SPHERA

KFC Pizza Hut TACO BELL

Sphera Franchise Group

Investor Presentation

September 2023

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Therefore, the final results achieved may vary significantly from the forecasts, and the variations may be material.

Contents

About Sphera Franchise Group

PURPOSE

Development through relevance and trust.

VISION

Be the leaders in the Romanian food service industry and become an important player at the European level.

MISSION

Offer customers a memorable experience, through excellent services and unique products, prepared by passionate teams.

Sphera Franchise Group at a glance

- Sphera is the leading food operator in **Romania,** operating through subsidiaries in **Moldova and in Italy.**
- Sphera Franchise Group was **incorporated in May 2017** to consolidate all brands operated by the Group since 1994: KFC, Pizza Hut Dine-In, and Pizza Hut Delivery ahead of the IPO.
- In 2017, Sphera secured the franchise for operation of **Taco Bell** restaurants in Romania and opened its first two KFC restaurants in **Italy;** today Sphera is the largest KFC operator in Italy.
- KFC Romania, KFC Italy, Pizza Hut, Pizza Hut Delivery Romania and Taco Bell Romania operate under the **Yum International** Franchise Agreement.
- Quoted on the **Bucharest Stock Exchange** since November 2017; since September 2018 SFG shares are included in the BET index of BVB, as of March 2022, in the FTSE Global Micro Cap index and as of August 2023, in MSCI Frontier & Romania Small Cap.

1st QSR Operator in Romania

1st Full-Service Restaurant Operator in Romania

Almost 30 years track-record

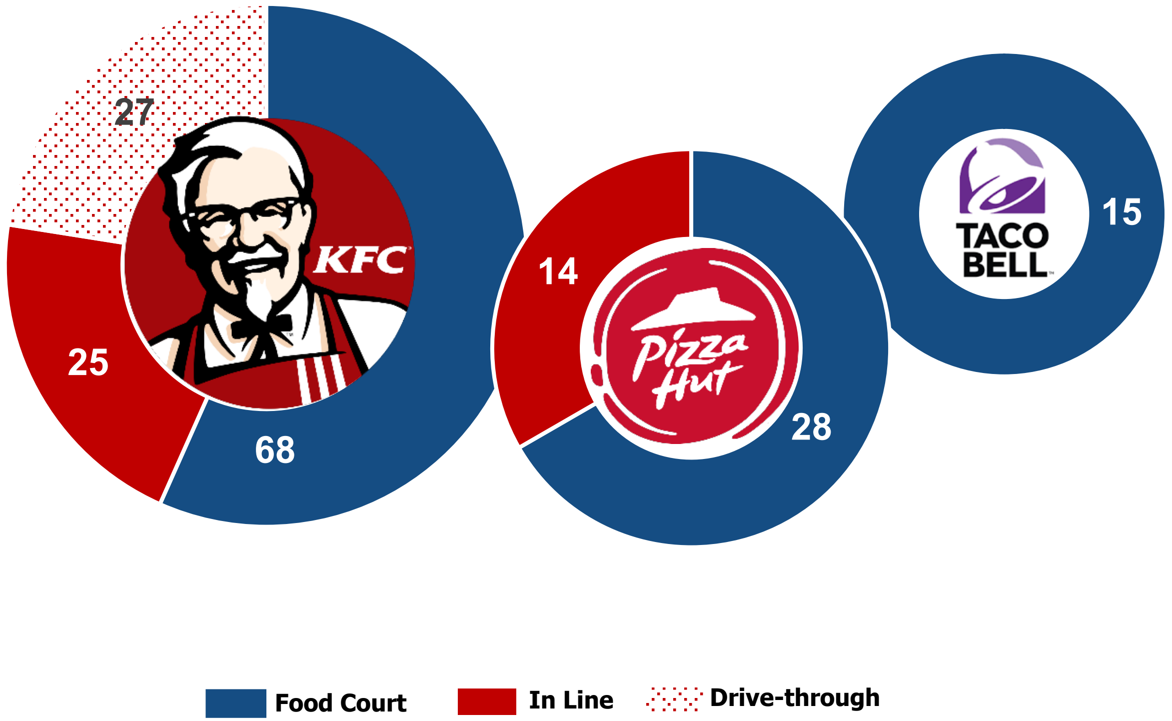
3 iconic brands: KFC, Pizza Hut, Taco Bell

179 restaurants in 3 countries

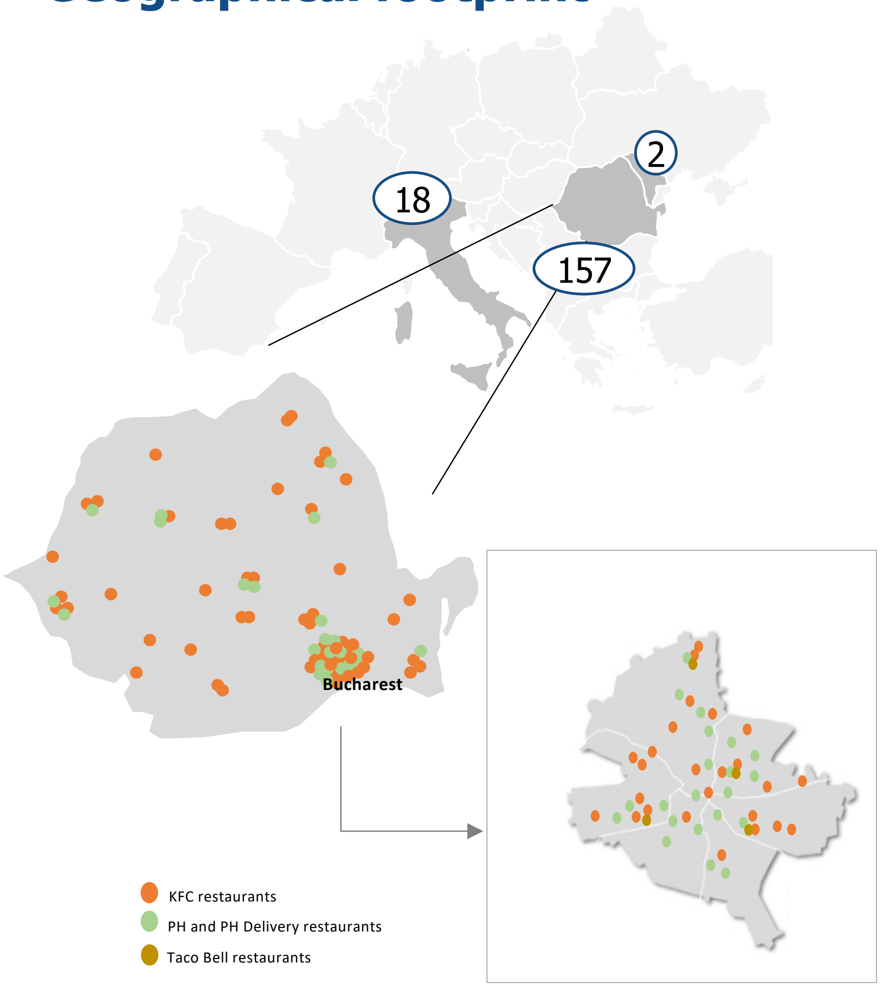
SFG shares included in BVB BET & FTSE Russell Micro-cap

Sphera Franchise Group at a glance

Locations split per brand



Geographical footprint



Notes: Restaurants as of 30.06.2023, 1 Paul Store & 1 PHD sub-franchise baased in Romania not included above.

Sphera Franchise Group corporate structure

US Food Network S.A. — 99.9%

Holds the franchise rights to operate KFC-branded restaurants in Romania.

American Restaurant System S.A. — 99.9%

Holds the franchise and sub-franchise rights to operate Pizza Hut-branded restaurants in Romania (Pizza Hut Dine-In and Pizza Hut Delivery).

California Fresh Flavors S.R.L. — 99.9%

Holds the franchise rights to operate Taco Bell-branded restaurants in Romania.

US Food Network S.R.L. - Italy — 100%

Holds the franchise rights to operate KFC-branded restaurants in certain regions of Italy.

US Food Network S.R.L. - Moldova — 80%

Holds the franchise rights to operate KFC-branded restaurants in Moldova.

Management team

CALIN IONESCU

CEO

Mr Ionescu is the CEO of Sphera Franchise Group since October 2020. Mr. Ionescu has been involved in the restaurant business since 1994, when the first Pizza Hut restaurant operated by ARS was opened. He has occupied various operational positions, from Restaurant Manager to General Manager and, in 2012, Mr. Ionescu was promoted to COO of the Group. During this time, he has actively participated in all expansions of the KFC and Pizza Hut brands in Romania and the Republic of Moldova and in 2016, he laid the foundations for developing the KFC brand in Northeast and North-Western Italy.

VALENTIN BUDES

CFO

Mr Budes is the CFO of the Sphera Franchise Group since May 2019. Mr. Budes is a senior member of the ACCA, holds a certification in risk management issued by the Institute of Internal Auditors of the USA. In Romania, Valentin Budes is an accounting expert member of CECCAR and an insolvency practitioner being a member of UNPIR. His prior experience include financial consulting at KPMG Romania, the financial division within the telecommunications companies of the Telekom Romania group, as well as coordinated the financial activities of the Medicover Romania Group.

MONICA EFTIMIE

CMO

Mrs Eftimie is the CMO of Sphera Franchise Group since August 2017. From 2013 until 2017 Monica was the Marketing Director of ARS Romania and USFN Romania. In this capacity she led the marketing activities for a portfolio of brands which included KFC, Pizza Hut and Pizza Hut Delivery and for which she developed and implemented marketing campaigns. Mrs Eftimie led the successful launch in Romania of Taco Bell. Mrs Eftimie has 14 years of experience in the QSR experience, including Paul, Accor Group and Saatchi & Saatchi Advertising.

Leading foodservice group in Romania

QSR

#2 player on the chained QSR segment (21.4% market share)

#1 player on the QSR chicken segment

- ✓ **88% aided brand awareness among Romanian customers** (Dec'21)
- ✓ Stronger than McDonald's in Brand Power, Usage Funnel and Main Product Attributes
- ✓ High order accessibility, own delivery capacity in selected cities across Romania

- ✓ First Taco Bell was opened in Oct-2017 in Bucharest, largest Mexican food chain in Romania
- ✓ Aided awareness went up 40% in just 4 years (Dec'21)

#1 player on the pizza chain segment (nearly 3.4% market share from total food service category

- ✓ The highest awareness in pizza category: 78% aided brand awareness among Romanian customers (Dec'21)

#2 player on the chain home delivery pizza segment (1.4% market share in value from total food service category)

- ✓ Order accessibility: classic call center lines, dedicated website platform, mobile application, aggregators, click & collect
- ✓ C .50% orders for delivery for Pizza Hut using own delivery & aggregator services

Source: Company information; Euromonitor, Consumer Foodservice in Romania, 2022; Deloitte Analysis.

Key investment highlights

Leading food service group operating a portfolio of iconic, internationally recognized brands

Proven network roll-out capabilities with long track record of successful growth, even in pandemic

Scalable platform with fully fledged process in place allowing efficient roll-out

Continuous development potential in Romania (smaller cities) & white space opportunity in Italy

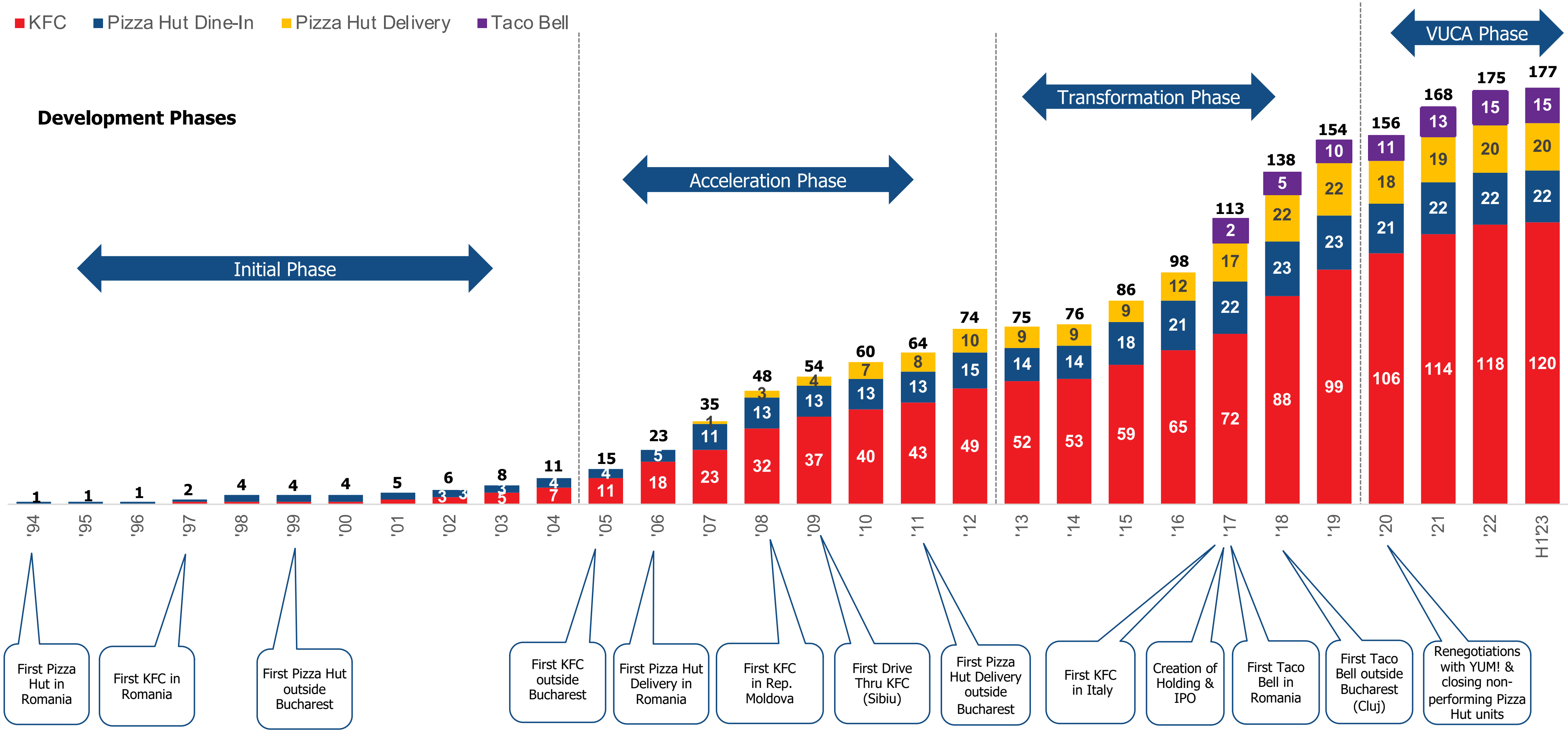
Operational excellence proven by consistent top ranked among YUM franchisees in Europe

Enhanced marketing capabilities investing directly into notable successful marketing campaigns

Improved liquidity due to Market Making, attested by inclusion in FTSE Russell indices

Dividend stock (DivY: 3.1% for dividend paid on 31.03.2023)

Track record of growth & network development



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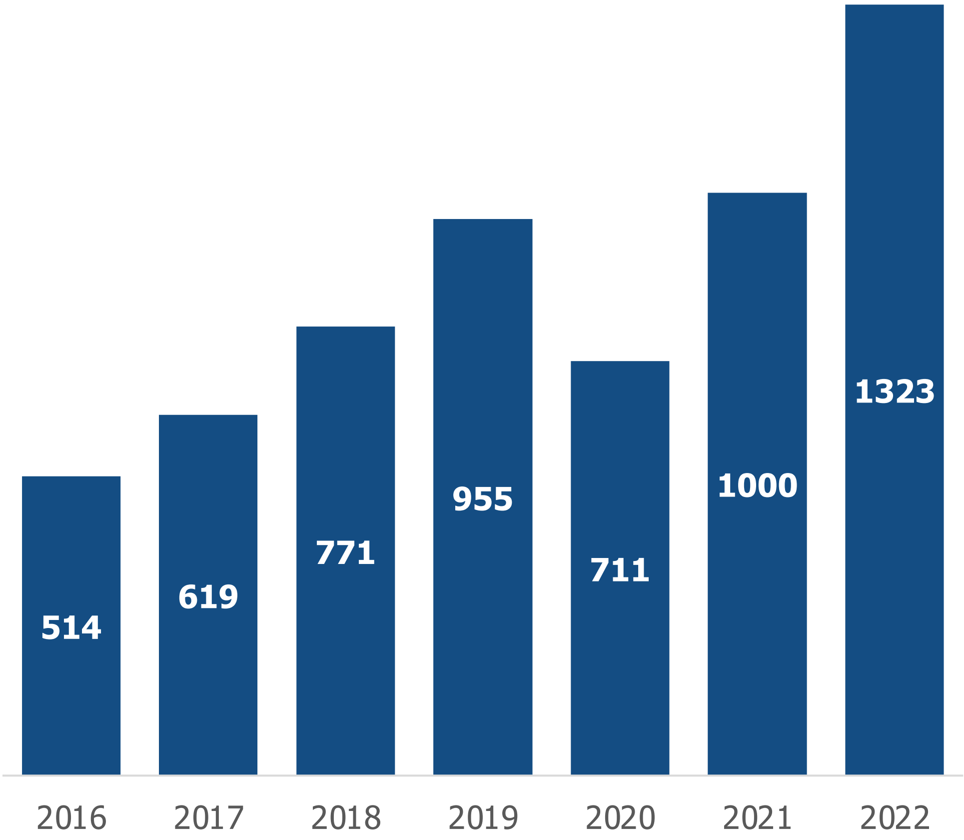
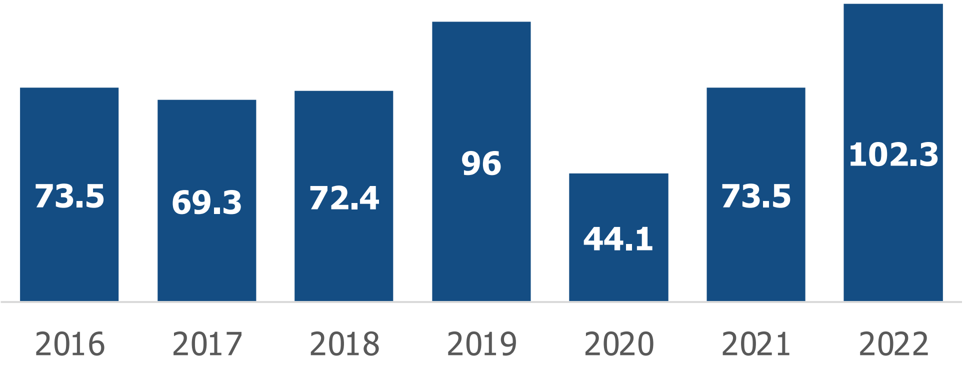
Historical performance, slowed by the pandemic

Turnover

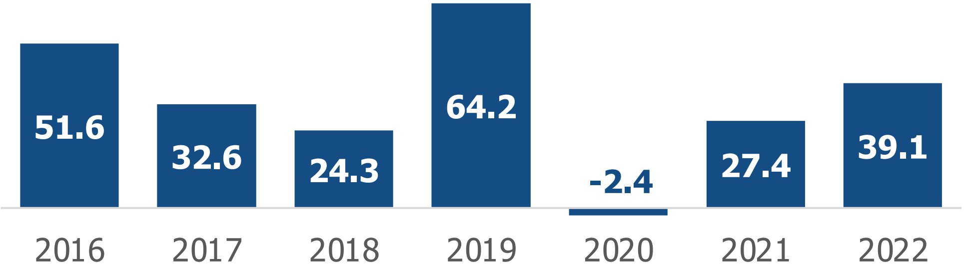
17% CAGR 2016-2022



Normalized EBITDA



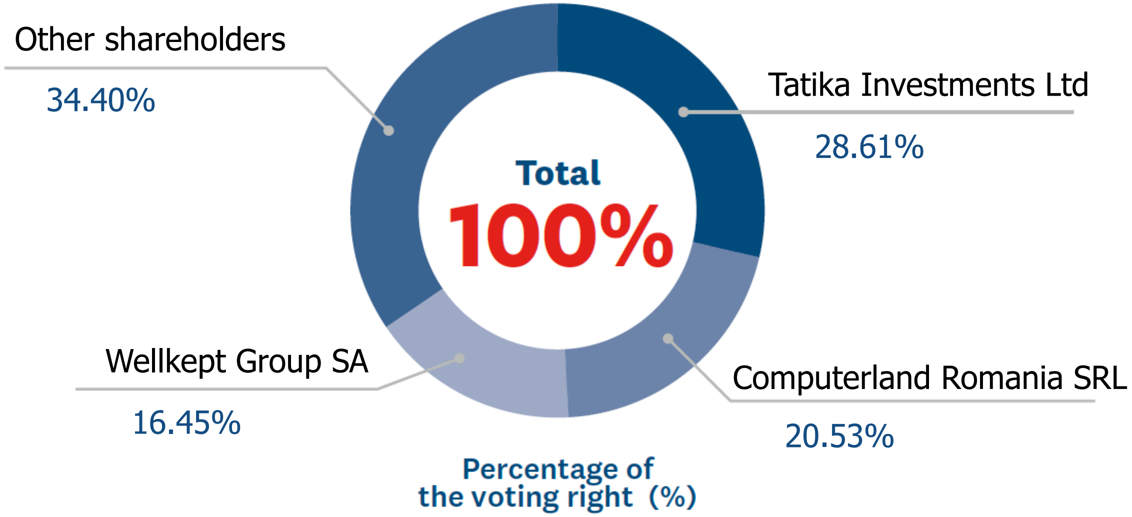
Net profit



SFG on BVB

SFG is quoted on the Main Market of Bucharest Stock Exchange as of November 2017. Since September 2018, SFG shares are included in the reference index of BVB, BET, as of March 2022, in the FTSE Global Micro Cap and as of August 2023, in the MSCI Frontier & Romania Small Cap indices.

SHAREHOLDING STRUCTURE



INDICES

BUCHAREST STOCK EXCHANGE

FTSE Russell

MSCI

ANALYST COVERAGE

BT Capital Partners
Investment Banking & Capital Markets

ERSTE

ipopema

Raiffeisen Bank International
Member of RBI Group

SWISS CAPITAL

WOOD & COMPANY

MARKET MAKER

Raiffeisen Bank International
Member of RBI Group

Sustainability

Sphera Franchise Group strategy is based on four pillars and relevant material topics defined together with the organization stakeholders. The management set general and specific medium and long-term objectives, with targets until 2025, aligned with the Sustainable Development Goals. More details about Sphera's sustainability approach can be found in **2022 Sustainability Report.**

Target 1

Audits of basic product suppliers according to the Code of Ethics and Conduct and the Sustainability Approach, by 2025.

Target 2

100% of restaurants equipped with kiosk ordering systems (where the surface area and design allow it), by 2021

Target 3

100% of restaurants equipped with digital menu boards, in all KFC and Taco Bell restaurants, by 2022

Target 4

100% of consumption packaging made of recoverable or reusable plastic, by 2025

Target 5

100% energy efficient lighting (LED lighting), by 2024

Target 6

2% of staff hired from vulnerable communities or from among people with disabilities, as well as various nationalities, by 2023

Target 7

50% of operations training programs being available on apps/in digital format or using gamification, by 2022

Target 8

80% rate of inhouse promotion for restaurant management positions, by 2025

H1 2023 Financial Highlights

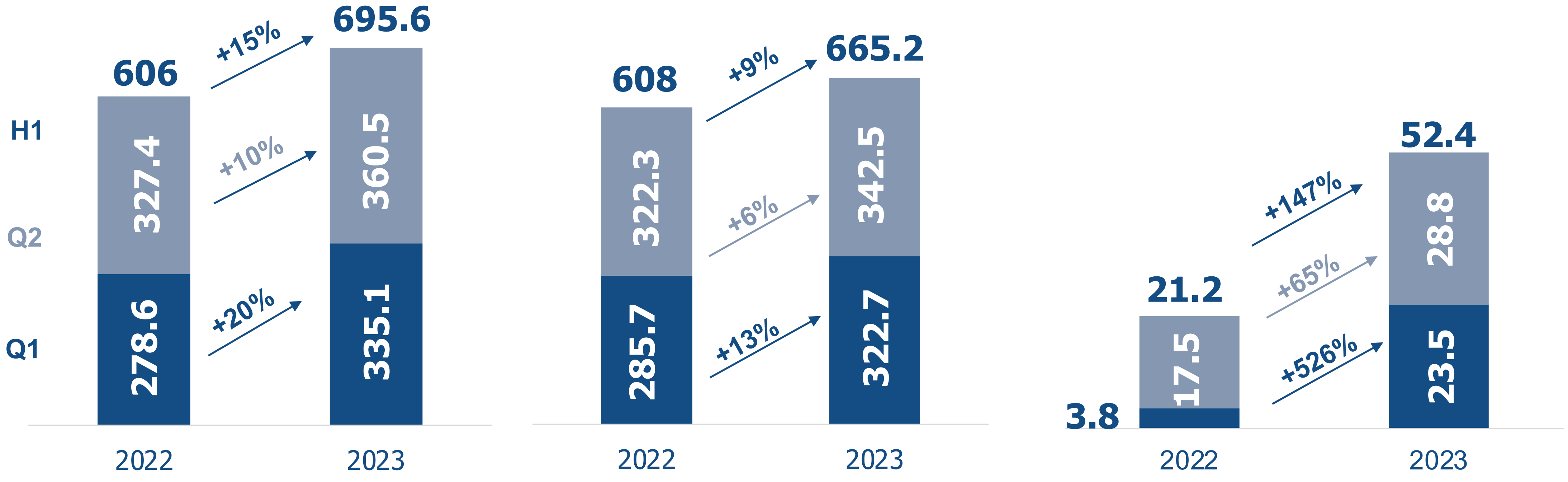
SFG Performance in H1 2023

Data in RON'000	H1-23	H1-22	Y/Y %
Restaurant sales	**695,580**	**606,024**	**14.8%**
Restaurant expenses	634,970	581,542	9.2%
Restaurant operating profit	**60,610**	**25,653**	**136.3%**
General & Admin expenses	30,261	26,440	14.5%
EBITDA	**52,351**	**21,234**	**146.5%**
Operating Profit	**30,349**	**(786)**	**-**
Finance costs	6,231	6,724	-7.3%
Finance income	1,036	356	191.0%
Profit/(Loss) before tax	**25,153**	**(7,154)**	**-**
Income tax expense	5,740	276	1979.7%
Specific Tax	-	1,275	-100.0%
Profit for the period	**19,413**	**(8,706)**	**-**

- **Strong Q2'23 with steady growth on all markets:** Group generated sales of RON 360.5 mn in the Q2'23, a 10.1% increase vs Q2'22, when the Group saw revenues of RON 327.4 mn. Q2'23 is the first quarter where results are compared to post-pandemic figures from Q2'22, resulting in more moderate YoY growth onwards. The Q2'23 performance contributed to total revenues of RON 695.6 mn in H1'23, a 14.8% increase vs H1'22.
- **Restaurant expenses decreased share in sales:** Restaurant expenses weight in sales decreased with almost 5pp, reaching 91.3% of sales in H1'23 vs 96% in H1'22. This was due to the 14.8% increase in restaurant revenues, which grew faster than the restaurant expenses, which only increased 9.2% in H1'23 YoY. All the cost categories saw moderate increases, with the food and material costs rising 7.2% YoY to RON 232.8 mn, lower than the inflation rate for food products registered at national level.
- **More than doubling of the operating profit:** Due to the correct pricing strategy and increasing sales volumes, the group ended H1'23 with a restaurant operating profit of RON 60.6 mn, a 136.3% increase compared to H1'22. This growth is also attributed to improved performance across all brands and continued effective cost management.
- **Twofold increase for EBITDA margin:** USFN Moldova saw the highest EBITDA margin of 15.9%, followed by USFN Romania: 9.3%, USFN Italy: 7.1%, and CFF: 3.8%. USFN Italy took EBITDA from negative, as reported in H1'22, to positive territory in H1'23.
- **G&A in check:** The weight in sales of the G&A expenses remained constant, amounting to 4.4%, as the costs reached RON 30.3 mn in H1'23, a 14.5% YoY increase.
- **One of best H1s in history in terms of profitability, Italy reaches breakeven:** Group saw remarkable top-line and bottom-line results in the second quarter, culminating with the most profitable first half in the Group's history as SFG ended H1'23 with a net profit of RON 19.4 mn, vs a net loss of RON 8.7 mn registered in H1'22.

Results excl. IFRS16

SFG H1 2023 Performance



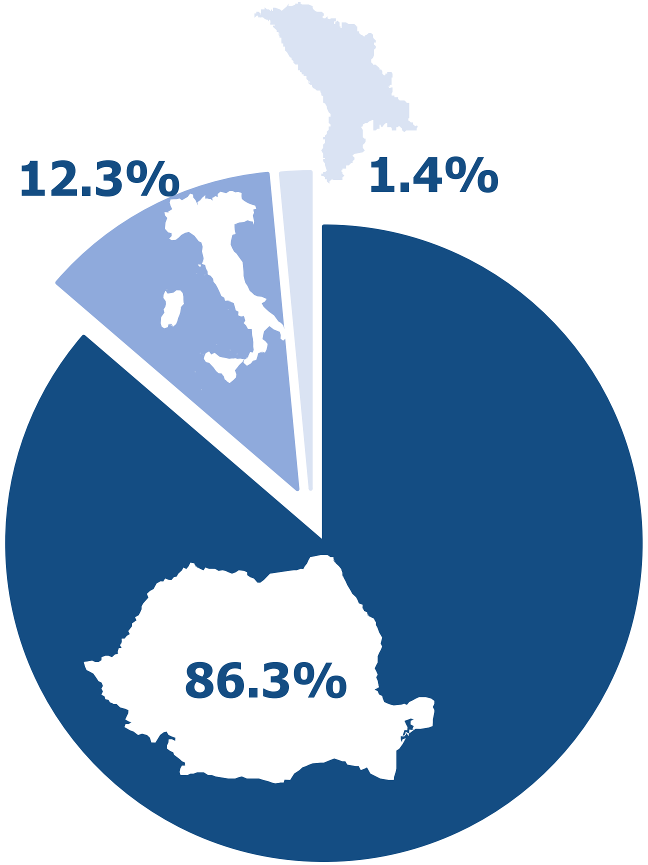
Restaurant Sales
in RON m

Expenses (Restaurant + G&A)
in RON m, excl. IFRS16

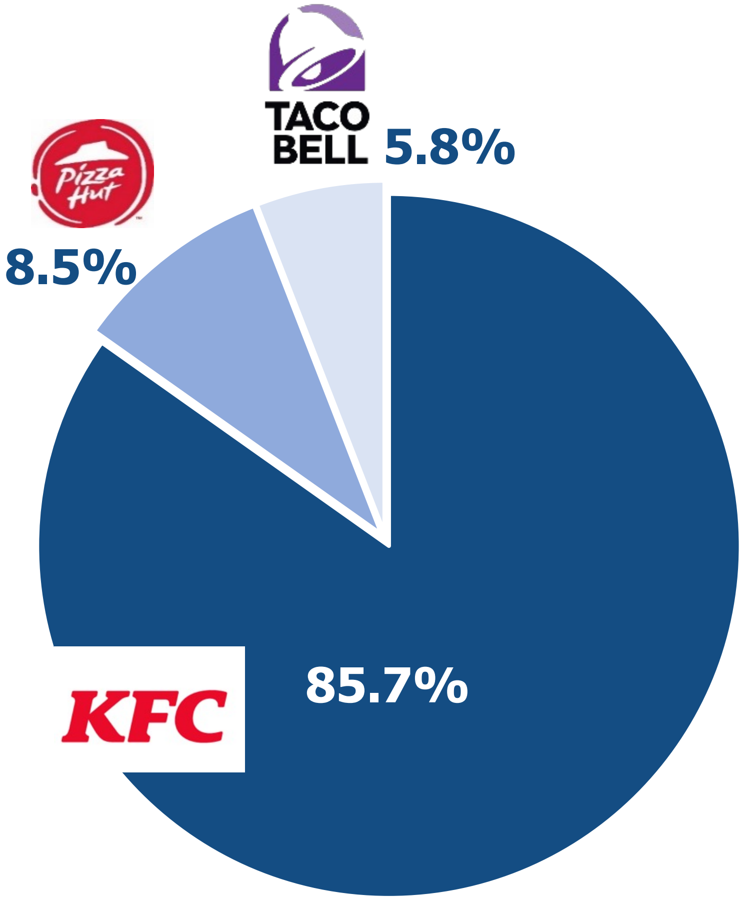
EBITDA
in RON m, excl. IFRS16

SFG H1 2023 Performance breakdown

Contribution to H1 2023 turnover



Per market



Per brand

2022 Financial Highlights

SFG Performance in 2022

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Data in RON'000	2022A	2021A	Y/Y %
Restaurant sales	**1,322,822**	**1,000,312**	**32.2%**
Other restaurant income	**1,172**	**2,627**	**-55.4%**
Restaurant expenses	1,214,438	917,211	32.4%
Restaurant operating profit	**109,555**	**85,728**	**27.8%**
General & Admin expenses	56,389	50,537	11.6%
EBITDA	**102,161**	**75,004**	**36.2%**
Normalized EBITDA*	**102,655**	**73,477**	**39.7%**
Operating Profit	53,166	35,192	51.1%
Finance costs	13,307	8,364	59.1%
Finance income	496	150	231.4%
Profit/(Loss) before tax	40,355	26,977	49.6%
Income tax expense/(credit)	(1,264)	(2,853)	-55.7%
Specific Tax	2,565	2,424	5.8%
Profit for the year	39,054	27,407	42.5%
Normalized profit for the year**	**44,270**	**25,880**	**71.1%**

(*) Normalized EBITDA for 2022 – excludes other provisions related to closing of stores. Normalized EBITDA for 2021 – excludes the reversal of penalties from franchisor Pizza Hut.

(**) Normalized profit for 2022 – excludes other provisions related to closing of stores and the related thereto depreciation. Normalized profit for 2021 excludes the reversal of penalties from franchisor Pizza Hut.

- **Best quarter in Group's history:** Q4'22 continued the positive trend of QoQ increases, with the Group closing the period with record-high results, registering RON 369.2 mn in consolidated sales, a 36% increase compared to Q4'21 and normalized EBITDA of RON 44.4, +243%.
- **All brands had positive restaurant operating profit Q4'22:** Restaurant operating profit tripled YoY, reaching RON 44.6 mn due to the increased customer presence in stores leading to higher transactions overall as well as price adjustments paired with the highest rate of delivery sales through own channels since the onset of the pandemic.
- **Record-high topline of RON 1.3bn:** In 2022, the Group recorded RON 1.3 bn in consolidated restaurant sales, a 32% increase compared to 2021, normalized EBITDA of RON 102.7 mn, a 40% increase YoY, and a normalized net profit of RON 44.3 mn, a 71% increase.
- **Restaurant expenses aligned with pace of sales for FY 2022:** The restaurant expenses in 2022 amounted to RON 1.21 bn, a 32% YoY increase. H1 2022 was very challenging, however, the weight of these costs in net sales in H2 2022 decreased by 7.7pp vs H1 2022.
- **Aggregator sales at sustainable levels:** Aggregator commissions increased 4% in 2022, with the weight of aggregators' commissions in net sales decreasing by 1pp in 2022 vs. 2021.
- **G&A in check:** The weight of G&A in sales decreased with 0.8pp in 2022 vs. 2021, despite a 12% YoY increase, as these expenses reached RON 56.4 mn.
- **Profitable growth trajectory:** The excellent topline performance and positive bottom line in H2'22 helped recover the losses that the Group registered in Q1'22. Normalized net profit for 2022 was RON 44.3 mn, versus RON 25.9 mn for 2021 (+71%).

Results excl. IFRS16

SFG 2022 Performance

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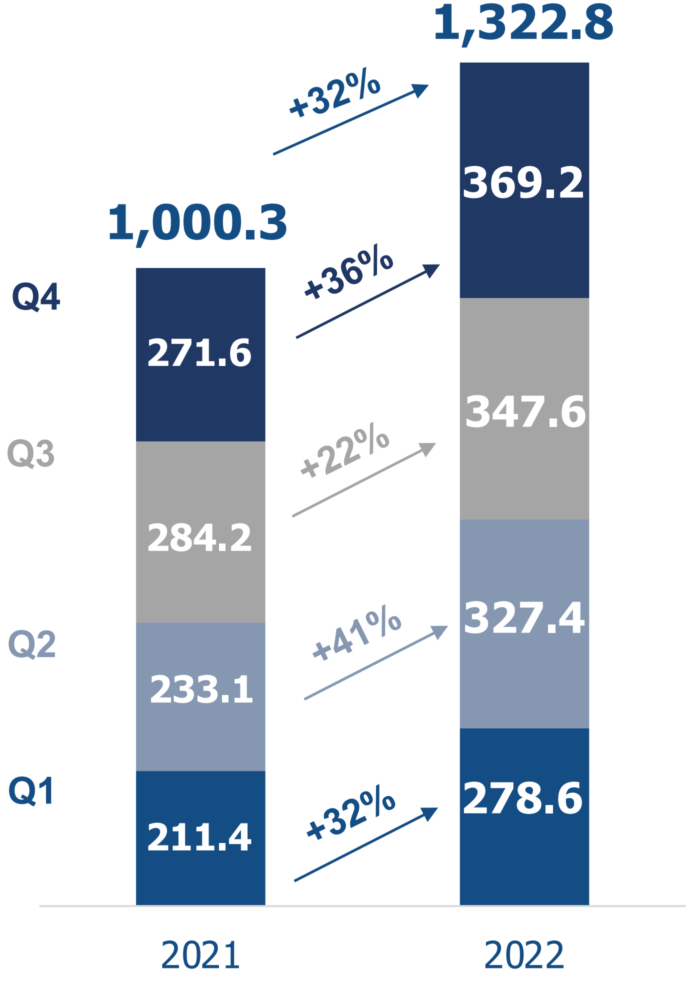
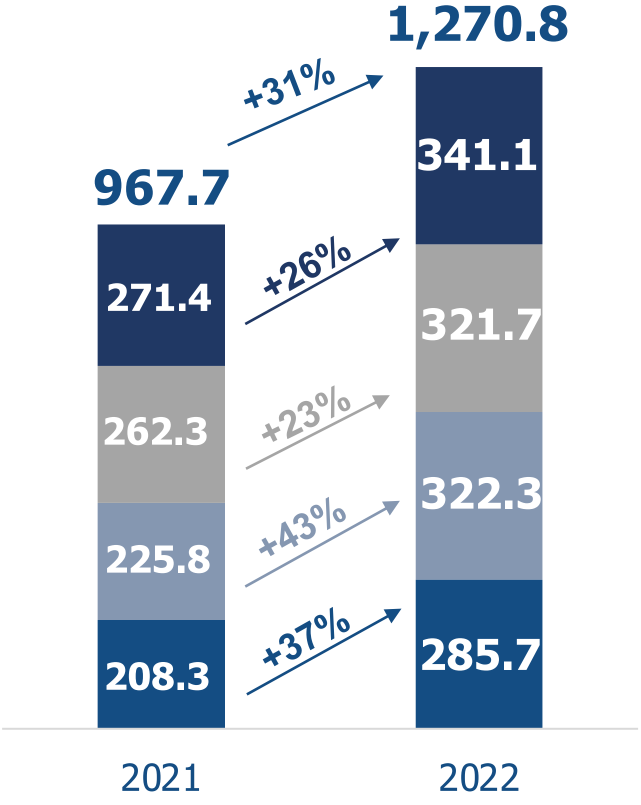


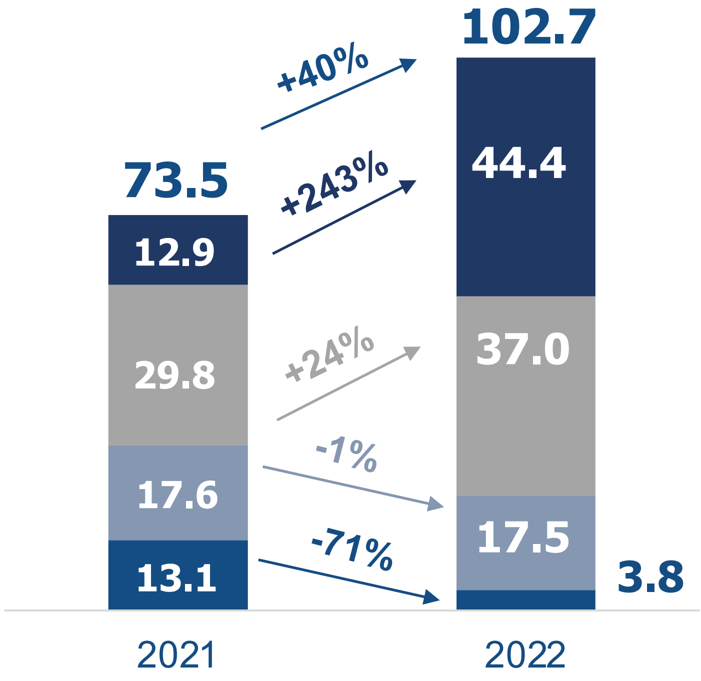
Restaurant Sales

in RON mn



Expenses (Restaurant + G&A)

in RON mn, excl. IFRS16



Normalized EBITDA

in RON mn, excl. IFRS16

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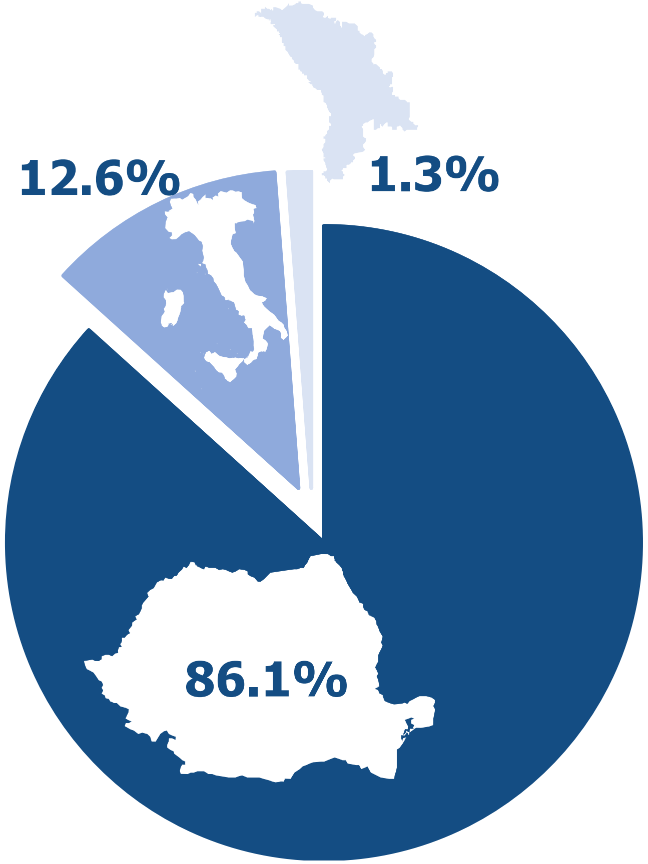
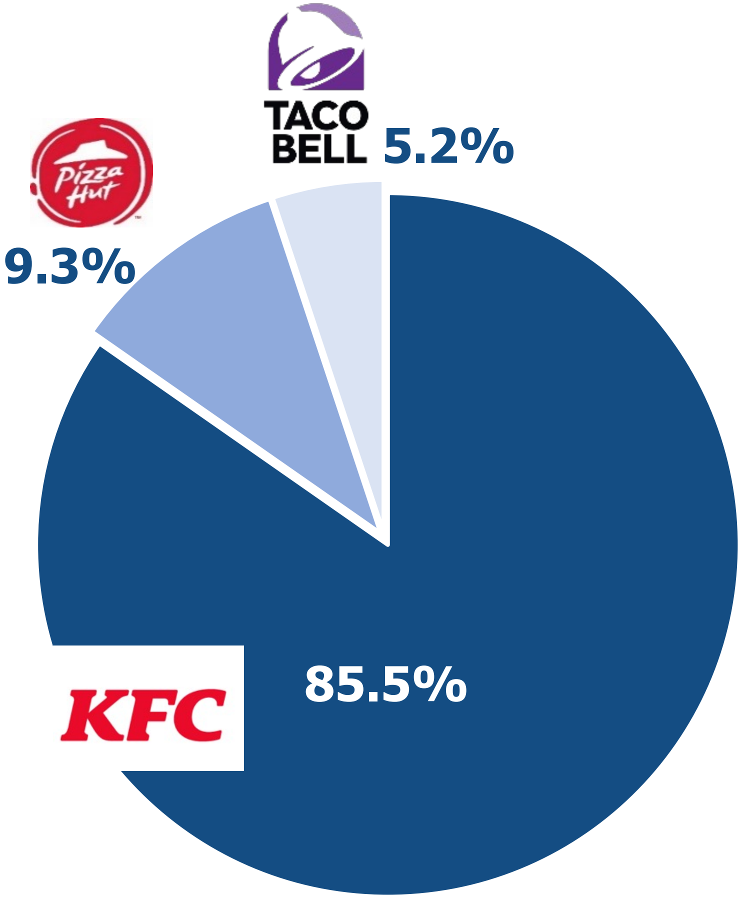
SFG 2022 Performance breakdown

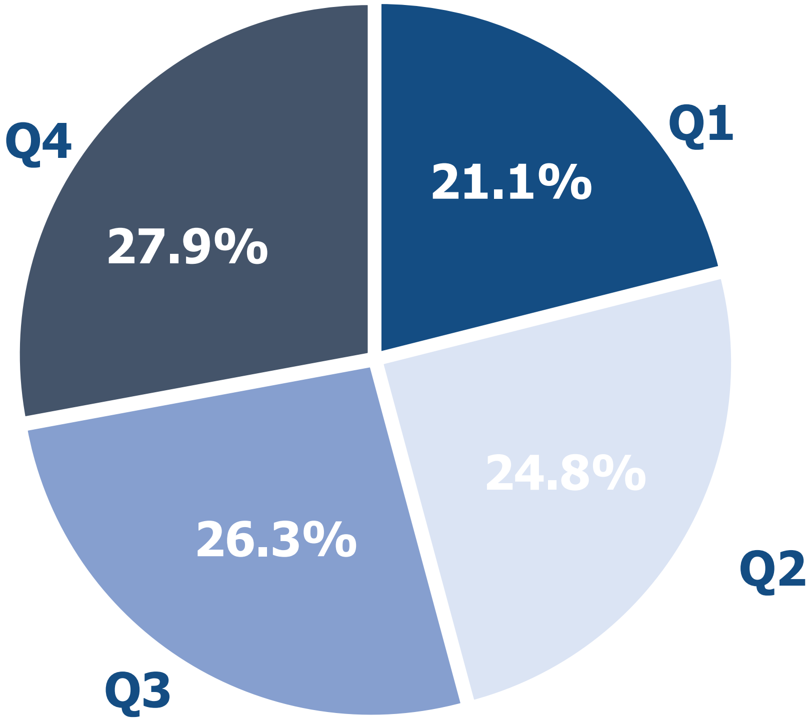
Contribution to 2022 turnover



Per market



Per brand



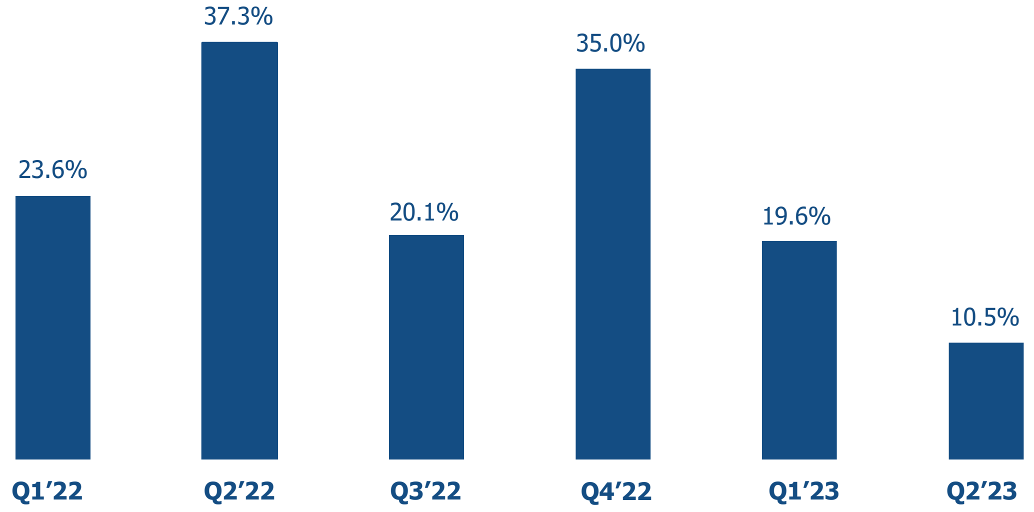
Per quarter

Brand Performance

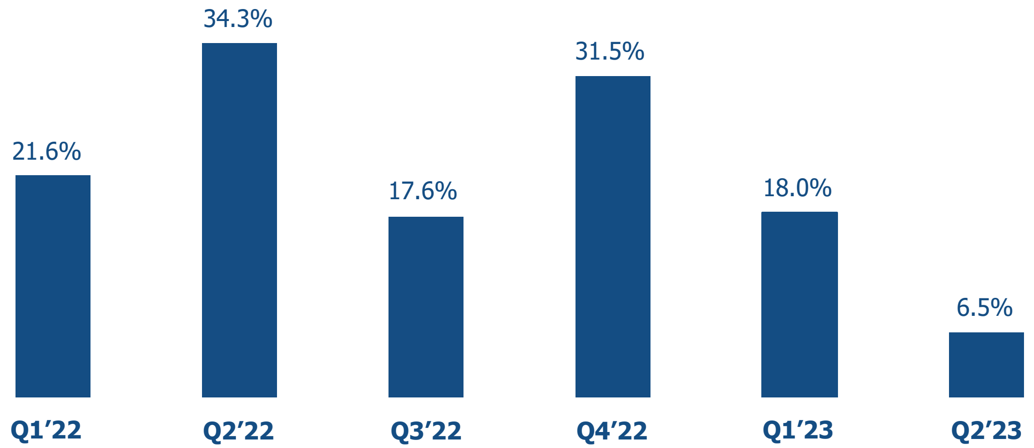
KFC Romania

- Q2’23 was another strong quarter of consolidation for KFC Romania as all store performance improved 10.5% YoY due to solid same store results (+6.5%) paired with the sales generated by the 6 new KFC units that were opened between H2’22 and H1’23.
- The sales for delivery in Q2’23 amounted to 16%, a 2pp decrease QoQ driven by the seasonality.
- In H1’23, KFC Romania increased EBITDA by 68.7% YoY to RON 46.6 mn, with EBITDA margin of 9.3% and net profit of RON 26.3 mn (+119.6%).

All Store Performance



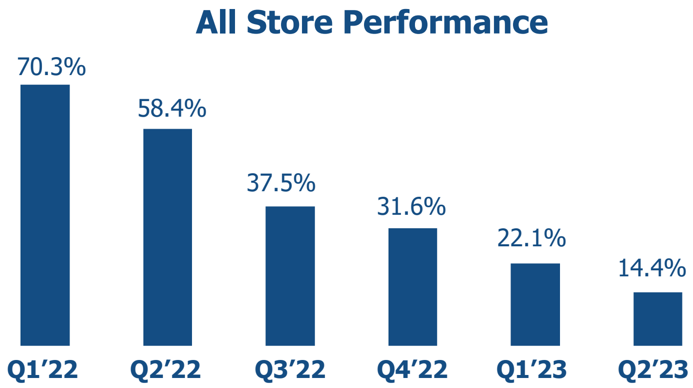
Same Store Performance

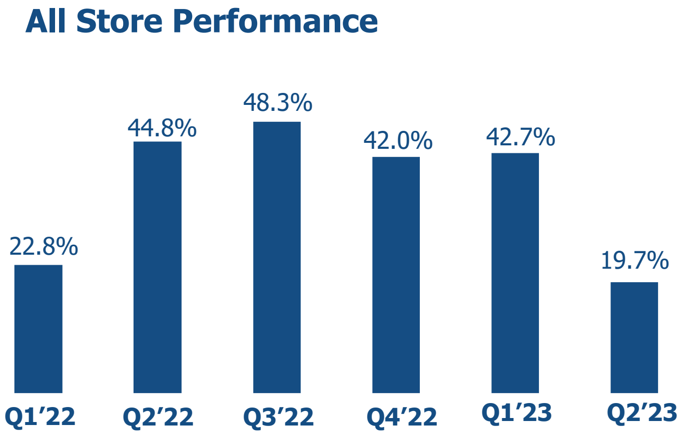


KFC Italy & KFC Republic of Moldova

KFC Italy

- All-stores recorded 14.4% sales increase in Q2’23 vs. Q2’22.
- 7% of all orders in Q2’23 were for delivery, 1pp QoQ decrease.
- USFN Italy took EBITDA from negative, as reported in H1’22, to positive territory in H1’23. EBITDA amounted to RON 6 million for H1’23 (vs negative EBITDA of RON 2.7 mn in H1’22), with EBITDA margin at 7.1%.
- USFN Italy closed the period on break-even in terms of net profit.
- Due to efficiently controlled expenses and streamlined activities, including the closing of the two non-viable units, USFN Italy has reached breakeven.





KFC Moldova

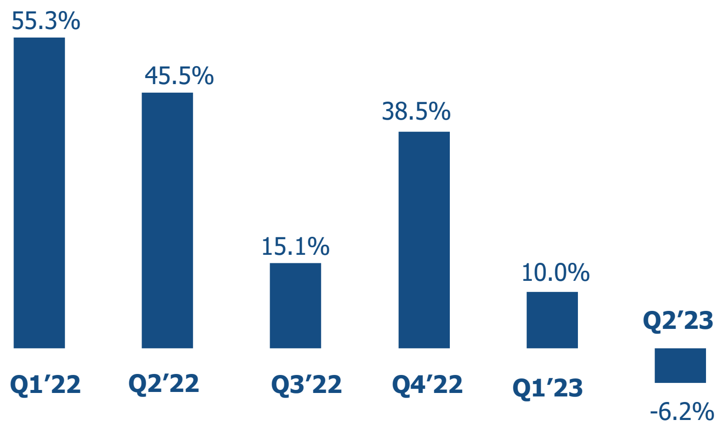
- The two stores located in Chisinau continued accelerated sales increases, with all store performance increasing 19.7%.
- Sales for delivery decreased in Q2’23 with 1pp QoQ, standing at 30% of total sales.
- KFC Moldova closed H1’23 with EBITDA of RON 1.6mn (+45.6%), having the highest margin of all the brands, of 15.9%, and net profit of RON 1.2mn (+60.3%).

Pizza Hut & Taco Bell

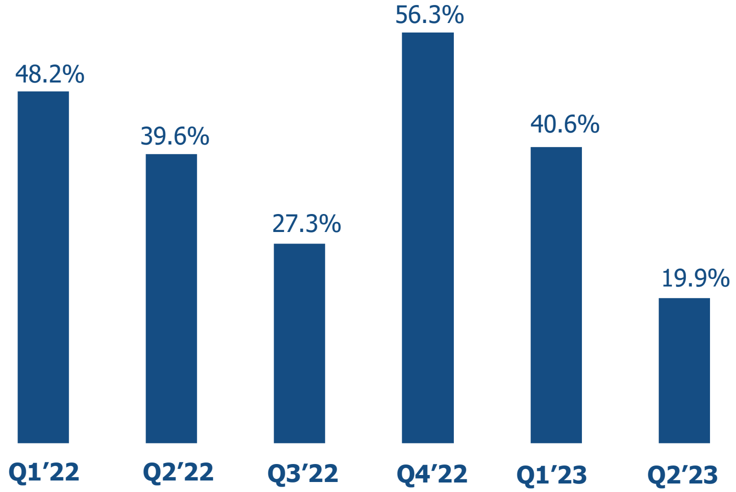
Pizza Hut

- The YoY all store performance registered a 6.2% decrease while the same store sales decreased 6.8%.
- 34% of all orders were made for delivery in Q2’23, a 2pp decline QoQ.
- Pizza Hut closed H1’23 with EBITDA of -3.1 mn, however improving it YoY by RON 1.8 mn, and a net loss of RON 6.1mn (improvement of RON 2.3 mn vs H1’22).

All Store Performance



All Store Performance



Taco Bell

- Taco Bell’s all store performance in Q2’23 registered a 19.9% increase YoY while same store performance appreciated 14.5%. Between H2’22 and H1’23, 1 new Taco Bell was opened.
- 28% of all orders in Q2’23 were for delivery, a 2pp QoQ decrease.
- Taco Bell closed H1’23 with EBITDA of RON 1.6mn (+169.9% vs H1’22), a 3.8% margin, and a loss of RON 1.1 mn (RON 0.9 mn improvement vs H1’22).

Latest Business Updates

Development & staff updates

Number of stores

- **179 restaurants operated:** out of which 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 as of 30.06.2023
- **4 openings in H1’23:** 2 new KFCs in Romania within Rompetrol gas stations, one drive thru location in Giurgiu Shopping Park and another drive thru location in Slatina.
- **2 closings in H1’23:** In January 2023, two KFC stores in Italy were closed: KFC Verona Corso Milano and KFC Torino Moncalieri. In July 2023, PHD in Cluj Centre was closed.

Staff

- **Employees:** As of 30.06.2023, the Group had 5,388 employees, of which 4,904 were in Romania, 407 in Italy and 77 in the Republic of Moldova.
- **Continuing the digitalization to simplify the sales process:** In H1’23, the Group continued the process of digitalizing its network through further deployment of digital kiosks to simplify the selling process.

Capital markets updates

SFG evolution on BVB

- **SFG outperforms reference indices in H1 2023:** 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.

Share buyback

- **Buyback of max 104,100 shares for SOP:** On June 30th, 2023 Sphera initiated the share buyback programe for the purpose of implementing SOP. Until August 25th, the Company bought back a total of 90,591 out of 104,100 shares.

MSCI Inclusion

- **New global 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.

Dividends

- **Gross dividend per share of RON 0.5155:** On March 31, 2023, Sphera Franchise Group paid shareholders dividends amounting to RON 20,001,059.77 from the undistributed net profit of 2020, fixing a gross dividend per share at RON 0.5155. The ex-date for the dividend payment was March 10th, 2023; the record date was March 13th, 2023.
- **Dividend proposal of RON 1.16 per share:** The key point on the agenda of the OGSM on 04.09.2023 is the approval of the dividend distribution amounting RON 45,007,234.40 from the undistributed net profit of financial years 2020-2022.

Marketing

KFC: Increase transactions and maximize relevance

- KFC focused on strengthening favorability for the burger layer by successfully re-launching an innovative burger in Q2 called Zinger Mozzarella. The unique communication campaign resulted in strong same-store sales growth and an increase in restaurant visits.
- Building a distinctive and relevant brand leads to higher sales, therefore, in Q2 we launched a national campaign to celebrate the opening of our 100th restaurant, which rewarded consumers with daily prizes.
- We continued our effort to reinforce the “value for money” perception that drove traffic in the stores by communicating the Tuesday Bucket through a 360 campaign, by offering coupons through our mobile app and by launching a local store marketing campaign in selected locations with an aggressive offer of *buy one get one free* for hot wings.
- With the objective of offering consumers easier access to our products through click & collect, we launched a campaign with prizes in collaboration with Coca-Cola which increased the number of active users for our mobile app.
- With the aim of boosting sales and reinforcing the best tasting chicken attribute, KFC re-launched Popcorn Chicken, a core product which was communicated through digital media using our social entertainment channel approach.
- New growth layers were sustained by the retail launch of a new sauce, American Dip, with the aim of improving the revenue stream started in 2018 with the retail version of our famous garlic sauce.

Marketing

Pizza Hut: Build sales and increase distinctiveness

- Pizza Hut continued its value journey in Q2 by launching *buy a medium, get a large* with the aim of increasing transactions by attracting new users and reinforcing our pizza expert attribute.
- In June we brought into focus Crown Pizza, an iconic and popular crust, with the objective of increasing both frequency among regular users and the value of the average ticket.
- As a secondary layer the brand communicated both value offers, Good Deals, and product innovation, Flatbread, for the dine-in and delivery channels which resulted in same-store sales growth.

Taco Bell: Drive trial and build brand

- The Mexican-inspired brand focused its communication in Q2 on product innovation by re-launching the Naked Chicken Taco, a fan favorite, which resulted in both trial by light users and increased frequency among regular users.
- With the aim of establishing the "value for money" perception and driving trial in stores outside of Bucharest, Taco Bell launched Más Menu, a complete meal at an affordable price which significantly increased transactions.
- Building a cult brand that drives sales is key; this is why we adopted and launched a global campaign featuring LeBron James, a well-known #tacofan who became the ambassador of Taco Tuesday, the buy one get one free taco offer that no one can resist.

Marketing

The digital normal

- Focusing on ease of access for our consumers who expect frictionless experiences, we continued our digital journey and communicated through digital media our "click & collect" services and ecommerce platforms, with the objective of expanding our user base and gaining repeat visits from existing users.

Make good easy

- The Sustainability Report for Sphera Group for the year 2022 was published at the end of June.
- As part of our on-going commitment to our local communities we launched "Tomorrow's meal", to address the nutritional and educational needs of disadvantaged children and youth.

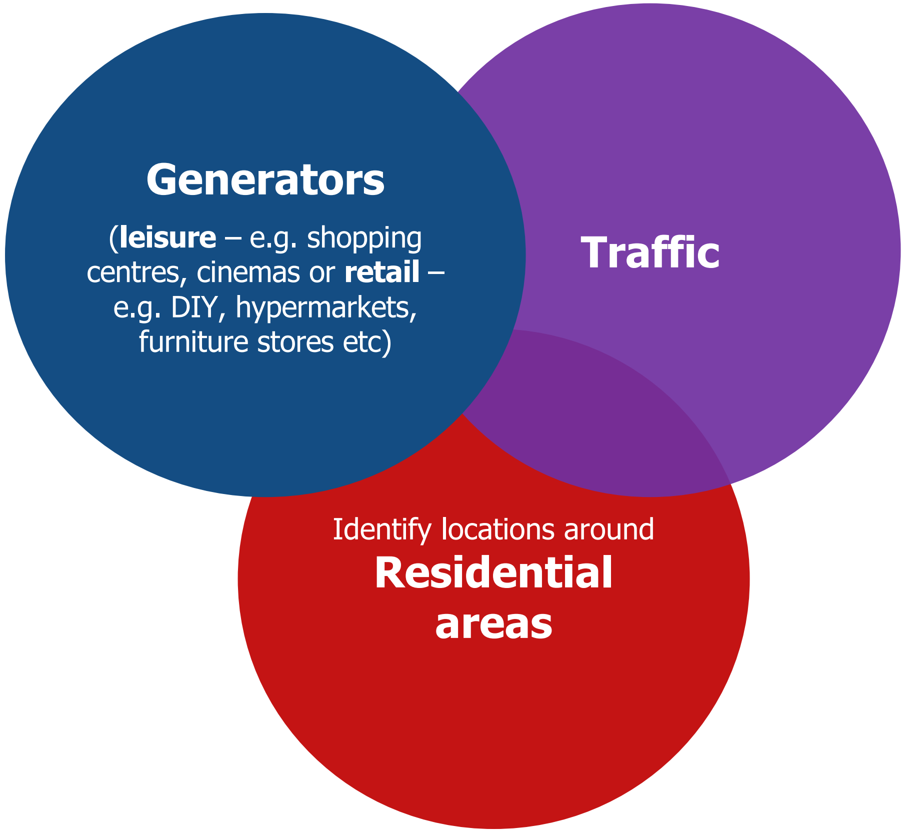
Pricing adaptation to market conditions

- In the current economic climate, we increased the prices in June for the three brands in order to protect our profitability and absorb the increased cost of inputs. At the same time, we focused on value offerings to the customer to ensure continued traffic, visits, and transactions.

Development Plan

Efficient restaurant roll-out

Restaurant-selection criteria



New restaurant opening process

2023 Guidance

Indicator	Budget 2023		2022		Budget 2023 vs 2022
RON millions (mn)	RON mn	% Sales	RON mn	% Sales	%
Restaurant Sales (*)	**1,600.3**	**100.0%**	**1,322.8**	**100.0%**	**21.0%**
Other Income	**-**	**-**	**1.2**	**-**	**-**
Food and Material	526.2	32.9%	457.1	34.6%	15.1%
Restaurant Gross Margin	**1,074.0**	**67.1%**	**866.9**	**65.5%**	**23.9%**
Restaurant Operational Expenses	850.3	53.1%	712.1	53.8%	19.4%
Restaurant Operating Profit	**223.8**	**14.0%**	**154.8**	**11.7%**	**44.5%**
G&A expenses	61.2	3.8%	52.2	3.9%	17.2%
EBITDA (normalized, excluding IFRS 16 impact) **(*)**	**162.6**	**10.2%**	**102.7**	**7.8%**	**58.4%**
Normalized Profit for the year (*)	**83.4**	**5.2%**	**44.3**	**3.3%**	**88.3%**
Free Cash Flow (*)	**71.1**		**55.6**		**27.8%**

2023 Guidance

General context: the budget is based on information available as of end of February 2023, under presumption of a normal course of business and considering that the overall inflation will be around 10% in 2023. The budget also takes into consideration the increase of the minimum wage starting with January 2023.

Topline performance: The Group estimates that the restaurant sales will increase with 21% compared to 2022, due to a combined effect of same stores sales growth and new stores sales. In 2023, the traditional channels will have an increased weight versus previous year. Consequently, the delivery channel will represent around 18% of sales.

Restaurant operating expenses: In respect to restaurant operating expenses, the assumed tempered increase of food and material costs in 2023 will contribute to the improvement of the gross margin of 1.6pp versus 2022. The costs of labor will be calibrated to match the ramp-up of the sales throughout the year. Energy cost is assumed to be predictable and in line with the regulations introduced in 2022.

G&A expenses: The weight of the normalized G&A expenses in total sales in 2023 shall be lower than in 2022, due to inelasticity of these costs in relation with activity volume increase. The company aims to achieve a normalized net profit higher with 88% than the one realized in 2022, significantly above the estimated increase in sales (+21%).

CAPEX: In terms of development, the Group plans to open 10 restaurants (8 KFCs in Romania and 2 Taco Bells), with an estimated CAPEX of approximately EUR 6.8 million. Store remodeling and the implementation of digital solutions are assumed around EUR 3.8 million.

Cash position: The Group estimates the cash position available at the end of 2023 to be around RON 90 million, while the bank debt is estimated to be around RON 190 million with a net bank debt of RON 100 million. The Group estimates an increase in free cash flow of 28% versus the result from 2022.

Annex 1: Key H1 2023 Financials

Summary of consolidated H1 2023 FS

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

Data in RON'000	H1-23	H1-22	Y/Y % H1-23/H1-22	% of Sales H1-23	% of Sales H1-22	Δ%
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%**

Results excl. IFRS16

Summary of consolidated H1 2023 FS

(with and without IFRS 16 impact)

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 (1)	2023/2022 (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.

Breakdown of H1 2023 results by entity

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**

Results excl. IFRS16

Overview of the H1 2023 G&A expenses

(with and without IFRS 16 impact)

	Data in RON '000				Change (%)		Percentage of sales			
	H1-23 (1)	H1-23 (2)	H1-22 (1)	H1-22 (2)	2023/ 2022 (1)	2023/ 2022 (2)	2023 (1)	2023 (2)	2022 (1)	2022 (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.*

Annex 2: Key 2022 Financials

Summary of 2022 Consolidated FS

Summary of Consolidated Financial Statements for FY (excluding IFRS16):

Data in RON'000	2022	2021	Y/Y % 2022/2021	% of Sales 2022	% of Sales 2021	Δ%
Restaurant sales	**1,322,822**	**1,000,312**	**32.2%**	-	-	-
Other restaurant income	**1,172**	**2,627**	**-55.4%**	-	-	-
Restaurant expenses	**1,214,438**	**917,211**	**32.4%**	**91.8%**	**91.7%**	**0.1%**
Food and material	457,108	327,645	39.5%	34.6%	32.8%	1.8%
Payroll and employee benefits	287,056	225,869	27.1%	21.7%	22.6%	-0.9%
Rent	94,646	72,515	30.5%	7.2%	7.2%	-0.1%
Royalties	78,803	59,987	31.4%	6.0%	6.0%	0.0%
Advertising	66,988	52,919	27%	5.1%	5.3%	-0.2%
Other operating expenses	184,560	141,735	30.2%	14.0%	14.2%	-0.2%
Depreciation and amortization	45,276	36,540	23.9%	3.4%	3.7%	-0.2%
Restaurant operating profit	**109,555**	**85,728**	**27.8%**	**8.3%**	**8.6%**	**-0.3%**
General & Admin expenses	56,389	50,537	11.6%	4.3%	5.1%	-0.8%
Operating Profit	**53,166**	**35,192**	**51.1%**	**4.0%**	**3.5%**	**0.5%**
Finance costs	13,307	8,364	59.1%	1.0%	0.8%	0.2%
Finance income	496	150	231.4%	0.0%	0.0%	0.0%
Profit before tax	**40,355**	**26,977**	**49.6%**	**3.1%**	**2.7%**	**0.4%**
Income tax expense/(credit)	(1,264)	(2,853)	-55.7%	-0.1%	-0.3%	0.2%
Specific Tax	2,565	2,424	5.8%	0.2%	0.2%	0.0%
Profit for the year	39,054	27,407	42.5%	3.0%	2.7%	0.2%
Normalized Profit for the year**	**44,270**	**25,880**	**71.1%**	**3.3%**	**2.6%**	**0.8%**
EBITDA	102,161	75,004	36.2%	7.7%	7.5%	0.2%
Normalized EBITDA*	**102,655**	**73,477**	**39.7%**	**7.8%**	**7.3%**	**0.4%**

(*) EBITDA for 2022 was normalized to exclude the provisions related to the closing of non-performing stores in amount of RON 494k. EBITDA for 2021 was normalized to exclude the reversal of accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods (RON 1,527k).
(**) Net profit for 2022 was normalized to exclude the impairment of non-current assets (RON 4,723k) and other costs related to the closing of non-performing stores (RON 494k). Net profit for 2021 was normalized to exclude the reversal of accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods (RON 1,527k).

Results excl. IFRS16

Summary of 2022 Consolidated FS

(with and without IFRS 16 impact)

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

Data in RON'000	2022 (1)	2022 (2)	2021 (1)	2021 (2)	Change (%) 2022/2021 (1)	Change (%) 2022/2021 (2)
Restaurant sales	**1,322,822**	**1,322,822**	**1,000,312**	**1,000,312**	**32.2%**	**32.2%**
Other restaurant income	**1,172**	**1,172**	**2,627**	**2,627**	**-55.4%**	**-55.4%**
Restaurant expenses	**1,207,065**	**1,214,438**	**915,260**	**917,211**	**31.9%**	**32.4%**
Food and material	457,108	457,108	327,645	327,645	39.5%	39.5%
Payroll and employee benefits	287,056	287,056	225,869	225,869	27.1%	27.1%
Rent	32,110	94,646	17,058	72,515	88.2%	30.5%
Royalties	78,803	78,803	59,987	59,987	31.4%	31.4%
Advertising	66,988	66,988	52,919	52,919	26.6%	26.6%
Other operating expenses	184,450	184,560	141,735	141,735	30.1%	30.2%
Depreciation and amortization	100,551	45,276	90,046	36,540	11.7%	23.9%
Restaurant operating Profit	**116,928**	**109,555**	**87,680**	**85,728**	**33.4%**	**27.8%**
General & Admin expenses	55,572	56,389	49,947	50,537	11.3%	11.6%
Operating Profit	**61,356**	**53,166**	**37,733**	**35,192**	**62.6%**	**51.1%**
Finance costs	23,062	13,307	20,497	8,364	12.5%	59.1%
Finance income	496	496	150	150	231.4%	231.4%
Profit before tax	**38,790**	**40,355**	**17,386**	**26,977**	**123.1%**	**49.6%**
Income tax expense/(credit)	(1,725)	(1,264)	(3,701)	(2,853)	-53.4%	-55.7%
Specific Tax	2,565	2,565	2,424	2,424	5.8%	5.8%
Profit for the period	37,950	39,054	18,664	27,407	103.3%	42.5%
Normalized Profit/ for the year**	**43,167**	**44,270**	**17,137**	**25,880**	**151.9%**	**71.1%**
EBITDA	168,495	102,161	133,921	75,004	25.8%	36.2%
Normalized EBITDA*	**168,988**	**102,655**	**132,394**	**73,477**	**27.6%**	**39.7%**

Notes: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.
(*) Normalized EBITDA for 2022 – excludes other provisions related to closing of stores. Normalized EBITDA for 2021 – excludes the reversal of penalties from franchisor Pizza Hut.
(**) Normalized profit for 2022 – excludes other provisions related to closing of stores and the related thereto depreciation. Normalized profit for 2021 excludes the reversal of penalties from franchisor Pizza Hut.

Breakdown of 2022 results by entity

Breakdown of consolidated results by Group companies in 2022 (excluding IFRS 16 Impact):

Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	SFG Cons
	2022							
Restaurant sales	**946,881**	**122,918**	**17,393**	**166,335**	**69,303**	**35,080**	**(35,088)**	**1,322,822**
Dividends revenue	**-**	**-**	**-**	**-**	**-**	**50,502**	**(50,502)**	**-**
Other restaurant income	**1,172**	**-**	**-**	**-**	**-**	**-**	**-**	**1,172**
Restaurant expenses	**839,637**	**125,544**	**14,739**	**168,023**	**66,908**	**-**	**(414)**	**1,214,438**
Food and material	342,281	36,515	7,783	46,659	23,870	-	-	457,108
Payroll and employee benefits	195,704	33,989	2,287	39,077	16,000	-	-	287,056
Rent	63,345	11,337	995	13,614	5,355	-	-	94,646
Royalties	56,374	7,272	1,045	9,929	4,184	-	-	78,803
Advertising	45,951	6,750	506	10,717	3,452	-	(389)	66,988
Other operating expenses	114,770	24,803	1,797	32,312	10,883	-	(5)	184,560
Depreciation	21,212	4,878	326	15,716	3,163	-	(20)	45,276
Restaurant operating profit/(loss)	**108,415**	**(2,626)**	**2,654**	**(1,688)**	**2,395**	**85,582**	**(85,176)**	**109,555**
G&A expenses	31,782	8,032	305	11,001	3,180	40,641	(38,550)	56,389
Operating profit/(loss)	**76,633**	**(10,658)**	**2,349**	**(12,689)**	**(785)**	**44,941**	**(46,626)**	**53,166**
Finance costs	9,792	1,059	87	2,965	1,844	2,913	(5,353)	13,307
Finance income	4,033	8	-	1	-	1,807	(5,353)	496
Profit/(Loss) before tax	**70,874**	**(11,709)**	**2,262**	**(15,653)**	**(2,628)**	**43,835**	**(46,626)**	**40,355**
Income tax expense/(credit)	631	724	297	(4,289)	908	464	-	(1,264)
Specific tax expense	1,629	719	-	-	217	-	-	2,565
Profit/(Loss) for the period	68,614	(13,153)	1,966	(11,364)	(3,753)	43,370	(46,626)	39,054
Normalized Profit/(Loss) for the period**	**68,614**	**(12,869)**	**1,966**	**(6,432)**	**(3,753)**	**47,392**	**(50,648)**	**44,270**
EBITDA	99,817	(5,117)	2,712	3,206	2,548	45,648	(46,653)	102,161
Normalized EBITDA*	**99,817**	**(5,117)**	**2,712**	**3,700**	**2,548**	**49,670**	**(50,675)**	**102,655**

(*) Normalized EBITDA for 2022 – excludes other provisions related to closing of stores. At individual level, normalized EBITDA for 2022 excludes the impairment loss for the investment in ARS (4,022) registered in SFG.
(**) Normalized profit for 2022 – excludes other provisions related to closing of stores and the related thereto depreciation.

Results excl. IFRS16

Overview of the 2022 G&A expenses

(with and without IFRS 16 impact)

	Data in RON '000				Change (%)		Percentage of sales			
	2022 (1)	2022 (2)	2021 (1)	2021 (2)	2022/ 2021 (1)	2022/ 2021 (2)	2022 (1)	2022 (2)	2021 (1)	2021 (2)
General and administration (G&A) expenses	**55,572**	**56,389**	**49,947**	**50,537**	**11.3%**	**11.6%**	**4.2%**	**4.3%**	**5.0%**	**5.1%**
Payroll and employee benefits	36,488	36,488	30,374	30,374	20.1%	20.1%				
Third-party services	7,210	7,210	5,925	5,925	21.7%	21.7%				
Depreciation and amortization	6,588	3,720	6,142	3,272	7.3%	13.7%				
Rent	264	3,949	357	3,816	-26.1%	3.5%				
Banking charges	773	773	4,122	4,122	-81.2%	-81.2%				
Transport	1,203	1,203	781	781	53.9%	53.9%				
Other*	3,047	3,047	2,246	2,246	35.6%	35.6%				

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.*
Starting 1st of January 2022, the banking charges related to the POS commissions, in amount of 4,506 in 2022 are presented within Other operating expenses category, being directly related to the operating sales activity. In 2021, these banking charges in amount of 2,262 were presented within General and administrative expenses category.

Notes

SFG 2023 Financial Calendar

15.11.2023 – Q3 2023 Results

15.11.2023 – Q3 2023 Results Call

Thank you!

For any follow-up questions related to Sphera Franchise Group's activity on the Bucharest Stock Exchange, please contact **Zuzanna Kurek**, IRO at: **investor.relations@spheragroup.com.**