Advertising	24,562	3,029	323	5,330	1,950	-	(209)	34,986
Other operating expenses	59,286	12,578	1,039	12,587	6,199	-	(4)	91,684
Depreciation	11,300	2,335	162	4,455	1,724	-	(10)	19,965
Restaurant operating profit/(loss)	52,233	(1,749)	1,595	6,740	1,574	92,667	(92,450)	60,610
G&A expenses	18,080	3,990	221	5,231	1,839	20,273	(19,374)	30,261
Operating profit/(loss)	34,152	(5,739)	1,374	1,510	(265)	72,393	(73,076)	30,349
Finance costs	4,395	388	32	1,275	778	1,849	(2,485)	6,231
Finance income	2,027	9	-	1	-	1,484	(2,485)	1,036
Profit/(Loss) before tax	31,784	(6,118)	1,342	236	(1,043)	72,029	(73,076)	25,153
Income tax expense	5,442	27	191	291	87	(297)	-	5,740
Specific tax expense	-	-	-	-	-	-	-	-
Profit/(Loss) for the period	26,342	(6,145)	1,151	(56)	(1,130)	72,326	(73,076)	19,413
EBITDA	46,620	(3,064)	1,553	6,017	1,562	72,753	(73,090)	52,351

In Q2 2023, the like-for-like sales across Sphera brands grew 6.8%, with the most significant like-for-like increase registered by USFN Moldova, which grew 19.7% compared to H1 2022, followed by CFF, which increased 14.5%, USFN Italy, where sales increased 14.4%, and USFN Romania, where comparable stores grew their sales 6.5%. ARS saw a 6.8% decrease in same store performance.

Between June 30th, 2022, and June 30th, 2023, Sphera opened 7 new restaurants – 6 KFC and 1 Taco Bell restaurant in Romania, with the new openings being offset by the closing of 2 non-performing KFC units in Italy. The new locations helped the Group's performance, most notably Taco Bell, where all store performance increased by 19.9%, followed by USFN Moldova – 19.7% and USFN Italy, which grew 14.4%. USFN Romania continued steady growth and consolidation, increasing 10.5% at the all-store level. ARS performance declined 6.2% year-on-year for all store performance.

		Y/Y Q1-22	Y/Y Q2-22	Y/Y Q3-22	Y/Y Q4-22	Y/Y Q1-23	Y/Y Q2-23
USFN RO	All Stores	23.6%	37.3%	20.1%	35.0%	19.6%	10.5%
	o/w Same Stores	21.6%	34.3%	17.6%	31.5%	18.0%	6.5%
ARS	All Stores	55.3%	45.5%	15.1%	38.5%	10.0%	-6.2%
	o/w Same Stores	52.8%	42.1%	11.1%	34.2%	8.7%	-6.8%
CFF	All Stores	48.2%	39.6%	27.3%	56.3%	40.6%	19.9%
	o/w Same Stores	46.4%	31.7%	17.3%	41.1%	27.7%	14.5%
USFN IT	All Stores	70.3%	58.4%	37.5%	31.6%	22.1%	14.4%
	o/w Same Stores	70.3%	58.4%	37.5%	31.6%	22.1%	14.4%
USFN MD	All Stores	22.8%	44.8%	48.3%	42.0%	42.7%	19.7%
	o/w Same Stores	22.8%	44.8%	48.3%	42.0%	42.7%	19.7%
TOTAL	All Stores	31.8%	40.5%	22.3%	35.9%	20.3%	10.1%
	o/w Same Stores	29.9%	37.5%	19.6%	32.4%	18.3%	6.8%

In Q2 2023, the sales for delivery decreased slightly compared to Q1 2023 (-2pp) and more significantly vs Q2 2022 (-5pp), reflecting the post-pandemic realities where customers prefer to dine-in, in line with the management's expectations. Consequently, the total value of sales for delivery in Q2 2023 amounted to RON 61.4 million, a 12.7% decrease vs RON 70.3 million registered in Q2 2022.

The Group decided to gradually outsource its own delivery fleet to existing partners in an effort to optimize costs while securing sales. In Q2 2023, 10.5% out of all the sales for delivery were delivered using Sphera's own delivery capacity.

Sales by entity, by Country		Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23
USFN RO	delivery	27%	20%	16%	16%	18%	16%
	non-delivery	73%	80%	84%	84%	82%	84%
ARS	delivery	49%	40%	38%	39%	36%	34%
	non-delivery	51%	60%	62%	61%	64%	66%
CFF	delivery	41%	32%	26%	27%	30%	28%
	non-delivery	59%	68%	74%	73%	70%	72%
USFN IT	delivery	14%	12%	9%	10%	8%	7%
	non-delivery	86%	88%	91%	90%	92%	93%
USFN MD	delivery	35%	31%	31%	29%	31%	30%
	non-delivery	65%	69%	69%	71%	69%	70%
All	delivery	28%	22%	18%	18%	19%	17%
	non-delivery	72%	78%	82%	82%	81%	83%

MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group (interim consolidated result) as of June 30th, 2023, are presented below, together with the result as of June 30th, 2022. All the ratios are including IFRS 16 impact.

<i>Financial data in RON '000</i>	6M Period ended 30.06.2023		6M Period ended 30.06.2022	
Current ratio				
Current assets	123,403	= 0.52	140,523	= 0.53
Current liabilities	235,953		266,441	
Debt to Equity ratio				
Interest-bearing debt (long term)	321,246	= 242%	319,069	= 361%
Equity	132,633		88,275	
Interest-bearing debt (long term)	321,246	= 71%	319,069	= 78%
Capital employed	453,879		407,345	
Trade receivables turnover (days)				
Average receivables	15,286	= 3.96	36,316	= 10.79
Sales	695,580		606,024	
Fixed asset turnover				
Sales	695,580	= 2.58	606,024	= 2.38
Net fixed assets	539,365		509,380	

Notes: Annualized values, based on the ASF methodology.



H1 2023 Results Call

30.08.2023 | 14:00 & 15:00 hrs

On August 30th, Sphera Franchise Group will hold two conference calls with the management, one in English and another in Romanian, to discuss the H1 2023 results. The calls will be attended by Calin Ionescu (CEO), Valentin Budes (CFO), Monica Eftimie (CMO), and Zuzanna Kurek (IR).

The call in English language will take place at 14:00, local time (13:00 CET | 12:00 UK), and the one in Romanian at 15:00, local time.

To receive the log-in details, please email [**investor.relations@spheragroup.com**](mailto:investor.relations@spheragroup.com), indicating the conference call you would like to attend.

SIGNIFICANT EVENTS IN H1 2023 & AFTER CLOSING OF THE REPORTING PERIOD

BUSINESS UPDATES

DEVELOPMENT OF THE NETWORK

In Q1 2023, Sphera opened 2 new restaurants – 2 KFC units in Romania, KFC Orastie located within Rompetrol, and a location in Giurgiu Shopping Park. At the same time, in January 2023, two KFC stores in Italy were closed, KFC Verona Corso Milano and KFC Torino Moncalieri.

In Q2 2023, Sphera opened additional 2 new restaurants – 2 KFC units in Romania. One of them is located within Rompetrol gas station on the A1 highway, namely KFC Giarmata (km 500+596), and another one, located in Slatina.

As of 30.06.2023, Sphera Franchise Group operated 179 restaurants: 100 KFC restaurants in Romania, 2 in Moldova and 18 in Italy, as well as 42 Pizza Hut restaurants, 15 Taco Bell restaurants, one PHD subfranchise and one Paul restaurant in Romania.

At the end of July 2023, one PHD location (Cluj Centru) was closed.

STAFF

As of June 30th, 2023, the Group had 5,388 employees, of which 4,904 were in Romania, 407 in Italy and 77 in the Republic of Moldova. In H1 2023, the Group continued the process of digitalizing its network through further deployment of digital kiosks to simplify the selling process, as well as carried on with the project of hiring employees from abroad. So far, Sphera has over 200 employees from Sri Lanka, most of them currently working for USFN Romania.

GOVERNANCE UPDATES

GENERAL MEETING OF THE SHAREHOLDERS

On March 24th, 2023, the Board of Directors of Sphera Franchise Group convened the Ordinary and Extraordinary General Meeting of the Shareholders for April 27th, 2023. During the OGSM, the shareholders approved the 2022 financial statements, the 2022 remuneration report and the 2023 budget. The shareholders moreover elected a new Board of Directors for the 2023-2027 mandate, consisting of Mr. Silviu-Gabriel Carmaciu, Mr. Mihai Ene, Mr. Lucian Hoanca, Mr. Razvan Lefter and Mr. Georgios Repidonis and approved the monthly remuneration granted to the Board Members. The shareholders also voted in the OGSM the Share Option Plan (SOP) for Directors for the activity in 2021 and 2022. In EGSM, the shareholders approved the acquisition of SFG shares for the implementation of SOP.

The OGSM and EGSM were organized using the eVOTE solution, allowing the shareholders remote participation, including option to the cast votes beforehand and to ask questions virtually, in real-time.

2022 SUSTAINABILITY REPORT

On June 30th, 2023, Sphera Franchise Group published its Sustainability Report for 2022, in Romanian. The report can be accessed [HERE](#).

GENERAL MEETING OF THE SHAREHOLDERS

On July 31st, 2023, the Board of Directors of Sphera Franchise Group convened the Ordinary General Meeting of the Shareholders for September 4th, 2023. The key point on the agenda of the OGSM is the approval of the dividend distribution amounting RON 45,007,234.40 from the undistributed net profit of financial years 2020-2022, fixing a gross dividend per share at RON 1.16. The ex-date proposal is September 18th, 2023, record date – September 19th, 2023, and payment date – October 10th, 2023.

The OGSM will be organized using the eVOTE solution, allowing the shareholders remote participation, including option to the cast votes beforehand and to ask questions virtually, in real-time. Shareholders can register to participate in the OGSM and cast their votes at <https://sfg.evotero.ro>.

CAPITAL MARKET UPDATES

SHARE BUY-BACK INITIATION

On June 30th, 2023, Sphera Franchise Group announced the initiation of the share buyback program, as approved by EGMS Decision no. 1/27.04.2023. The purpose of the program is the implementation of the Share Option Plan for Directors, for the activity related to years 2021 and 2022. Under the program, the intermediary BT Capital Partners will buy back on behalf of the Company a maximum of 104,100 shares, at a price between 5 and 35 RON. Until August 25th, 2023, the Company bought back a total of 90,591 SFG shares.

MSCI INDICES INCLUSION

On August 10th, 2023, global index provider MSCI announced that SFG shares will be included, as of August 31st, 2023, in the MSCI Frontier Markets Small Cap and MSCI Romania Small Cap indices. The MSCI Romania Small Cap Index is designed to measure the performance of the small cap segment of the Romanian market. The MSCI Frontier Markets Small Cap Index captures small cap representation across 28 Frontier Markets countries as classified by MSCI. The inclusion in the MSCI indices was part of Sphera Franchise Groups' strategy to increase the visibility of the Group in an international arena and improve the stock's daily liquidity.

STOCK EXCHANGE EVOLUTION

SFG shares continued the positive evolution in Q2 2023, registering a 10.7% increase in the second quarter of the year, as the share closing price on June 30th, 2023, was RON 18.05, vs closing price of RON 16.3 on March 31st, 2023. In Q2 2023, investors traded 581,988 SFG shares (4.4% of the free float), with a total value of RON 10.2 million. The share price evolution in Q2 2023 outperformed the BVB reference index BET, which increased 3.1% in the period as well as the BET-TR index, which grew 5.9%.

In total, in the first half of the year, investors traded 918,385 SFG shares (7% of the free float) with a total value of RON 15.3 million. In H1 2023, SFG shares appreciated 29%, while the BET index grew 7%. The Total Return on SFG shares in H1 2023, including the dividend paid on March 31st, 2023, was 32.6%, versus 10% increase for the BET-TR index registered in the same period.

ABOUT SPHERA FRANCHISE GROUP

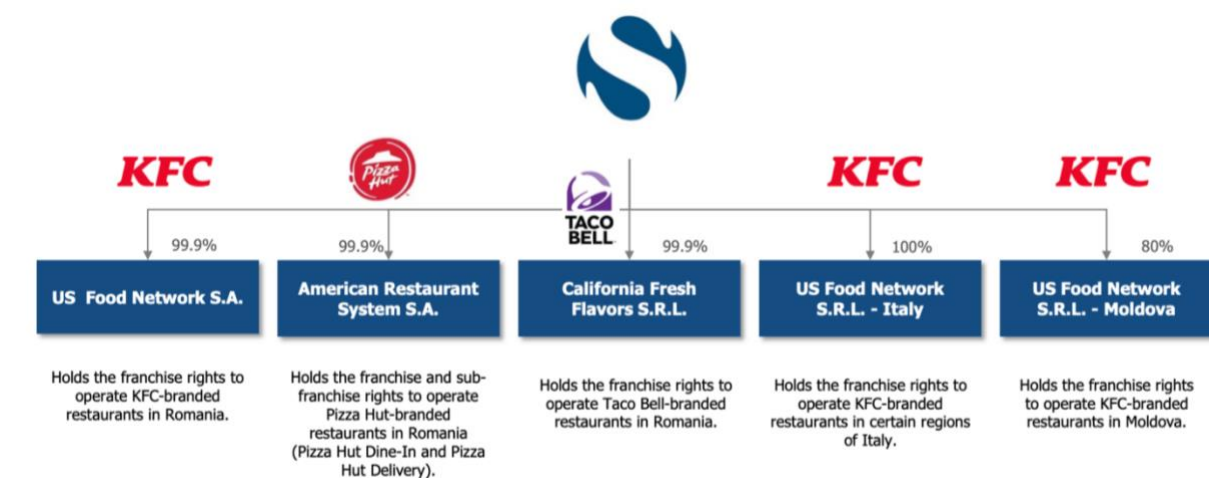
The Group's franchised foodservice business was launched in 1994 with the opening of the first Pizza Hut location, which was followed by the opening in 1997 of the first KFC location, both in Bucharest. As of June 30th, 2023, the Group operates 179 restaurants in Romania, Italy, and the Republic of Moldova.

Sphera Franchise Group's business is conducted through the following segments:

- Quick-service restaurants - through KFC restaurants (in Romania, the Republic of Moldova and Italy), Taco Bell restaurants (in Romania) and Pizza Hut Express restaurants (in Romania, new concept launched in 2021);
- Full-service restaurants - through Pizza Hut Dine-In restaurants in Romania;
- Delivery restaurants and Fast Casual Delivery restaurants - through Pizza Hut delivery units in Romania.

KFC, Pizza Hut, Pizza Hut Delivery and Taco Bell are all operated in a master franchise system, by companies owned by Sphera Franchise Group, the largest restaurant group in the full-service restaurant sector in Romania. A master franchise is a franchising contract in which the master franchisor hands over the control of the franchising activities in a specified territory to a person or entity, called the "master franchisee". Yum! is the master franchisor of Sphera Franchise Group.

The visual representation of the Group's holding structure is presented below:



ABOUT THE BRANDS



KFC is the world's second-largest restaurant chain as measured by sales. KFC is a quick-service restaurant specialized in fried chicken and chicken meals. As of December 2022, there were over 25,000 KFC Restaurants located in 147 countries and territories in the world. The first KFC restaurant was launched in Bucharest, Romania in 1997 by the Group.

Today, KFC is the leading chicken restaurant chain in Romania in terms of both total sales and number of restaurants. As of June 30th, 2023, there were 100 KFC restaurants in Romania. In 2008, the Group opened the first KFC restaurant in the Republic of Moldova, and as of June 30th, 2023, the Group operated two restaurants (both in Chisinau). In 2017 the Group opened the first two restaurants in Italy. As of June 30th, 2023, there were 18 KFC restaurants operated by the Group spread across the central - northern region of Italy. In 2018, KFC Romania has launched the delivery activity, which is now carried out in most of the stores, with delivery either carried out by own staff, or in collaboration with food aggregator platforms.

In all KFC restaurants, the Group sells food and beverages products either individually or part of a price-attractive bundle labelled "menu". Generally, the menus include three main components: a portion of a chicken-based product (sandwiches, wrappers, or pieces of chicken meat), a medium-sized portion of French fries and a medium-sized non-alcoholic drink. For an additional price, our customers can choose to opt for the "Go Large" version of the menu, which consists of large-sized portions of French fries and non-alcoholic drink. A dipping sauce is also offered in some menu offers. Whereas menus are normally sized for one person, we also offer products, called Buckets, that are targeted for group consumption (normally, up to four persons). Buckets generally consist of higher number of chicken meat pieces, and some include portions of French fries and non-alcoholic drinks.



PIZZA HUT is a casual dine-in restaurant, known for its Italian American cuisine. With over 18,000 restaurants in more than 100 countries, it is the world's largest pizza chain in terms of locations. Restaurants serve a diverse menu which includes pizza and pasta, salads as well as side dishes and desserts. Pizza Hut entered the Romanian market in 1994, with the opening of its first location on Calea Dorobanților in Bucharest.

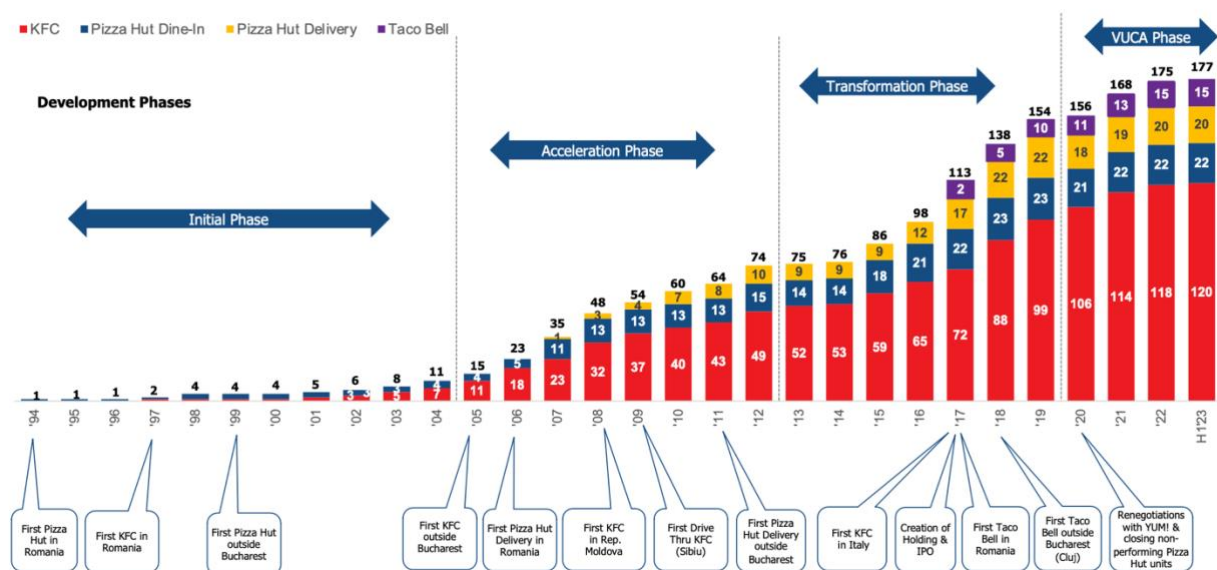
Pizza Hut is the largest casual dine-in restaurant chain in Romania in terms of both total sales and number of restaurants. On June 30th, 2023, there were 22 Pizza Hut Dine-In restaurants across the major cities of Romania and 21 Pizza Hut Delivery restaurants (including 1 PHD sub-franchise).

Pizza Hut restaurants primarily sell pizza (a wide range of traditional and proprietary recipes, on a variety of dough types, such as pan, classic, thin, Italian, cheesy bites, crown crust) and pasta, other main-course products (such as burgers and ribs) as well as beverages (primarily non-alcoholic) and deserts.



TACO BELL is the world's leading Mexican-inspired quick service restaurant (QSR), with over 7,000 locations worldwide. The restaurants serve a variety of Mexican inspired foods that include tacos, burritos, quesadillas, nachos, novelty and specialty items and a range of "value menu" products. The first Taco Bell store was launched in Bucharest, Romania, by Sphera Franchise Group in October 2017. As of June 30th, 2023, the Group operated 15 Taco Bell restaurants, all of them based in commercial centers across Romania.

The historical evolution of the network* rollout since 1994 until 30.06.2023 is presented below:

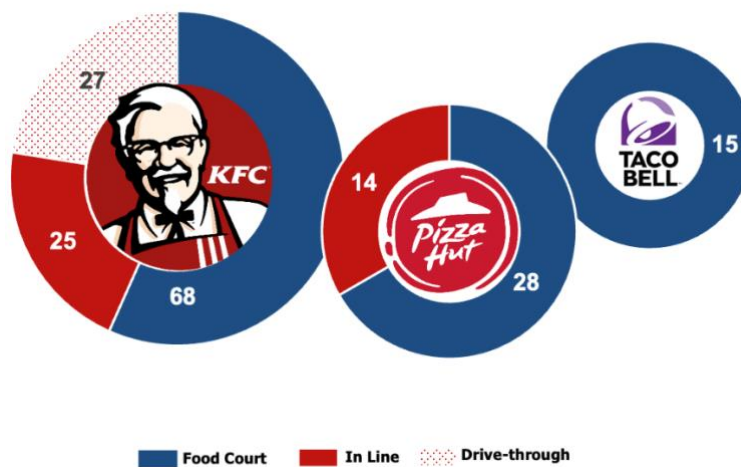


*This chart does not include the PHD sub franchise and the Paul restaurant.

All the brands offered by Sphera Franchise Group provide a friendly working environment, focused on the potential to develop their employees' career and various culinary experiences with traditional and innovative recipes for the clients.

RESTAURANT SPLIT PER BRAND AND TYPE AS OF 30.06.2023

As of June 30th, 2023, Sphera Franchise Group operated 179 restaurants: 100 KFC restaurants in Romania, 2 in the Republic of Moldova and 18 in Italy, as well as 42 Pizza Hut restaurants, 15 Taco Bell restaurants located in Romania, one PHD subfranchise and one Paul restaurant. The split per restaurant type is presented below:



The one Paul Store and one Pizza Hut Delivery sub-franchise are not included in the graphic above.

RISKS REGARDING H2 2023

The Group's results of operations have been and are expected to continue to be affected by several factors:

Inflation: A sustained increase in inflation in countries where the Group operates, particularly Romania, Italy, and the Republic of Moldova, can severely affect its business. Rising costs of raw materials, operational expenses, and wages, amidst inflationary pressures, can strain Sphera's profit margins. The Group's strategy to maintain competitive pricing can be affected if it fails to negotiate favorable rates with its suppliers or if it is unable to pass on the cost increase to its customers due to competitive pressures.

Supplier price fluctuations: The Group's gross margin can be influenced by changes in the costs of raw materials, energy, and more. While the Group has multiple suppliers, market conditions can still affect pricing, and transferring of costs to the end consumer might be challenging and delayed, or even impossible.

Fiscal regulatory shifts: Sphera is exposed to risks stemming from sudden and unexpected changes in fiscal codes and regulations. Unpredictable alterations in tax laws or enforcement practices across the markets it operates: Romania, Italy and the Republic of Moldova, could negatively affect operational costs and profitability. Such shifts can increase the Group's tax burden, disrupt business planning, and reduce the predictability of future earnings.

Supply chain disruptions: The global disruptions due to events like the COVID-19 pandemic, extreme weather events, or local or regional conflicts such as the war in Ukraine can make procurement of essential ingredients challenging. As Sphera depends on timely delivery of fresh products, any extended disruption can affect the regular operations of the Group's restaurants and can potentially harm Sphera's reputation if the Group fails to meet customer expectations.

Labor shortages: The HoReCa sector heavily relies on manpower. Labor shortages can hinder the Group's ability to maintain service quality, potentially leading to customer dissatisfaction and reduced footfall. Furthermore, the need to offer higher wages to attract and retain staff could exert pressure on operational costs, potentially affecting profitability. The ongoing project of hiring employees from abroad, such as from Sri Lanka, might be a mitigation measure, but it also comes with its challenges and costs.

Labor costs: Labor is a significant expense. Factors like minimum wage legislation, social contributions, and the impact of the pandemic on the labor pool can increase costs, which might be challenging or even impossible to be transferred onto the clients.

Geopolitical instability: The ongoing conflict in Ukraine might continue to affect the general economic sentiment in the European region. The conflict, or any other similar event in the region or globally, including in the markets where the Group operates, can lead to disruptions in trade, increased energy prices, currency fluctuations, and general economic downturn, which can indirectly affect consumer spending habits.

Lockdowns: Potential lockdowns related to COVID-19 or other pandemics outbreak in Europe or across the world can impact restaurant operations. The Group's emphasis on delivery and take-out helps mitigate the impact, but it might not be sufficient to mitigate the negative impact on the business operations and overall profitability.

Regulatory and compliance risks: New regulations, related to, but not limited to, health and safety post-COVID-19 or concerning environmental sustainability, might increase operational costs or impose restrictions on the Group's operations.

Changes in consumer behavior: The post-pandemic world has seen a considerable shift in how consumers approach dining. The rise in online orders, takeaways, and preference for health and safety can affect dine-in traffic. While Sphera has adapted in 2020-2021 by focusing on delivery and take-out services, continuous assessment of changing consumer preferences is vital. Moreover, the Group's results are influenced by various economic factors, such as employment, inflation, disposable income, and consumer willingness to spend. Local or regional events that result in heightened inflation and/or energy costs, could impact disposable income, affecting customer behavior.

Sustainability concerns: With an increasing global focus on sustainability, restaurants that fail to adapt to more sustainable practices might face backlash from consumers and stakeholders alike. Sphera assesses on a continuous basis its supply chain, operational practices, and waste management to ensure these align with the increasing demand for sustainable business practices, however it might not be sufficient effort as considered by stakeholders.

Product safety and public perception: Potential food-borne illnesses, product liability claims, and health pandemics can harm consumer trust. The Group's reliance on third-party suppliers and media reports can also influence public perception, even if the Group is not directly involved.

Poultry disease outbreak risk: The outbreak of poultry diseases, such as, but not limited to, avian influenza or Newcastle disease, can severely disrupt the supply chain of businesses reliant on poultry products. Such outbreaks can lead to mass culling of birds, increased scrutiny and regulations, and reduced consumer confidence in poultry-based products. An outbreak in a region from which the Group sources its poultry can result in supply shortages, increased costs due to the necessity to source from alternative providers, and potential reputational damage if consumers associate the brand with tainted products. Moreover, even in regions not directly affected by an outbreak, there can be heightened public fear and reduced consumption of poultry products. This risk is especially significant for brands that heavily feature poultry in their product lineup, such as KFC.

Competitive landscape: The restaurant industry's competitive nature means that the Group constantly faces the challenge of new entrants with innovative offerings. The Group faces competition in terms of food quality, price, service, convenience, and concept. This competition can influence product demand, prices, wages, and rental costs, potentially reducing profitability. Maintaining service quality, introducing new menu items, and staying abreast of industry trends are essential to retain and grow the customer base, but might not be sufficient when facing a strong competitor.

Fake news: Given its industry, notoriety of its brands as well as international presence, Sphera may face defamation or misinformation claims, including 'fake news'. Misleading information, even from inauthentic sources, can harm the Group's reputation and the brands it operates. Such events can reduce customer trust, sales, and the value of the Group's share price.

New technologies: Integrated technology solutions can redefine the dining experience and improve operational efficiencies. However, failing to adapt or late adoption can render the Group less competitive in the market. There's also the risk of potential job displacements with increased automation, which could lead to labor unrest.

Cybersecurity threats: As the Group expands and possibly integrates more digital solutions into its operations, the potential risk of cyber threats also increases. Cyberattacks, data breaches or technological failures can have serious reputational consequences and lead to loss of consumer trust. The Group might fail to adopt sufficient cybersecurity measures, resulting in cyberthreats.

Franchisor dependency: Operating KFC, Pizza Hut, and Taco Bell brands, many of the Group's decisions are influenced by the master franchisor. There can be uncertainty about the renewal of franchising agreements after their expiration, or about the terms of such agreements.

DISCLAIMER: Investors should consider that the factors briefly presented above are the most significant risks that Sphera Franchise Group is aware of at the time of redacting this report. However, the risks presented in this section do not include all the risks associated with the issuer's activity, and the Group cannot guarantee that it includes all the relevant risks for H2 2023. There may be other risk factors and uncertainties of which the Group or the companies within the Group are not aware at the time of preparing this report and which may in future modify the actual results, financial conditions, performances, and achievements of the issuer and may lead to a decrease in the price of the Group's shares. Investors should undertake pre-requisite checks to prepare their investment opportunity assessment. The management recommends investors to read a more elaborated list of risks that Sphera Franchise Group is subject to, that was included in the Listing Prospectus, available [HERE](#), as well as the list of risks as included in the 2022 Annual Report, available [HERE](#). Nonetheless, it is important to underline that even with the additional sources, neither the list of risks, nor the description of the risks, can be treated as exhaustive.

DECLARATION FROM THE MANAGEMENT

Bucharest, August 30th, 2023

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements and unaudited interim condensed separate financial statements for the six months period ended June 30th, 2023 give a true and fair view of Sphera Franchise Group's assets, liabilities, financial position and profit or loss, as required by the applicable accounting standards, and that the Directors' Report gives a true and fair view of important events that have occurred during the first six months of the 2023 financial year and their impact on the interim condensed consolidated financial statements and the interim condensed separate financial statements.

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)**

The interim condensed consolidated financial statements presented below are prepared in accordance with International Financial Reporting Standards, as adopted by European Union ("IFRS").

The interim condensed consolidated financial statements are unaudited.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

	Note	Six-month period ended 30 June 2023	30 June 2022
Restaurant sales		695,580	606,024
Other restaurant income		-	1,172
Restaurant expenses			
Food and material expenses		232,843	217,287
Payroll and employee benefits	4	163,303	141,780
Rental expenses		15,761	13,789
Royalties expenses		41,683	36,406
Advertising expenses		34,986	32,314
Other operating expenses	5	91,684	88,910
Depreciation, amortization and impairment	7	50,275	47,711
Restaurant operating profit		65,044	28,999
General and administrative expenses	6	29,895	25,856
Profit/(Loss) from operating activities		35,149	3,143
Finance costs	8	13,885	10,752
Finance income		1,036	356
Profit/(Loss) before tax		22,300	(7,253)
Income tax expense from continuing operations		5,643	241
Specific tax expense		-	1,275
Profit/(Loss)		16,657	(8,769)
Attributable to:			
Owners of the parent		16,427	(8,912)
Non-controlling interests		230	143
Other comprehensive income			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		6	(7)
Total comprehensive income		16,663	(8,776)
Attributable to:			
Owners of the parent		16,424	(8,919)
Non-controlling interests		239	143

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 (UNAUDITED)

	30 June 2023	31 December 2022
Assets		
Non-current assets	571,538	537,600
Property, plant and equipment	235,292	230,557
Right-of-use assets	247,807	217,719
Intangible assets and goodwill	56,266	57,778
Financial assets (cash collateral)	9,110	8,929
Deferred tax assets	23,063	22,617
Current assets	123,403	168,282
Inventories	15,330	15,907
Trade and other current receivables	9,293	21,279
Prepayments	14,884	3,007
Cash and short-term deposits	83,896	128,089
Total assets	694,941	705,882
Equity and liabilities		
Equity		
Issued capital (Note 10)	581,990	581,990
Share premium	(519,998)	(519,998)
Reserves for share-based remuneration	1,502	1,502
Other reserves	(1,115)	(1,115)
Retained earnings	70,439	54,012
Reserve of exchange differences on translation	(327)	(324)
Equity attributable to owners of the parent	132,490	116,067
Non-controlling interests	143	297
Total equity	132,633	116,364
Non-current liabilities	326,355	318,323
Long-term borrowings (Note 9)	101,859	122,949
Non-current lease liabilities	219,386	190,729
Employee defined benefit liabilities (Note 4)	4,205	3,861
Deferred tax liabilities	905	784
Current liabilities	235,953	271,195
Trade and other current payables	134,180	152,667
Short-term borrowings (Note 9)	44,546	65,086
Current lease liabilities	57,227	52,693
Provisions	-	749
Total liabilities	562,308	589,518
Total equity and liabilities	694,941	705,882

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

	Issued capital	Share premium	Reserves for share-based remuneration	Other reserves	Retained earnings	Foreign currency translation reserve	Equity attributable to owners of the parent	Non-controlling interest	Total equity
As at 1 January 2023	581,990	(519,998)	1,502	(1,115)	54,012	(324)	116,067	297	116,364
Profit	-	-	-	-	16,427	-	16,427	230	16,657
Other comprehensive income									
Exchange differences on translation	-	-	-	-	-	(3)	(3)	9	6
Total comprehensive income	-	-	-	-	16,427	(3)	16,424	239	16,663
Dividends declared	-	-	-	-	-	-	-	(393)	(393)
At 30 June 2023	581,990	(519,998)	1,502	(1,115)	70,439	(327)	132,491	143	132,633
As at 1 January 2022	581,990	(519,998)	-	(1,314)	71,457	(258)	131,877	175	132,052
Profit					(8,912)	-	(8,912)	143	(8,769)
Other comprehensive income									
Exchange differences on translation	-	-	-	-	-	(7)	(7)	-	(7)
Total comprehensive income	-	-	-	-	(8,912)	(7)	(8,919)	143	(8,776)
Dividends declared					(35,001)	-	(35,001)	-	(35,001)
At 30 June 2022	581,990	(519,998)	-	(1,314)	27,544	(265)	87,957	318	88,275

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

	Six-month period ended	
	30 June	30 June
	2023	2022
Operating activities		
Profit/(Loss) before tax	22,300	(7,253)
<i>Adjustments to reconcile profit/(loss) before tax to net cash flows:</i>		
Depreciation of right-of-use assets	32,095	28,927
Depreciation and impairment of property, plant and equipment	18,870	19,314
Amortisation and impairment of intangible assets and goodwill	2,988	2,531
Adjustments for unrealised foreign exchange losses/(gains)	1,280	(629)
Adjustments for (gain)/loss on disposal of property, plant and equipment and right-of-use assets	(155)	6
Adjustments for finance income	(1,036)	(356)
Adjustments for finance costs (interest)	12,465	9,191
Movements in provisions, net	(748)	-
Working capital adjustments:		
Adjustments to decrease/(increase) in trade and other receivables and prepayments	(144)	(14,126)
Adjustments for decrease/(increase) in inventories	576	(1,788)
Adjustments for (decrease)/increase in trade and other payables	(353)	24,431
Interest received classified as operating activities	1,036	356
Interest paid classified as operating activities	(12,061)	(8,751)
Income tax paid	(4,350)	(3,587)
Cash flows from in operating activities	72,761	48,266
Investing activities		
Proceeds from sale of property, plant and equipment	317	142
Purchase of intangible assets	(1,476)	(2,696)
Purchase of property, plant and equipment	(23,748)	(24,799)
Cash flows used in investing activities	(24,907)	(27,353)
Financing activities		
Repayment of borrowings	(42,371)	(24,474)
Payment of lease liabilities	(29,757)	(28,590)
Dividends paid to owners of the parent	(19,847)	(34,707)
Cash flows used in financing activities	(91,975)	(87,771)
Net (decrease)/increase in cash and cash equivalents	(44,121)	(66,858)
Net foreign exchange differences	(72)	25
Cash and cash equivalents at 1 January	128,089	146,116
Cash and cash equivalents at 30 June	83,896	79,283

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

1 CORPORATE INFORMATION

These interim condensed consolidated financial statements are prepared by Sphera Franchise Group SA and comprise its activities and those of its subsidiaries, together referred hereinafter as “SFG” or “the Group”. Sphera Franchise Group SA is listed on Bucharest Stock Exchange under the symbol “SFG”. Sphera Franchise Group SA (“the legal Parent”, or “Sphera”) was incorporated on 16 May 2017 as a joint stock company and is registered at No. 239 Calea Dorobantilor, Bucharest, Romania.

The Group operates quick service and takeaway restaurant concepts (a chain of 120 restaurants) under the Kentucky Fried Chicken (“KFC”), spread across Romania as well as in the Republic of Moldova and in Italy. The Group also operates in Romania a chain of pizza restaurants (22 restaurants as at 30 June 2023) as well as pizza delivery points (21 locations as at 30 June 2023, including one sub-franchise restaurant) under the Pizza Hut (“PH”) and Pizza Hut Delivery (“PHD”) brands, one chain of restaurants under the “Taco Bell” brand (15 restaurants as at 30 June 2023) and one restaurant under Paul brand.

US Food Network SA (USFN), the subsidiary which operates the KFC franchise in Romania was incorporated in 1994 as a joint stock company and is registered at No. 239 Calea Dorobantilor Street, Bucharest, Romania.

American Restaurant System SA (ARS) operating the Pizza Hut and Pizza Hut Delivery franchises was incorporated in 1994 as a joint stock company and is registered at No. 239 Calea Dorobantilor Street, Bucharest, Romania.

The Moldavian subsidiary, US Food Network SRL which operates the KFC franchise in Moldova, was incorporated in 2008 as a limited liability company and is registered at No. 45 Banulescu Bodoni Street, Chisinau, Republic of Moldova. The Group owns 80% of the company’s shares.

The Italian subsidiary, US Food Network Srl operating the KFC franchise in Italy was incorporated in 2016 as a limited liability company and is registered at No. 5 Viale Francesco Restelli Street, Milano, Italy. The Group owns 100% of the company’s shares.

California Fresh Flavors SRL (CFF) was set up on 19 June 2017 and operates Taco Bell franchise in Romania. Sphera owns 99.99% of the company’s shares. The company operates as a limited liability company and is registered at No. 239 Calea Dorobantilor, Bucharest, Romania.

2 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed unaudited financial statements of the Group as of and for the six-month period ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Romanian Lei (“RON”) and all values are rounded to the nearest thousand RON, except when otherwise indicated. Accordingly, there may be rounding differences.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022.

The interim condensed consolidated financial statements for six-month period ended 30 June 2023 included in this report are unaudited.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

General accounting policies

The accounting policies and valuation methods adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022. The amendments effective since 1 January 2023 do not have a material impact on the Group's interim condensed consolidated financial statements. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Foreign currencies

The Group's interim condensed financial statements are presented in Romanian New Lei ("RON"), which is also the legal parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency (namely Moldavian Leu "MDL" for the Moldavian subsidiary and the Euro "EUR" for the Italian subsidiary).

The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

The exchange rates as at 30 June 2023 and 31 December 2022 and the average exchange rates for the six-month period ended 30 June 2023 and 30 June 2022 were:

	Closing exchange rates		Average exchange rates	
	30 June 2023	31 December 2022	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
RON – EUR	4.9634	4.9474	4.9335	4.9485
RON – USD	4.5750	4.6346	4.5637	4.5228
RON – MDL	0.2486	0.2428	0.2482	0.2449

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is classified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
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All amounts in RON thousand, unless specified otherwise

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into RON at the rate of exchange prevailing at the reporting date and their revenues and expenses are translated using the average exchange rates of daily exchange rates published by National Bank of Romania (NBR) as detailed above. Equity items are translated into RON at the historical exchange rate. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is recognised in the profit or loss.

3 GROUP INFORMATION

Details of the Group consolidated subsidiaries at 30 June 2023 and 31 December 2022 are as follows:

Company name	Country of incorporation	Field of activity	Control 30 June 2023	Control 31 December 2022
US Food Network SA	Romania	Restaurants	99.9997%	99.9997%
American Restaurant System SA	Romania	Restaurants	99.9997%	99.9997%
California Fresh Flavors SRL	Romania	Restaurants	99.9900%	99.9900%
US Foods Network SRL	Moldova	Restaurants	80.0000%	80.0000%
US Food Network SRL	Italy	Restaurants	100.0000%	100.0000%

4 PAYROLL AND EMPLOYEE BENEFITS

	Six-month period ended	
	30 June 2023	30 June 2022
Payroll and employee benefits recognized in restaurant expenses	163,303	141,780
Payroll and employee benefits recognized in "General and administrative expenses "	20,814	17,338
Total Payroll and employee benefits	184,117	159,118

Payroll costs of 868 representing the value of project management and other technical activities performed by the Group's employees during the six-month period ended 30 June 2023 (2022: 860) for the construction or refurbishment of restaurants were capitalized in the cost of construction of the non-current assets.

Employee defined benefit liabilities (Italian subsidiary)

In accordance with the local labour regulations, Italian companies have to pay to their employees a leaving-service indemnity ("TFR"). The accrual for the benefits in amount of 4,205 (3,861 as at 31 December 2022) was calculated as a career-average lump sum, in accordance with the Italian statutory regulations. The Group performs an actuarial computation of these benefits in line with the IAS 19 "Employee benefits".

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
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All amounts in RON thousand, unless specified otherwise

5 OTHER OPERATING EXPENSES

	Six-month period ended	
	30 June 2023	30 June 2022
Third-party services	46,908	45,406
Utilities	20,333	21,178
Maintenance and repairs	8,293	8,711
Cleaning supplies	4,812	4,938
Transport	4,263	3,911
Smallwares	2,319	1,288
Bank charges	2,692	1,959
Telephone and postage	625	625
Insurance	246	354
Net (gain)/loss on disposal of property, plant and equipment and right-of-use assets	(155)	6
Miscellaneous expenses and income	1,349	534
Total	91,684	88,910

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Six-month period ended	
	30 June 2023	30 June 2022
Payroll and employee benefits	20,814	17,338
Third-party services	3,238	3,474
Depreciation, amortization and impairment of non-current assets	3,678	3,061
Rent	126	108
Banking charges	368	371
Transport	603	563
Maintenance and repairs	225	215
Smallwares	65	54
Insurance	257	323
Advertising	60	71
Telephone and postage	180	167
Miscellaneous expenses and income	282	111
Total	29,895	25,856

7 DEPRECIATION AND AMORTIZATION

	Six-month period ended	
	30 June 2023	30 June 2022
Depreciation of right-of-use assets recognized in "Restaurant expenses"	30,403	27,605
Depreciation, amortization and impairment of other non-current assets recognized in "Restaurant expenses"	19,872	20,106
Depreciation, amortization and impairment recognized in "Restaurant expenses"	50,275	47,711
Depreciation of non-operating right-of-use assets recognized in "General and administrative expenses"	1,692	1,322
Depreciation, amortization and impairment of non-current assets recognized in "General and administrative expenses"	1,986	1,739
Depreciation, amortization and impairment recognized in "General and administrative expenses"	3,678	3,061
Total depreciation, amortization and impairment	53,953	50,772

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
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8 FINANCE COSTS

	Six-month period ended	
	30 June 2023	30 June 2022
Interest on loans and borrowings	5,703	4,720
Interest expense on lease liabilities	6,745	4,471
Interest cost on benefit obligation	18	5
Foreign exchange loss	1,420	1,556
Total finance costs	13,885	10,752

9 BORROWINGS

	Interest rate, %	Maturity	30 June 2023	31 December 2022
Current borrowings				
Current portion of bank loan	EURIBOR 3M + relevant spread	6 years from each withdrawal	44,546	44,786
Short term working capital facility	ROBOR 3M + relevant spread	1 year from contract date	-	20,300
Total current borrowings			44,546	65,086
Non-current borrowings				
Non-current portion of bank loan	EURIBOR 3M + relevant spread	6 years from each withdrawal	101,859	122,949
Total non-current borrowings			101,859	122,949
Total borrowings			146,405	188,035

The Group's financing facilities consist of:

- Financing facilities with Alpha Bank as follows: an uncommitted long term credit facility in maximum amount of EUR 42,167,000 for the development of new locations and financing of the foreign subsidiaries, a credit facility for issuance of bank guarantee letters of EUR 3,500,000, as well as a multi-optional short-term facility in a maximum amount of RON 20.2 million, to be used also for financing of working capital. The loan facilities are secured with property, plant and equipment of restaurant locations for which the credit limited has been utilised, pledge on business goodwill, pledge on current accounts opened with the bank, promissory notes issued, pledge on receivables from and shares owned by the Group in its Moldova and Italia subsidiary.

- A short-term borrowing arrangement (Sphera Franchise Group – Borrower) with Vista Bank Romania in total amount of RON 10 million. Credit facility is revolving and may be used by the Borrower for financing of working capital needs, issuance of letters of guarantees and of generic company costs, as well as intragroup loans. In June 2023, the term of the loan facility was extended until 30 June 2024. As at 30 June 2023 and 31 December 2022, respectively, the loan balance with Vista Bank is nil.

- A short-term credit facility agreement with Intesa Sanpaolo Romania Bank (USFN Romania - Borrower and Sphera Franchise Group SA - Guarantor). The uncommitted credit facility amounting to RON 9.6 million and valid until August 2023 is revolving and may be used by the Borrower to finance the working capital needs. As at 30 June 2023, the loan facility balance with Intesa Sanpaolo is nil (31 December 2022: RON 1.4).

Covenants:

The Group's borrowing arrangement with the Alpha Bank contains several covenants, mainly of quantitative nature, out of which the most important relates to the ratio bank net debt, including non-cash loan utilized for letter of guarantee / EBITDA at a consolidated level, excluding the impact of IFRS 16, which should not exceed at any point in time 2.5. Breaches in meeting the financial covenant at Group consolidated level would permit the bank to call the loan amount needed to meet the financial covenant. There have been no breaches of the consolidated financial covenant for the years ended 31 December 2022 and 31 December 2021.

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The Group's short-term borrowing arrangement with the Intesa Sanpaolo contains a financial covenant at standalone level, respectively: the Borrower's ratio Total debt/ EBITDA should not exceed 4.4. Breaches in meeting the financial covenant at individual level would permit the bank to call the loan amount. There have been no breaches of the consolidated financial covenant for the years ended 31 December 2022 and 31 December 2021.

10 ISSUED CAPITAL

	30 June 2023	31 December 2022
Authorised shares		
Ordinary shares of 15 RON each	38,799,340	38,799,340
Share capital (RON thousand)	581,990	581,990

The shareholders of Sphera Franchise Group SA as at 30 June 2023 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (17.0714%) and free float (33.7870%).

The shareholders of Sphera Franchise Group SA as at 31 December 2022 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.8793%) and free float (33.9792%).

11 EBITDA

	Six-month period ended	
	30 June 2023	30 June 2022
Operating profit	35,149	3,143
Adjustments to bridge operating profit to EBITDA:		
Depreciation, amortization and impairment of non-current assets included in restaurant expenses	50,275	47,711
Depreciation, amortization and impairment of non-current assets included in general and administrative expenses	3,678	3,061
EBITDA	89,102	53,915
Normalization adjustments	-	-
Normalised EBITDA	89,102	53,915

For the six-month period ended 30 June 2023 and 30 June 2022, no EBITDA normalization adjustment was required.

12 RELATED PARTY DISCLOSURES

During the six-month period ended 30 June 2023 and 30 June 2022 respectively, the Group has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Moulin D'Or SRL	Entity affiliated to shareholders of the parent	Romania	Goods and services
Midi Development SRL	Entity affiliated to shareholders of the parent	Romania	Services
Grand Plaza Hotel SA	Entity affiliated to a shareholder of the parent	Romania	Rent and utilities store PH Dorobanti, services

SPHERA FRANCHISE GROUP SA
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Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Arggo Software Development and Consulting SRL	Entity affiliated to a shareholder of the parent	Romania	IT services
Wellkept Group SA	Shareholder and entity under common control of Radu Dimofte, ultimate controlling party of the Group	Romania	Rent training center and payment of dividends
Computerland Romania SRL	Shareholder with significant influence	Romania	Payment of dividends, acquisition of IT equipment, licenses
Cinnamon Bake&Roll SRL	Entity affiliated to a shareholder of the parent	Romania	Sale of goods and services, loans provided
Radu Dimofte	Beneficial owner of Wellkept Group SA, Tatika Investments Ltd and ultimate controlling party of the Group	Romania	Rent store KFC Mosilor
Elicom SRL	Entity affiliated to a shareholder of the parent	Romania	Call-centre services
Elicom Connect SRL	Entity affiliated to a shareholder of the parent	Romania	Marketing services
Dorobanti 239 Imobiliare SRL	Entity affiliated to a shareholder of the parent	Romania	Rent and utilities for restaurant and administrative area
Baneasa Developments SRL	Entity affiliated to a shareholder of the parent	Romania	Restaurant rent
Baneasa Investments SA	Entity affiliated to a shareholder of the parent	Romania	Restaurant rent
Parc Hotels SA	Entity affiliated to a shareholder of the parent	Romania	Accommodation services

The following table provides the total amount of transactions that have been entered into with related parties for the relevant period:

	Transactions during the six-month period ended 30 June 2023		Balances as at 30 June 2023	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Wellkept Group SA	-	245	-	8
Grand Plaza Hotel SA	-	599	-	18
Arggo Software Development and Consulting SRL	-	577	-	-
Dorobanti 239 Imobiliare SRL	-	1,802	-	8
Baneasa Developments SRL	-	2,238	-	166
Baneasa Investments SA	-	332	-	-
Computerland Romania SRL	11	2	8	-
Elicom SRL	-	382	-	40
Elicom Connect SRL	-	-	-	1
Radu Dimofte	-	46	-	-
Cinnamon Bake&Roll SRL	-	-	7	-
Midi Development SRL	-	7	-	-
Moulin D'Or SRL	-	3	-	2
	11	6,233	15	243

SPHERA FRANCHISE GROUP SA
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All amounts in RON thousand, unless specified otherwise

	Transactions during the six-month period ended 30 June 2022		Balances as at 31 December 2022	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Wellkept Group SA	-	247	-	10
Midi Development SRL	-	-	-	-
Grand Plaza Hotel SA	-	532	66	28
Arggo Software Development and Consulting SRL	-	670	-	13
Dorobanti 239 Imobiliare SRL	-	1,680	-	69
Baneasa Developments SRL	-	2,185	-	270
Baneasa Investments SA	-	305	128	11
Computerland Romania SRL	7	40	6	213
Elicom SRL	-	312	-	54
Elicom Connect SRL	-	6	-	2
Lucian Vlad	-	112	-	-
Radu Dimofte	-	46	-	-
Cinnamon Bake&Roll SRL	13	2	7	-
Parc Hotels SA	-	-	-	3
Moulin D'Or SRL	-	1	-	-
	20	6,138	207	673

Compensation of key management personnel of the Group:

	Six-months ended	
	30 June 2023	30 June 2022
Short-term employee benefits	5,490	3,882
Total compensation of the key management personnel	5,490	3,882

The amounts disclosed in the table are the amounts recognized as an expense during each reporting period.

13 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the restaurants' brands, as follows:

- KFC restaurants
- Pizza Hut restaurants
- Taco Bell restaurants

The Group has also one more immaterial operating segment, being one Paul restaurant, which is managed by USFN.

Inter-segment revenues are presented in the "Inter-segment revenues" line and eliminated during consolidation.

The Board of Directors monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment operating profit and is measured consistently with "Restaurant operating profit" in the statement of comprehensive income in the consolidated financial statements.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
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All amounts in RON thousand, unless specified otherwise

Six-month period ended 30 June 2023	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	595,939	58,964	40,678	-	-	695,580
Inter-segment revenues	2	-	-	19,664	(19,666)	-
Dividend revenues	-	-	-	73,003	(73,003)	-
Operating expenses	555,879	63,552	40,430	20,164	(19,594)	660,431
Segment operating profit/(loss)	40,062	(4,588)	248	72,503	(73,075)	35,149
Finance costs	11,346	1,245	1,080	1,959	(1,744)	13,885
Finance income	1,287	9	-	1,484	(1,744)	1,036
Income tax expense	5,820	-	120	(297)	-	5,643
Net profit/(loss)	24,182	(5,824)	(953)	72,326	(73,075)	16,657
Total assets	590,582	56,166	41,702	142,521	(136,029)	694,941
Total liabilities	572,908	64,584	45,560	73,168	(193,912)	562,308
Six-month period ended 30 June 2022	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	516,553	57,973	31,497	-	-	606,024
Inter-segment revenues	-	-	-	16,484	(16,484)	-
Other income	1,172	-	-	-	-	1,172
Dividend revenues	-	-	-	49,493	(49,493)	-
Operating expenses	505,929	65,098	32,251	17,186	(16,412)	604,053
Segment operating profit/(loss)	11,796	(7,125)	(754)	48,791	(49,565)	3,143
Finance costs	9,244	959	1,035	1,458	(1,944)	10,752
Finance income	1,248	4	-	1,048	(1,944)	356
Income tax expense	366	15	-	(140)	-	241
Specific tax expense	809	360	106	-	-	1,275
Net profit/(loss)	2,625	(8,455)	(1,895)	48,521	(49,565)	(8,769)
Total assets 30 June 2022	569,396	62,310	40,220	116,811	(110,423)	678,314
Total liabilities 30 June 2022	564,207	69,748	45,671	78,863	(168,450)	590,039
Total assets 31 December 2022	573,462	60,484	43,059	111,729	(82,853)	705,882
Total liabilities 31 December 2022	506,582	72,412	50,064	97,419	(136,958)	589,518

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

Geographic information:

Revenue from external customers	Six-month period ended	
	30 June 2023	30 June 2022
Romania	600,484	526,198
Italy	85,315	72,313
Republic of Moldova	9,781	7,513
Total restaurant revenue	695,580	606,024

The revenue information above is based on the location of the customers.

Bucharest, 30 August 2023

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes

**INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS AS OF AND FOR
SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)**

Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards.

The interim condensed separate financial statements are unaudited.

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)
Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

		Six-month period ended	
	Note	30 June 2023	30 June 2022
Revenues			
Dividend revenues	7	73,003	49,493
Revenue from contracts with related parties	7	19,664	16,484
Other income		29	129
Total revenues		92,696	66,106
Expenses			
Payroll and employee benefits		16,667	13,912
Other expenses	3	3,526	3,402
Total expenses		20,193	17,314
Profit from operating activities		72,503	48,792
Finance costs		1,959	1,463
Finance income		1,484	1,053
Profit before tax		72,028	48,382
Income tax expense/(credit)		(297)	(140)
Profit		72,325	48,522
Comprehensive income		72,325	48,522

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)
Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 (UNAUDITED)

	30 June 2023	31 December 2022
Assets		
Non-current assets	706,423	663,901
Property, plant and equipment	1,695	1,757
Right-of-use assets	4,373	4,597
Intangible assets	393	450
Investments in subsidiaries (Note 4)	670,008	656,575
Loan and other receivables	29,178	44
Deferred tax assets	776	478
Current assets	106,107	100,552
Trade and other current receivables (including short-term loans)	98,768	71,859
Current prepayments	206	160
Cash and cash equivalents	7,133	28,533
Total assets	812,530	764,453
Equity and liabilities		
Equity		
Issued capital (Note 6)	581,990	581,990
Legal reserve	10,611	10,611
Retained earnings	145,258	72,932
Reserves for share-based remuneration	1,502	1,502
Total equity	739,361	667,034
Non-current liabilities	55,199	59,501
Long-term borrowings (Note 5)	51,932	55,643
Non-current lease liabilities	3,267	3,859
Current liabilities	17,970	37,917
Short-term borrowings (Note 5)	8,945	8,858
Current lease liabilities	1,532	1,165
Trade and other current payables	7,493	27,894
Total liabilities	73,169	97,419
Total equity and liabilities	812,530	764,453

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Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

	Issued capital	Reserves for share-based remuneration	Legal reserves	Retained earnings	Total equity
As of 1 January 2023	581,990	1,502	10,611	72,932	667,034
Profit	-	-	-	72,325	72,325
Total comprehensive income	-	-	-	72,325	72,325
As of 30 June 2023	581,990	1,502	10,611	145,258	739,361

	Issued capital	Legal Reserves	Retained earnings	Total equity
As at 1 January 2022	581,990	8,419	86,743	677,152
Profit	-	-	48,522	48,522
Total comprehensive income	-	-	48,522	48,522
Dividends declared			(35,001)	(35,001)
As at 30 June 2022	581,990	8,419	100,264	690,673

SPHERA FRANCHISE GROUP SA
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Prepared in accordance with Order of the Ministry of Public Finance no. 2844/2016
All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

	Six-month period ended	
	30 June 2023	30 June 2022
Operating activities		
Profit before tax	72,029	48,382
Adjustments to reconcile profit before tax to net cash flows:		
Dividend revenue	(73,003)	(49,493)
Depreciation and amortization of property, plant and equipment, right-of-use and intangible assets	999	929
Adjustments for (gain)/loss on disposal of property, plant and equipment and right-of-use assets	-	(129)
Adjustments for unrealised foreign exchange losses/(gains)	88	(6)
(Gain)/loss on disposal of property, plant and equipment	(29)	-
Adjustments for finance income (interest)	(1,484)	(1,048)
Adjustments for finance costs (interest)	1,826	1,464
Working capital adjustments:		
Adjustments for decrease/(increase) in trade and other receivables and prepayments	(6,165)	(3,327)
Adjustments for (decrease)/increase in trade and other payables	(548)	162
Dividends received	10,000	35,000
Interest received classified as operating activities	988	332
Interest paid classified as operating activities	(1,150)	(4,972)
Cash flows from/used in operating activities	3,551	27,294
Investing activities		
Purchase of property, plant and equipment and intangible assets classified as investing activities	(241)	(302)
Proceeds from sale of property, plant and equipment	29	129
Cash flows from/used in investing activities	(212)	(173)
Financing activities		
Proceeds from borrowings	88	-
Repayment of borrowings	(4,422)	(1,955)
Payment of lease liabilities	(558)	(590)
Net dividends paid	(19,847)	(34,707)
Cash flows from/used in financing activities	(24,739)	(37,252)
Net increase/(decrease) in cash and cash equivalents	(21,400)	(10,131)
Cash and cash equivalents at 01 January	28,533	12,345
Cash and cash equivalents at 30 June	7,133	2,214

NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023 (UNAUDITED)

1 REPORTING ENTITY

These interim condensed separate financial statements are prepared by Sphera Franchise Group SA. Sphera Franchise Group SA ("Sphera" or "the Company") was incorporated on 16 May 2017 as a joint stock company and is registered at No. 239 Calea Dorobanti, Bucharest, Romania. The Company renders management and support services such as marketing, project management and store network development, sales support, human resources and other services to its subsidiaries. Sphera Franchise Group SA is listed on Bucharest Stock Exchange under the symbol "SFG".

2 BASIS OF PREPARATION OF THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

The interim condensed separate unaudited financial statements of Sphera Franchise Group SA as of and for the six-month period ended 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed separate financial statements have been prepared on a historical cost basis and are presented in Romanian Lei ("RON"). All values are rounded to the nearest thousand RON, except when otherwise indicated; accordingly, there may be rounding differences.

The interim condensed separate financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual separate financial statements as at 31 December 2022.

The interim condensed separate financial statements for six-month period ended 30 June 2023 included in this report are unaudited.

General accounting policies

The accounting policies and valuation methods adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended 31 December 2022.

The amendments to IFRS effective since 1 January 2023 do not have a material effect on the Company's interim condensed separate financial statements. The Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Foreign currencies

The exchange rates as at 30 June 2023 and 31 December 2022 and the average exchange rates for the six-month period ended 30 June 2023 and 30 June 2022 were:

	Closing exchange rates		Average exchange rates	
	30 June 2023	31 December 2022	Six-month period ended 30 June 2023	Six-month period ended 30 June 2022
RON – EUR	4.9634	4.9474	4.9335	4.9485
RON – USD	4.5750	4.6346	4.5637	4.5228

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3 OTHER EXPENSES

	Six-month period ended	
	30 June 2023	30 June 2022
Third-party services	1,831	1,673
Depreciation and amortization	999	927
Travel expenses	255	232
Office supplies	80	85
Insurance	58	168
Other taxes	58	63
Rental expenses	44	63
Banking charges	18	16
Maintenance and repairs	89	95
Utilities	28	30
Advertising	15	21
Miscellaneous expenses	51	29
Total	3,526	3,402

4 INVESTMENTS IN SUBSIDIARIES

Details of the carrying value of investments in subsidiaries as of 30 June 2023 and 31 December 2022, respectively are as follows:

Company name	Country of incorporation	Field of Activity	Share interest percent	Carrying value as at 30 June 2023	Carrying value as at 31 December 2022
US Food Network SA	Romania	Restaurants	99.9997%	519,704	519,704
American Restaurant System SA (Note 7)	Romania	Restaurants	99.9997%	54,142	44,809
California Fresh Flavors SRL (Note 7)	Romania	Restaurants	99.9900%	16,528	12,428
US Food Network SRL	Moldova	Restaurants	80.0000%	1,735	1,735
US Food Network SRL	Italy	Restaurants	100.0000%	77,899	77,899
Total				670,008	656,575

5 BORROWINGS

	<u>Interest rate, %</u>	<u>Maturity</u>	<u>30 June 2023</u>	<u>31 December 2022</u>
Short-term borrowings				
Current portion of the long-term bank loan	EURIBOR 3M + relevant spread	6 years from each withdrawal	8,945	8,858
Total current borrowings			8,945	8,858
Long-term borrowings				
Long-term portion of the bank loan	EURIBOR 3M + relevant spread	6 years from each withdrawal	21,824	26,160
Loan from related parties (including accrued interest) (Note 7)	EURIBOR 3M + relevant spread	Within 5 years from contract signing date	30,108	29,483
Total long-term borrowings			51,932	55,643
Total borrowings			60,877	64,502

The Company has received a multicurrency long term credit facility from its subsidiary US FOOD NETWORK SA, with term extension option, the maximum limit being EUR 20 million. The credit facility is valid until March 2027 and does not contain covenants or other special terms.

The Company is part of a credit facility from Alpha Bank Romania signed jointly by the Company and its Romanian subsidiaries. As at 30 June 2023, the Company may, jointly with other companies from Sphera Group, draw from one sub-limit dedicated to financing the Italian subsidiary. The loan is secured with pledge on current accounts opened with the bank, promissory notes issued, pledge on receivables from and shares owned by the Company in its Moldova and Italia subsidiary as well as on future dividends from these subsidiaries.

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5 BORROWINGS (continued)

Starting with 29 May 2020, Sphera entered in a short-term borrowing arrangement with Vista Bank Romania in total amount of RON 10 million. The credit facility is revolving and may be used by the Borrower for financing of working capital needs and of generic company costs, as well as intragroup loans. In June 2023, the term of the loan facility was extended until 30 June 2024. As at 30 June 2023 and 31 December 2022, respectively, the loan balance with Vista Bank is nil.

6 ISSUED CAPITAL

	30 June 2023	31 December 2022
Authorised shares		
Ordinary shares of 15 RON each	38,799,340	38,799,340
Share capital (RON thousand)	581,990	581,990

The shareholders of Sphera Franchise Group SA as at 30 June 2023 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (17.0714%) and free float (33.7870%).

The shareholders of Sphera Franchise Group SA as at 31 December 2022 are: Tatika Investments Ltd. (28.6089%), Computerland Romania SRL (20.5327%), Wellkept Group SA (16.8793%) and free float (33.9792%).

7 RELATED PARTY DISCLOSURES

During the six-month period ended 30 June 2023 and 30 June 2022 respectively, the Company has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
US Food Network SA	Subsidiary	Romania	Dividends received, loan received, sale of services, acquisition of goods and services
American Restaurant System SA	Subsidiary	Romania	Sale of services, loan provided, acquisition of goods and services, VAT tax group
California Fresh Flavors SRL	Subsidiary	Romania	Loan provided, sale of services
US Food Network SRL	Subsidiary	Republic of Moldova	Dividends received
US Food Network SRL	Subsidiary	Italy	Sale of services, loan provided
Arggo Software Development and Consulting SRL	Entity affiliated to shareholders of the parent	Romania	IT services
Wellkept Group SA	Shareholder	Romania	Rent, dividends
Computerland Romania SRL	Shareholder	Romania	Dividends, acquisition of IT equipment/licenses
Moulin D'Or SRL	Entity affiliated to shareholders of the parent	Romania	Acquisition of goods
Grand Plaza Hotel SA	Entity affiliated to shareholders of the parent	Romania	Acquisitions of services

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Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Elicom SRL	Entity affiliated to a shareholder of the parent	Romania	Call-centre services
Midi Development SRL	Entity affiliated to shareholders of the parent	Romania	Services

The following table provides the total amount of transactions that have been entered into with related parties for the relevant period:

Related party	Six-month period ended 30 June 2023			30 June 2023	
	Dividends revenues	Sales	Purchases	Amounts owed by related parties	Amounts owed to related parties
US Food Network SA	71,469	15,245	2	94,306	0
US Food Network SRL (Republic of Moldova)	1,534	-	-	1,482	-
American Restaurant System SA	-	2,422	-	1,955	772
California Fresh Flavors SRL	-	1,199	-	250	-
US Food Network SRL (Italy)	-	798	-	282	-
Wellkept Group SA	-	-	245	-	8
Arggo Software Development and Consulting SRL	-	-	93	-	-
Computerland Romania SRL	-	-	2	-	-
Moulin D'Or SRL	-	-	0	-	-
Elicom SRL	-	-	12	-	1
Midi Development SRL	-	-	0	-	-
Loans and interest from related parties (please see below)	-	-	-	-	30,108
Loans and interest to related parties (please see below)	-	-	-	29,138	-
Total	73,003	19,664	354	127,413	30,889

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Related party	Six-month period ended 30 June 2022			31 December 2022	
	Dividends revenues	Sales	Purchases	Amounts owed by related parties	Amounts owed to related parties
US Food Network SA	49,493	12,347	2	27,369	4
American Restaurant System SA	-	2,377	6	4,958	1,128
California Fresh Flavors SRL	-	1,069	-	1,047	-
US Food Network SRL (Italy)	-	692	-	429	-
Wellkept Group SA	-	-	247	-	10
Grand Plaza Hotel SA	-	-	4	-	-
Arggo Software Development and Consulting SRL	-	-	131	-	-
Computerland Romania SRL	-	-	40	-	208
Loans and interest from related parties (please see below)	-	-	-	-	29,483
Loans and interest to related parties (please see below)	-	-	-	37,593	-
Total	49,493	16,485	430	71,396	30,833

Interest income and interest expense and related accrued balances as well as the balances of the intercompany loan receivables and payables are presented below:

Related party	Six-month period ended 30 June 2023		
	Interest expense	Interest payable	Loan payable
US Food Network SA	595	1,407	28,701
Total	595	1,407	28,701
	Interest income	Interest receivable	Loan receivable
California Fresh Flavors SRL	-	10	-
US Food Network SRL (Italy)	482	4,922	24,206
American Restaurant System SA	-	-	-
Total	482	4,932	24,206

Related party	Six-month period ended 30 June 2022		
	Interest expense	Interest payable	Loan payable
US Food Network SA	596	807	28,677
Total	596	807	28,677
	Interest income	Interest receivable	Loan receivable
California Fresh Flavors SRL	15	1,134	2,412
US Food Network SRL (Italy)	641	4,424	24,128
American Restaurant System SA	60	2,515	2,981
Total	716	8,073	29,521

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The loan agreements granted to US Food Network Srl (Italy) and California Fresh Flavors were payable within a period of one to two years, with renewal option, and the loan granted to American Restaurant System SA was payable within a period of one to five years, with renewal option. In June 2023, the loan agreements with US Food Network Srl (Italy) and California Fresh Flavors were extended for an additional period of five years.

At the beginning of the year 2023 it was increased the value of the investments in subsidiaries American Restaurant System SA and California Fresh Flavors SRL by conversion of the existing shareholder debts to equity (share capital and share premium) and cash contribution from the minority shareholder. SFG contributed with 9,333 to the increase of ARS equity and with the amount of 4,100 to the increase of CFF equity.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding trade balances at the period end are unsecured, interest free and settled in cash.

Compensation of key management personnel of the Company:

	Six-month period ended	
	30 June 2023	30 June 2022
Short-term employee benefits	3,822	2,884
Total compensation paid to key management personnel	3,822	2,884

The amounts disclosed in the table are the amounts recognised as an expense during each reporting period.

Bucharest, 30 August 2023

Chief Executive Officer
Calin Ionescu

Chief Financial Officer
Valentin Budes