



S P H E R A

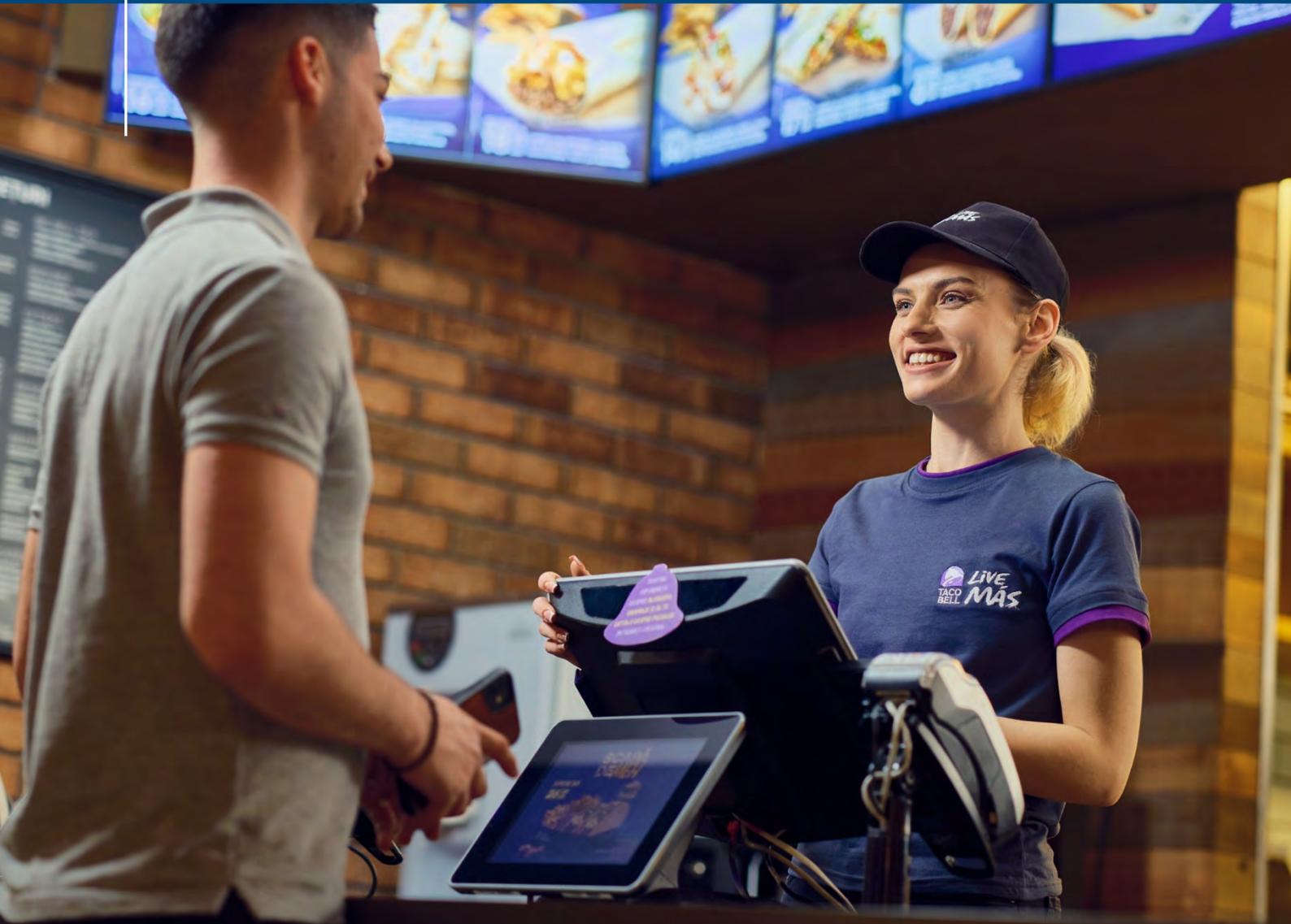
KFC



TACO BELL

# Q1 2024 Report

Sphera Franchise Group S.A.





S P H E R A

# TABLE OF CONTENTS

ISSUER INFORMATION	4
KEY FINANCIAL HIGHLIGHTS	5
Q1 2024 RESULTS ANALYSIS	6
MAIN FINANCIAL RATIOS	11
SIGNIFICANT EVENTS IN Q1 2024 & AFTER CLOSING OF THE REPORTING PERIOD	13
DECLARATION FROM THE MANAGEMENT	16
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)	16

The interim condensed consolidated 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 as of March 31st, 2024, **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 1<sup>st</sup>, 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	Quarterly Report for Q1
For financial period	01.01.2024 – 31.03.2024
Date of publishing	15.05.2024
According to	Annex 13 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

## CONTACT DETAILS FOR INVESTORS

Phone / Fax	+40 21 201 17 57 / +40 21 201 17 59
E-mail	investor.relations@spheragroup.com
Website	<a href="http://www.spheragroup.com">www.spheragroup.com</a>

# KEY FINANCIAL HIGHLIGHTS



## Q1 2024 Consolidated Sales



**RON 317.1 mn**  
+10% vs. Q1 2023

**RON 43.3 mn**  
+6% vs. Q1 2023

**RON 5.5 mn**  
+12% vs. Q1 2023

**KFC**



**RON 317.6 mn**  
+12% vs. Q1 2023

**RON 27.4 mn**  
-12% vs. Q1 2023

**RON 20.9 mn**  
+5% vs. Q1 2023

<b>#1</b> the best first quarter of the year in the history in terms sales, EBITDA and net profit	<b>63%</b> increase in restaurant operating profit in Q1 2024, to RON 44.6 mn	<b>69%</b> EBITDA increase in Q1 2024, to RON 39.8 mn
<b>192%</b> YoY increase in the net profit, to RON 21.4 mn in Q1 2024, vs RON 7.3 mn in Q1 2023	<b>4pp</b> decrease in the share of restaurant expenses in total sales, to 88% in Q1 2024	<b>0.3</b> net debt / EBITDA ratio, a minimum level

## Q1 2024 RESULTS ANALYSIS

Sphera Franchise Group started 2024 strong, with a 9.2% year-on-year (YoY) turnover increase in Q1 2024, as the Group registered RON 365.9 million in sales. Sales in Romania contributed to the total revenues with RON 317.1 million, registering a 9.6% YoY increase, Italy with RON 43.3 million, a 5.7% YoY increase, while the Republic of Moldova contributed with RON 5.5 million, a 12.4% YoY increase. The contribution to the total performance remained comparable to the same period of 2023, with Romania contributing 86.7% to total sales, Italy – 11.8% and the Republic of Moldova - 1.5%. The continued sustained growth of the Group comes in a context when Q1 is usually a slow period for the food service industry due to the post-holiday season slowdown, therefore setting good premises for a strong 2024.

Data in RON '000	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Change Q1-24/Q1-23
<b>Sales by region</b>						
Romania	289,218	311,266	324,269	340,016	317,123	<b>9.6%</b>
Italy	40,951	44,364	49,708	48,791	43,303	<b>5.7%</b>
Rep. Moldova	4,891	4,890	5,179	5,629	5,498	<b>12.4%</b>
<b>Total sales</b>	<b>335,060</b>	<b>360,520</b>	<b>379,156</b>	<b>394,436</b>	<b>365,924</b>	<b>9.2%</b>

Analyzing performance per brand, sales of KFC appreciated 11.8% in Q1 2024 vs. Q1 2023, delivering RON 317.6 million in revenues, the positive performance being recorded both on same stores and new openings in Romania. Pizza Hut sales decreased 12% due to the streamlining of the restaurant network, contributing RON 27.4 million to total turnover in Q1 2024. Taco Bell grew 5.4%, registering revenues of RON 20.9 million in the first three months of 2024. Similar to the geographical split, the contribution to the total turnover by individual brands remained comparable in Q1 2024 to Q1 2023, with KFC bringing 86.8% of sales, Pizza Hut – 7.5% and Taco Bell – 5.7%. The increase brought by KFC in the group total turnover was 2pp higher than in Q1 2023.

In Q1 2024, the Group registered RON 0.8 million in other restaurant income, representing sale of recycled oil, sub-franchise fees, sundry income.

Restaurant expenses increased at a significantly smaller pace than sales, growing 4.7% YoY. Consequently, the weight in the total sales decreased by almost 4pp, from 91.8% in Q1 2023, to 88% in Q1 2024. As usual, the biggest contribution to the expenses were food and material costs, which increased 2.8%, lower than the inflation for food products at national level, to RON 116.2 million, accounting for 31.8% of sales (-2pp vs. Q1 2023).

Company's efforts to motivate and secure its employee base are reflected in the 5.9% increase in Payroll and employee benefits in Q1 2024 vs. Q1 2023, reaching RON 82.5 million, mirroring the labor market evolution. The rent increased 5.3% YoY in Q1 2024 to RON 25.9 million, reflecting the rent contract variable structure in line with the sales increase. Royalties increased in line with the sales, reaching RON 22 million, a 10.1% YoY increase, while advertising increased by 11.2% to RON 17.7 million, again aligned with the topline growth. Other operating expenses amounted to RON 47.6 million, a moderate 3.1% increase due to the stabilization of the third-party and utility costs, which are the biggest contributors to this category. This position also includes aggregator commissions, which increased by 8.1% YoY in Q1 2024 as a result of higher sales through this channel. Consequently, the aggregator commissions amounted to RON 12.5 million in Q1 2024 vs. RON 11.5 million in Q1 2023.

Due to a good topline growth and only a moderate increase across all costs categories, the restaurant operating profit increased 63.1%, from RON 27.4 million to RON 44.6 million. The weight of G&A expenses decreased 0.2pp, to 4.3%, amounting to RON 15.8 million in Q1 2024 following the larger scale of operations. The operating profit increased 133.3% to RON 28.9 million. The EBITDA amounted to RON 39.8 million in Q1 2024, a 69.1% increase compared to Q1 2023.

The net finance costs increased 22.5%, from RON 2.1 million in Q1 2023, to RON 2.6 million in Q1 2024 mainly due to the repayment of loans during 2023. The profit before tax for Q1 2024 amounted RON 26.3

million, a 156.1% increase vs. RON 10.3 million registered in Q1 2023, while the net profit soared 192.1%, to RON 21.4 million in Q1 2024.

#### **Summary of interim Consolidated Financial Statements for Q1 (excluding IFRS 16 Impact):**

Data in RON'000	Q1-24	Q1-23	Y/Y %	% of Sales		
				Q1-24/ Q1-23	Q1-24	Q1-23
<b>Restaurant sales</b>	<b>365,924</b>	<b>335,060</b>	<b>9.2%</b>			
<b>Other restaurant income</b>	<b>771</b>	<b>-</b>	<b>100.0%</b>			
<b>Restaurant expenses</b>	<b>322,086</b>	<b>307,705</b>	<b>4.7%</b>	<b>88.0%</b>	<b>91.8%</b>	<b>-3.8%</b>
Food and material	116,199	113,047	2.8%	31.8%	33.7%	-2.0%
Payroll and employee benefits	82,498	77,895	5.9%	22.5%	23.2%	-0.7%
Rent	25,902	24,605	5.3%	7.1%	7.3%	-0.3%
Royalties	21,997	19,983	10.1%	6.0%	6.0%	0.0%
Advertising	17,685	15,911	11.2%	4.8%	4.7%	0.1%
Other operating expenses	47,556	46,136	3.1%	13.0%	13.8%	-0.8%
Depreciation and amortization	10,248	10,128	1.2%	2.8%	3.0%	-0.2%
<b>Restaurant operating profit</b>	<b>44,610</b>	<b>27,355</b>	<b>63.1%</b>	<b>12.2%</b>	<b>8.2%</b>	<b>4.0%</b>
General & Admin expenses	15,758	14,990	5.1%	4.3%	4.5%	-0.2%
<b>Operating Profit</b>	<b>28,852</b>	<b>12,365</b>	<b>133.3%</b>	<b>7.9%</b>	<b>3.7%</b>	<b>4.2%</b>
Finance costs	2,639	3,051	-13.5%	0.7%	0.9%	-0.2%
Finance income	56	942	-94.1%	0.0%	0.3%	-0.3%
<b>Profit before tax</b>	<b>26,268</b>	<b>10,255</b>	<b>156.1%</b>	<b>7.2%</b>	<b>3.1%</b>	<b>4.1%</b>
Income tax expense	4,818	2,911	65.5%	1.3%	0.9%	0.4%
<b>Profit for the period</b>	<b>21,450</b>	<b>7,344</b>	<b>192.1%</b>	<b>5.9%</b>	<b>2.2%</b>	<b>3.7%</b>
Normalized Profit for the period	21,450	7,344	192.1%	5.9%	2.2%	3.7%
<b>EBITDA</b>	<b>39,779</b>	<b>23,523</b>	<b>69.1%</b>	<b>10.9%</b>	<b>7.0%</b>	<b>3.9%</b>
Normalized EBITDA	39,779	23,523	69.1%	10.9%	7.0%	3.9%

#### **Summary of interim Consolidated Financial Statements for Q1 – results and evolution presented with and without IFRS 16 impact**

Data in RON'000	Q1-24	Q1-24	Q1-23	Q1-23	Change (%)	
					1	2
<b>Restaurant sales</b>	<b>365,924</b>	<b>365,924</b>	<b>335,060</b>	<b>335,060</b>	<b>9.2%</b>	<b>9.2%</b>
<b>Other restaurant income</b>	<b>771</b>	<b>771</b>	<b>-</b>	<b>-</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Restaurant expenses</b>	<b>319,068</b>	<b>322,086</b>	<b>304,441</b>	<b>307,705</b>	<b>4.8%</b>	<b>4.7%</b>
Food and material	116,199	116,199	113,047	113,047	2.8%	2.8%
Payroll and employee benefits	82,498	82,498	77,895	77,895	5.9%	5.9%
Rent	7,677	25,902	7,629	24,605	0.6%	5.3%
Royalties	21,997	21,997	19,983	19,983	10.1%	10.1%
Advertising	17,685	17,685	15,911	15,911	11.2%	11.2%
Other operating expenses	47,556	47,556	46,136	46,136	3.1%	3.1%
Depreciation and amortization	25,456	10,248	23,840	10,128	6.8%	1.2%
<b>Restaurant operating Profit</b>	<b>47,627</b>	<b>44,610</b>	<b>30,618</b>	<b>27,355</b>	<b>55.6%</b>	<b>63.1%</b>
General & Admin expenses	15,512	15,758	14,755	14,990	5.1%	5.1%
<b>Operating Profit</b>	<b>32,115</b>	<b>28,852</b>	<b>15,863</b>	<b>12,365</b>	<b>102.5%</b>	<b>133.3%</b>
Finance costs	5,998	2,639	6,467	3,051	-7.3%	-13.5%
Finance income	332	56	942	942	-64.8%	-94.1%
<b>Profit before tax</b>	<b>26,449</b>	<b>26,268</b>	<b>10,338</b>	<b>10,255</b>	<b>155.8%</b>	<b>156.1%</b>
Income tax expense	3,811	4,818	2,916	2,911	30.7%	65.5%
<b>Profit for the period</b>	<b>22,638</b>	<b>21,450</b>	<b>7,422</b>	<b>7,344</b>	<b>205.0%</b>	<b>192.1%</b>
Normalized Profit for the period	22,638	21,450	7,422	7,344	205.0%	192.1%
<b>EBITDA</b>	<b>59,017</b>	<b>39,779</b>	<b>41,494</b>	<b>23,523</b>	<b>42.2%</b>	<b>69.1%</b>
Normalized EBITDA	59,017	39,779	41,494	23,523	42.2%	69.1%

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

G&A expenses increased by 5.1% YoY in Q1 2024, lower than the inflation rate. However, as a percentage of sales, G&A expenses decreased from 4.5% in Q1 2023 to 4.3% in Q1 2024.

	Data in RON '000				Change (%) 2024/ 2023 (1)    2024/ 2023 (2)		Percentage of sales			
	Q1-24	Q1-24	Q1-23	Q1-23			Q1-24	Q1-24	Q1-23	Q1-23
	(1)	(2)	(1)	(2)			(1)	(2)	(1)	(2)
<b>General and administration (G&amp;A) expenses</b>	<b>15,512</b>	<b>15,758</b>	<b>14,755</b>	<b>14,990</b>	<b>5.1%</b>	<b>5.1%</b>	<b>4.2%</b>	<b>4.3%</b>	<b>4.4%</b>	<b>4.5%</b>
Payroll and employee benefits	11,292	11,292	10,168	10,168	11.1%	11.1%				
Third-party services	1,703	1,703	1,710	1,710	-0.4%	-0.4%				
Depreciation and amortization	1,446	679	1,791	1,030	-19.3%	-34.1%				
Rent	48	1,061	59	1,054	-18.6%	0.6%				
Banking charges	192	192	189	189	2.0%	2.0%				
Transport	297	297	300	300	-1.3%	-1.2%				
Other*	534	534	538	538	-0.8%	-0.7%				

*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 growth in the restaurant operating profit, from RON 27.4 million in Q1 2023 to RON 44.6 million in Q1 2024, can be attributed to the improved performance of KFC and Taco Bell brands across all activity markets. USFN Romania contributed RON 38.3 million (+58.3% vs. Q1 2023) to the restaurant operating profit, USFN Italy: RON 3.3 million (+54.3% vs. Q1 2023), CFF: 1.7 million (+302.3% vs. Q1 2023), USFN Moldova: RON 1.3 million (+100.1% vs. Q1 2023). Pizza Hut's performance improved, registering a restaurant operating loss of RON 0.1 million (+22% improvement vs. Q1 2023).

Similarly, the EBITDA has followed a positive evolution, increasing from RON 23.5 million in Q1 2023 to RON 39.8 million in Q1 2024, a solid growth of 69.1%. This improvement can be mainly attributed to effective cost-control measures taken across the Group, leading to an increase in operating profit. The EBITDA margin varied per brand, with USFN Moldova having the highest margin of 23.8%, followed by USFN Romania: 13.2%, CFF: 7.2%, and USFN Italy: 6.2%. ARS saw negative EBITDA margin of 3.3%.

The almost tripling of the net profit for the Group can be attributed to strong performance across all portfolio in terms of topline evolution, but also the effective cost-control measures implemented across the whole Group. The biggest contributor to the net result in Q1 2024 was USFN Romania, which generated a profit of RON 23.9 million (+105.6% vs. Q1 2023), USFN Moldova with RON 1.1 million (+132.3% vs. Q1 2023), CFF with RON 0.4 million (vs. a net loss of RON 0.9 million), while USFN Italy saw improvement of 44.5%, with a loss of RON 0.7 million in Q1 2024 (vs. a net loss of RON 1.3 million in Q1 2023) and ARS performance was comparable, generating a net loss of RON 2.3 million since the network is in a turnaround process.



SPHERA

KFC

**Breakdown of consolidated results by Group companies – Q1 2024 (excluding IFRS 16 impact):**

Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	SFG Cons
<b>Restaurant sales</b>	<b>268,823</b>	<b>27,436</b>	<b>5,498</b>	<b>43,303</b>	<b>20,865</b>	<b>10,394</b>	<b>(10,395)</b>	<b>365,924</b>
<b>Other restaurant income</b>	<b>509</b>	<b>270</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>(18)</b>	<b>771</b>
<b>Restaurant expenses</b>	<b>231,007</b>	<b>27,843</b>	<b>4,154</b>	<b>40,031</b>	<b>19,189</b>	<b>-</b>	<b>(138)</b>	<b>322,086</b>
Food and material	88,333	7,535	2,012	11,574	6,745	-	-	116,199
Payroll and employee benefits	58,474	7,953	782	10,615	4,674	-	-	82,498
Rent	17,762	2,565	282	3,748	1,545	-	-	25,902
Royalties	16,164	1,650	330	2,594	1,259	-	-	21,997
Advertising	12,187	1,459	114	2,654	1,381	-	(110)	17,685
Other operating expenses	31,602	5,787	559	6,617	3,006	-	(15)	47,556
Depreciation	6,485	894	75	2,229	579	-	(13)	10,248
<b>Restaurant operating profit/(loss)</b>	<b>38,325</b>	<b>(137)</b>	<b>1,345</b>	<b>3,271</b>	<b>1,686</b>	<b>10,394</b>	<b>(10,274)</b>	<b>44,610</b>
G&A expenses	9,690	1,802	122	2,825	814	10,753	(10,247)	15,758
<b>Operating profit/(loss)</b>	<b>28,635</b>	<b>(1,939)</b>	<b>1,223</b>	<b>447</b>	<b>872</b>	<b>(358)</b>	<b>(27)</b>	<b>28,852</b>
Finance costs	1,872	403	21	955	409	945	(1,966)	2,639
Finance income	1,500	2	-	1	-	520	(1,966)	56
<b>Profit/(Loss) before tax</b>	<b>28,263</b>	<b>(2,340)</b>	<b>1,202</b>	<b>(508)</b>	<b>462</b>	<b>(783)</b>	<b>(27)</b>	<b>26,268</b>
Income tax expense	4,373	-	150	187	86	23	-	4,818
<b>Profit/(Loss) for the period</b>	<b>23,890</b>	<b>(2,340)</b>	<b>1,052</b>	<b>(694)</b>	<b>376</b>	<b>(806)</b>	<b>(27)</b>	<b>21,450</b>
Normalized Profit/(Loss) for the period	23,890	(2,340)	1,052	(694)	376	(806)	(27)	21,450
<b>EBITDA</b>	<b>35,406</b>	<b>(899)</b>	<b>1,306</b>	<b>2,700</b>	<b>1,494</b>	<b>(185)</b>	<b>(43)</b>	<b>39,779</b>
Normalized EBITDA	35,406	(899)	1,306	2,700	1,494	(185)	(43)	39,779

In Q1 2024, the same stores sales across Sphera brands grew 5.2%, with the most significant same stores increase registered by USFN Moldova, which grew 12.4% YoY, followed by USFN Romania, where comparable sales increased 7.2% YoY, USFN Italy, where like-for-like sales grew 5.7% YoY and CFF, with a 5.4% increase in the same store performance. ARS saw a 12% YoY decrease in same store performance due to the streamlining of the restaurant network.

Between March 31<sup>st</sup>, 2023, and March 31<sup>st</sup>, 2024, Sphera opened 8 new restaurants – all of them being new KFC restaurants in Romania. The new openings were offset by the closing of 13 Pizza Hut locations, 3 KFC units in Romania, as well as one Paul unit in Romania. The new KFC locations helped the Group's performance as USFN Romania all store performance increased 12.8%, contributing to a 9.2% increase in all store performance across the Group in Q1 2024.

		Y/Y Q1-23	Y/Y Q2-23	Y/Y Q3-23	Y/Y Q4-23	Y/Y Q1-24
<b>USFN RO</b>	<b>All Stores</b>	<b>19.6%</b>	<b>10.5%</b>	<b>10.7%</b>	<b>10.5%</b>	<b>12.8%</b>
	o/w Same Stores	19.5%	7.5%	7.9%	5.6%	7.2%
<b>ARS</b>	<b>All Stores</b>	<b>10.0%</b>	<b>-6.2%</b>	<b>-9.8%</b>	<b>-16.6%</b>	<b>-12.0%</b>
	o/w Same Stores	10.0%	-6.2%	-9.8%	-16.6%	-12.0%
<b>CFF</b>	<b>All Stores</b>	<b>40.6%</b>	<b>19.9%</b>	<b>19.1%</b>	<b>13.3%</b>	<b>5.4%</b>
	o/w Same Stores	40.6%	19.9%	19.1%	13.3%	5.4%
<b>USFN IT</b>	<b>All Stores</b>	<b>22.1%</b>	<b>14.4%</b>	<b>9.2%</b>	<b>0.6%</b>	<b>5.7%</b>
	o/w Same Stores	22.1%	14.4%	9.2%	0.6%	5.7%
<b>USFN MD</b>	<b>All Stores</b>	<b>42.7%</b>	<b>19.7%</b>	<b>8.9%</b>	<b>9.9%</b>	<b>12.4%</b>
	o/w Same Stores	42.7%	19.7%	8.9%	9.9%	12.4%
<b>TOTAL</b>	<b>All Stores</b>	<b>20.3%</b>	<b>10.1%</b>	<b>9.1%</b>	<b>6.8%</b>	<b>9.2%</b>
	o/w Same Stores	20.2%	7.9%	7.1%	3.3%	5.2%

In Q1 2024, the sales for delivery increased by 1pp compared to Q4 2023, but maintaining the same share as in Q1 2023, of 19% across all the Group companies. Considering the larger overall sales, the total value of sales for delivery in Q1 2024 amounted to RON 70.4 million, a 9.4% increase vs. RON 64.4 million registered in Q1 2023.

The Group decided to gradually outsource its own delivery fleet to existing partners to optimize costs while securing sales and remaining in close contact with customers. In Q1 2024, own delivery sales channel represented 7.8%, vs. 11.4% in Q1 2023.

<b>Sales by entity, by Country</b>		<b>Q1-23</b>	<b>Q2-23</b>	<b>Q3-23</b>	<b>Q4-23</b>	<b>Q1-24</b>
<b>USFN RO</b>	delivery	18%	16%	16%	17%	18%
	non-delivery	82%	84%	84%	83%	82%
<b>ARS</b>	delivery	36%	34%	35%	36%	36%
	non-delivery	64%	66%	65%	64%	64%
<b>CFF</b>	delivery	30%	28%	23%	24%	27%
	non-delivery	70%	72%	77%	76%	73%
<b>USFN IT</b>	delivery	8%	7%	6%	8%	9%
	non-delivery	92%	93%	94%	92%	91%
<b>USFN MD</b>	delivery	31%	30%	30%	31%	32%
	non-delivery	69%	70%	70%	69%	68%
<b>All</b>	delivery	19%	17%	16%	18%	19%
	non-delivery	81%	83%	84%	82%	81%

## MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group (preliminary consolidated result) as of March 31<sup>st</sup>, 2024, are presented below, together with the result as of March 31<sup>st</sup>, 2023. All the ratios are including IFRS 16 impact.

<i>Financial data in RON '000</i>	<b>3M Period ended 31.03.2024</b>	<b>3M Period ended 31.03.2023</b>
<b>Current ratio</b>		
Current assets	<u>118,874</u>	<u>145,389</u>
Current liabilities	224,147	250,664
<b>Debt to Equity ratio</b>		
Interest-bearing debt (long term)	<u>303,438</u>	<u>322,735</u>
Equity	165,446	123,823
Interest-bearing debt (long term)	<u>303,438</u>	<u>322,735</u>
Capital employed	468,885	446,559
<b>Trade receivables turnover (days)</b>		
Average receivables	<u>9,949</u>	<u>18,612</u>
Sales	365,924	335,060
<b>Fixed asset turnover</b>		
Sales	<u>365,924</u>	<u>335,060</u>
Net fixed assets	546,660	525,228

Notes: Annualized values, based on the ASF methodology.



# **Q1 2024 Results Call**

## **15.05.2024 | 14:00 hrs**

On May 15<sup>th</sup>, at 14:00 Bucharest time (12:00 CET | 13:00 UK), Sphera Franchise Group will hold a conference call with the management to discuss the Q1 2024 results. The call will be attended by Calin Ionescu (CEO), Valentin Budes (CFO), Monica Eftimie (CMO), and Zuzanna Kurek (IR).

The call will be held in **English**. To receive the log-in details, please email **[investor.relations@spheragroup.com](mailto:investor.relations@spheragroup.com)**.

# SIGNIFICANT EVENTS IN Q1 2024 & AFTER CLOSING OF THE REPORTING PERIOD

## BUSINESS UPDATES

### DEVELOPMENT OF THE NETWORK

In Q1 2024, Sphera opened 1 new restaurant – a KFC drive-thru unit in Sibiu, Romania. The restaurant is located at 39 Calea Suri Mari and is the 4<sup>th</sup> KFC location in Sibiu. At the same time, in January 2024, five Pizza Hut restaurants in Romania were closed, as part of the process of streamlining the restaurant network initiated in 2023.

As of 31.03.2024, Sphera Franchise Group operated 168 restaurants: 103 KFC restaurants in Romania, 2 in Moldova and 18 in Italy, as well as 29 Pizza Hut restaurants, 15 Taco Bell restaurants, and one PHD subfranchise.

In April 2024, Sphera opened 1 new food-court restaurant in Pitesti, being the 3rd KFC location in Pitesti.

### STAFF

As of March 31<sup>st</sup>, 2024, the Group had 5,121 employees, of which 4,645 were in Romania, 403 in Italy and 73 in the Republic of Moldova. In Q1 2024, 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 close to 250 employees from Sri Lanka, most of them currently working for USFN Romania.

## GOVERNANCE UPDATES

### ASSIGNMENT OF SHARES TO THE COMPANY DIRECTORS

On January 18<sup>th</sup>, 2024, the Company informed the market about the assignment of 39,300 free shares to the Company's Directors, representing the SOP for activity carried out in 2021. On April 8<sup>th</sup>, 2024, the Company informed the market about the assignment of 64,800 free shares to the Company's Directors, representing the SOP for activity carried out in 2022.

### GENERAL MEETING OF THE SHAREHOLDERS

On March 25<sup>th</sup>, 2024, the Board of Directors of Sphera Franchise Group convened the Ordinary and Extraordinary General Meeting of the Shareholders for April 26<sup>th</sup>, 2024. During the OGSM, the shareholders approved the 2023 financial statements, the 2023 remuneration report and the 2024 budget, as detailed below. The shareholders also voted in favor of a payment of the gross dividend amounting to RON 1.05 per share, from the undistributed net profit of financial years 2022-2023. The ex-date for dividend payment is May 16<sup>th</sup>, 2024, and the payment date is June 6<sup>th</sup>. The shareholders also approved in the OGSM the monthly remuneration granted to the Board Members as well as the Share Option Plan (SOP) for Directors for the activity in 2023.

In EGSM, the shareholders approved a credit facility of maximum EUR 3.5 million, share buyback of SFG shares for the implementation of SOP in the amount of maximum 75,346 shares as well as the share buyback of SFG shares in the maximum amount of 600,000 shares, with the purpose of cancelling them. The price range for the buybacks, both for SOP and for the cancellation, is between RON 5 and RON 50 per share.

## 2024 BUDGET

The budget approved in the annual OGSM from April 26<sup>th</sup>, 2024, was based under presumption of a normal course of business and considering that the yearly average inflation will be around 6% in 2024. The budget also takes into consideration the increase of the minimum wage starting with January 2024.

For 2024, the Group estimates that the restaurant sales will increase with 12% compared to 2023, due to a combined effect of same stores sales growth and new stores sales. In 2024, the split of revenue between the traditional and delivery channels will be comparable to that from 2023, with delivery channel representing estimated 17% of sales. In respect to restaurant operational expenses, the assumed increase of food and material costs in 2024 is estimated to be below the increase in sales. The costs of labor will match the ramp-up of the sales throughout the year, similar to how the Group managed it in 2023. Energy cost is assumed to be predictable and in line with the expenses registered in 2023. The weight of the normalized G&A expenses in total sales in 2024 shall be lower than in 2023, due to inelasticity of these costs in relation with activity volume increase. The company aims to achieve a normalized net profit higher with 20% than in 2023, of RON 95.7 million, with the growth being above the estimated increase in sales (+12%).

In terms of development, the Group plans to open 6 KFC restaurants in Romania. The company will focus also on store remodeling and on the implementation of digital solutions. The total estimated CAPEX for 2024 is around RON 69 million.

Taking into consideration all the aspects mentioned above, the Group estimates an increase in free cash flow of 7.4% versus the result from 2023. The Group estimates the cash position available at the end of 2024 to be around RON 60 million, while the bank debt is estimated to be around RON 160 million with a net bank debt of RON 100 million.

Indicator	2024 Budget		2023		2024 Budget vs. 2023
	RON millions	% Sales	RON millions	% Sales	
<b>Restaurant Sales (*)</b>	<b>1,648.9</b>	<b>100.0%</b>	<b>1,469.2</b>	<b>100.0%</b>	<b>12.2%</b>
<b>Other Income</b>	-	-	-	-	-
Food and Material	528.4	32.0%	479.4	32.6%	10.2%
<b>Restaurant Gross Margin</b>	<b>1,120.5</b>	<b>68.0%</b>	<b>989.8</b>	<b>67.4%</b>	<b>13.2%</b>
Restaurant Operational Expenses	867.1	52.6%	783.3	53.3%	10.7%
<b>Restaurant Operating Profit</b>	<b>253.4</b>	<b>15.4%</b>	<b>206.5</b>	<b>14.1%</b>	<b>22.7%</b>
G&A expenses	63.5	3.9%	58.5	4.0%	8.6%
<b>EBITDA (normalized, excluding IFRS 16 impact) (*)</b>	<b>189.8</b>	<b>11.5%</b>	<b>147.9</b>	<b>10.1%</b>	<b>28.3%</b>
<b>Normalized Net Profit for the year (*)</b>	<b>95.7</b>	<b>5.8%</b>	<b>79.7</b>	<b>5.4%</b>	<b>20.1%</b>
<b>Free Cash Flow <sup>1)</sup> (*)</b>	<b>116.8</b>		<b>108.7</b>		<b>7.4%</b>

(\*) Financial indicators included in Sphera Franchise Group S.A. Remuneration Policy relevant for variable remuneration calculation.

1) Free Cash Flow = EBITDA - Δ Working Capital - Investments

## INTENTION FOR DISTRIBUTION OF SUPPLEMENTARY DIVIDEND IN 2024

On April 18<sup>th</sup>, 2024, the Company informed the market about the intention to distribute an additional dividend in 2024, in accordance with the Group's Dividend Policy (available [HERE](#)), which allows, in the absence of exceptional market conditions or circumstances, to distribute a maximum of 100% of the distributable profit, subject to any restrictions imposed by the legal and fiscal regulations in Romania or any obligation undertaken in this regard through financing contracts.

Taking into account the restrictions mentioned above, the status of achieving the budget presented by the company and the market conditions, the Board of Directors intends to propose to the shareholders a new distribution of dividends, similar to the one that was approved in the OGSM from April 26th 2024, in the second half of 2024.

## CAPITAL MARKET UPDATES

### STOCK EXCHANGE EVOLUTION

SFG shares continued the positive evolution also in Q1 2024, registering a 14% increase in the first three months of 2024, as the share closing price on March 31<sup>st</sup>, 2024, was RON 29.3, vs. closing price of RON 25.7 from December 31<sup>st</sup>, 2023. In Q1 2024, investors traded 597,800 SFG shares (+78% vs. Q1 2023), with a total value of RON 16.1 million (+214% vs. Q1 2023). The share price evolution in Q1 2024 outperformed the BVB reference index BET, which increased 10.8% in the same period.

## DECLARATION FROM THE MANAGEMENT

Bucharest, May 15<sup>th</sup>, 2024

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the three months period ended 31 March 2024 give a true and fair view of Sphera Franchise Group's assets, liabilities, financial position and profit and 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 three months of the 2024 financial year and their impact on the interim condensed consolidated financial statements.

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes

**SPHERA FRANCHISE GROUP SA**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

---

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (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 THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

---

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**

	<b>Note</b>	<b>Three-month period ended</b>	
		<b>31 March 2024</b>	<b>31 March 2023</b>
Restaurant sales		365,924	335,060
Other income	5	771	-
Restaurant expenses			
Food and material expenses		116,199	113,047
Payroll and employee benefits	4	82,498	77,895
Rental expenses		7,677	7,629
Royalties expenses		21,997	19,983
Advertising expenses		17,685	15,911
Other operating expenses	5	47,556	46,136
Depreciation, amortization and impairment	7	25,456	23,840
<b>Restaurant operating profit</b>		<b>47,627</b>	<b>30,618</b>
General and administrative expenses	6	15,512	14,755
<b>Profit from operating activities</b>		<b>32,115</b>	<b>15,863</b>
Finance costs	8	5,998	6,467
Finance income		332	942
<b>Profit before tax</b>		<b>26,449</b>	<b>10,338</b>
Income tax expense from continuing operations		3,811	2,916
<b>Profit</b>		<b>22,638</b>	<b>7,422</b>
<b>Attributable to:</b>			
Owners of the parent		22,427	7,331
Non-controlling interests		211	91
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be  reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		58	39
<b>Total comprehensive income</b>		<b>22,696</b>	<b>7,460</b>
<b>Attributable to:</b>			
Owners of the parent		22,472	7,360
Non-controlling interests		224	100

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

---

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024 (UNAUDITED)**

	<b>31 March 2024</b>	<b>31 December 2023</b>
<b>Assets</b>		
<b>Non-current assets</b>	<b>581,019</b>	<b>570,152</b>
Property, plant and equipment	238,692	239,299
Right-of-use assets	250,061	239,537
Intangible assets and goodwill	57,908	58,137
Financial assets (cash collateral)	9,372	9,340
Deferred tax assets	24,987	23,839
<b>Current assets</b>	<b>118,874</b>	<b>131,164</b>
Inventories	12,803	14,953
Trade and other current receivables	9,734	10,164
Prepayments	6,835	7,900
Cash and short-term deposits	89,501	98,147
<b>Total assets</b>	<b>699,892</b>	<b>701,316</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Issued capital (Note 9.1)	581,990	581,990
Share premium	(519,998)	(519,998)
Treasury shares (Note 9.2)	(1,268)	(2,037)
Reserves for share-based remuneration (Note 9.2)	3,259	3,894
Other reserves	(1,283)	(1,283)
Retained earnings	102,253	79,825
Reserve of exchange differences on translation	(215)	(261)
<b>Equity attributable to owners of the parent</b>	<b>164,736</b>	<b>142,130</b>
Non-controlling interests	710	486
<b>Total equity</b>	<b>165,446</b>	<b>142,616</b>
<b>Non-current liabilities</b>	<b>310,300</b>	<b>309,863</b>
Long-term borrowings	81,032	91,455
Non-current lease liabilities	222,406	211,844
Net employee defined benefit liabilities	4,887	4,607
Trade and other payables	330	330
Deferred revenue	615	660
Deferred tax liabilities	1,029	967
<b>Current liabilities</b>	<b>224,147</b>	<b>248,837</b>
Trade and other current payables	119,772	145,629
Contract liabilities	465	394
Short-term borrowings	41,875	42,317
Current lease liabilities	55,729	56,043
Income tax payable	5,999	4,149
Provisions	305	305
<b>Total liabilities</b>	<b>534,446</b>	<b>558,700</b>
<b>Total equity and liabilities</b>	<b>699,892</b>	<b>701,316</b>

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**  
**(UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**  
**(UNAUDITED)**

	<b>Issued capital</b>	<b>Share premium</b>	<b>Treasury shares</b>	<b>Reserves for share-based remuneration</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Foreign currency translation reserve</b>	<b>Equity attributable to owners of the parent</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
<b>As at 1 January 2024</b>	<b>581,990</b>	<b>(519,998)</b>	<b>(2,037)</b>	<b>3,894</b>	<b>(1,283)</b>	<b>79,825</b>	<b>(261)</b>	<b>142,130</b>	<b>486</b>	<b>142,616</b>
Profit	-	-	-	-	-	22,427	-	22,427	211	22,638
<b>Other comprehensive income</b>										
Exchange differences on translation	-	-	-	-	-	-	45	45	13	58
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>22,427</b>	<b>45</b>	<b>22,472</b>	<b>224</b>	<b>22,696</b>
Shares allocated to employees (Note 9.2)	-	-	769	(769)	-	-	-	-	-	-
Share based remuneration	-	-	-	134	-	-	-	134	-	134
<b>At 31 March 2024</b>	<b>581,990</b>	<b>(519,998)</b>	<b>(1,268)</b>	<b>3,259</b>	<b>(1,283)</b>	<b>102,253</b>	<b>(215)</b>	<b>164,736</b>	<b>710</b>	<b>165,446</b>
<b>As at 1 January 2023</b>	<b>581,990</b>	<b>(519,998)</b>	-	<b>1,502</b>	<b>(1,115)</b>	<b>54,012</b>	<b>(324)</b>	<b>116,067</b>	<b>297</b>	<b>116,363</b>
Profit	-	-	-	-	-	7,331	-	7,331	91	7,422
<b>Other comprehensive income</b>										
Exchange differences on translation	-	-	-	-	-	-	30	30	9	39
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>7,331</b>	<b>30</b>	<b>7,360</b>	<b>100</b>	<b>7,460</b>
<b>At 31 March 2023</b>	<b>581,990</b>	<b>(519,998)</b>	-	<b>1,502</b>	<b>(1,115)</b>	<b>61,343</b>	<b>(294)</b>	<b>123,426</b>	<b>397</b>	<b>123,823</b>

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**

	<b>Three-month period ended</b>	
	<b>31 March</b>	<b>31 March</b>
	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>		
Profit before tax	26,449	10,338
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation of right-of-use assets	15,975	14,617
Depreciation and impairment of property, plant and equipment	9,814	9,585
Amortisation and impairment of intangible assets and goodwill	1,114	1,429
Share based remuneration	134	-
Adjustments for unrealised foreign exchange losses/(gains)	(723)	307
Adjustments for (gain)/loss on disposal of property, plant and equipment and right-of-use assets	(101)	(92)
Adjustments for finance income	(56)	(942)
Adjustments for finance costs (interest)	5,998	6,051
<b>Working capital adjustments:</b>		
Adjustments to decrease/(increase) in trade and other receivables and prepayments	1,461	783
Adjustments for decrease/(increase) in inventories	2,172	1,567
Adjustments for (decrease)/increase in trade and other payables	(24,862)	2,162
Interest received classified as operating activities	27	942
Interest paid classified as operating activities	(5,833)	(5,790)
Income tax paid	(3,080)	(1,004)
<b>Cash flows from in operating activities</b>	<b>28,489</b>	<b>39,954</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	77	215
Purchase of intangible assets	(1,597)	(1,321)
Purchase of property, plant and equipment	(9,180)	(13,992)
<b>Cash flows used in investing activities</b>	<b>(10,700)</b>	<b>(15,098)</b>
<b>Financing activities</b>		
Repayment of borrowings	(10,749)	(10,901)
Payment of lease liabilities	(15,793)	(14,530)
Dividends paid to owners of the parent	-	(19,840)
<b>Cash flows used in financing activities</b>	<b>(26,542)</b>	<b>(45,271)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,753)</b>	<b>(20,414)</b>
Net foreign exchange differences	107	(38)
<b>Cash and cash equivalents at 1 January</b>	<b>98,147</b>	<b>128,089</b>
<b>Cash and cash equivalents at 31 March</b>	<b>89,501</b>	<b>107,636</b>

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

---

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (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 123 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 (29 restaurants and one subfranchise as at 31 March 2024) under the "Pizza Hut" brand and a chain of restaurants under the "Taco Bell" brand (15 restaurants as at 31 March 2024).

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 franchise 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 three-month period ended 31 March 2024 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 2023.

The interim condensed consolidated financial statements for the three-month period ended 31 March 2024 included in this report are unaudited.

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (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 2023. The amendments effective since 1 January 2024 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 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 exchange rates as at 31 March 2024 and 31 December 2023 and the average exchange rates for the three-month period ended 31 March 2024 and 31 March 2023 were:

	<b>Closing exchange rates</b>		<b>Average exchange rates</b>	
	<b>31 March 2024</b>	<b>31 December 2023</b>	<b>Three-month period ended 31 March 2024</b>	<b>Three-month period ended 31 March 2023</b>
RON – EUR	4.9695	4.9746	4.9735	4.9189
RON – USD	4.6078	4.4958	4.5916	4.5839
RON – MDL	0.2612	0.2570	0.2581	0.2434

**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.

**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.

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

### 3 GROUP INFORMATION

There was no change in the group structure during the three-month period ended 31 March 2024. Details of the Group consolidated subsidiaries at 31 March 2024 and 31 December 2023 are as follows:

Company name	Country of incorporation	Field of activity	Control 31 March 2024	Control 31 December 2023
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

	Three-month period ended	
	31 March 2024	31 March 2023
Payroll and employee benefits recognized in restaurant expenses	82,498	77,895
Payroll and employee benefits recognized in "General and administrative expenses "	11,292	10,168
<b>Total Payroll and employee benefits</b>	<b>93,790</b>	<b>88,063</b>

Payroll costs of RON 430 thousand representing the value of project management and other technical activities performed by the Group's employees during the three-month period ended 31 March 2024 (2023: RON 429 thousand) for the construction or refurbishment of restaurants were capitalized in the cost of construction of the non-current assets.

### 5 OTHER OPERATING EXPENSES

	Three-month period ended	
	31 March 2024	31 March 2023
Third-party services	25,223	23,550
Utilities	9,504	10,863
Maintenance and repairs	4,150	3,756
Cleaning supplies	2,526	2,410
Transport	2,060	2,060
Smallwares	996	1,163
Bank charges	1,562	1,272
Telephone and postage	287	310
Insurance	115	131
Net (gain)/loss on disposal of property, plant and equipment and right-of-use assets	(101)	(92)
Excise duty	371	-
Miscellaneous expenses and income	863	711
<b>Total</b>	<b>47,556</b>	<b>46,136</b>

In the consolidated statement of comprehensive income, miscellaneous income of 771 thousand for the three-month period ending March 31, 2024, which includes income from the sale of recycled oil, subfranchise fees, and other sundry income, is distinctly presented as Other income. In 2023, the miscellaneous operating income of RON 284 thousand for the three-month period ending March 31, 2023, was included within other operating expenses under the category of "Miscellaneous expenses and income".

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

**6 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Three-month period ended</b>	
	<b>31 March 2024</b>	<b>31 March 2023</b>
Payroll and employee benefits	11,292	10,168
Third-party services	1,703	1,710
Depreciation, amortization and impairment of non-current assets	1,446	1,791
Rent	48	59
Banking charges	192	189
Transport	297	300
Maintenance and repairs	78	119
Smallwares	37	36
Insurance	106	147
Telephone and postage	97	90
Miscellaneous expenses and income	215	146
<b>Total</b>	<b>15,512</b>	<b>14,755</b>

**7 DEPRECIATION, AMORTIZATION AND IMPAIRMENT**

	<b>Three-month period ended</b>	
	<b>31 March 2024</b>	<b>31 March 2023</b>
Depreciation of right-of-use assets recognized in "Restaurant expenses"	15,207	13,805
Depreciation, amortization and impairment of other non-current assets recognized in "Restaurant expenses"	10,249	10,035
<b>Depreciation, amortization and impairment recognized in "Restaurant expenses"</b>	<b>25,456</b>	<b>23,840</b>
Depreciation of non-operating right-of-use assets recognized in "General and administrative expenses"	767	812
Depreciation, amortization and impairment of non-current assets recognized in "General and administrative expenses"	679	979
<b>Depreciation, amortization and impairment recognized in "General and administrative expenses"</b>	<b>1,446</b>	<b>1,791</b>
<b>Total depreciation, amortization and impairment</b>	<b>26,902</b>	<b>25,631</b>

**8 FINANCE COSTS**

	<b>Three-month period ended</b>	
	<b>31 March 2024</b>	<b>31 March 2023</b>
Interest on loans and borrowings	2,405	2,983
Interest expense on lease liabilities	3,562	3,060
Interest cost on benefit obligation	31	9
Foreign exchange loss	-	416
<b>Total finance costs</b>	<b>5,998</b>	<b>6,467</b>

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

---

**9 EQUITY**

**9.1 Issued capital**

	<b>31 March 2024</b>	<b>31 December 2023</b>
<b>Authorised shares</b>		
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 31 March 2024 are: Tatika Investments Ltd. (29.5466%), Computerland Romania SRL (20.5327%), Wellkept Group SA (17.0739%) and free float own shares included (32.8468%).

The shareholders of Sphera Franchise Group SA as at 31 December 2023 are: Tatika Investments Ltd. (29.5466%), Computerland Romania SRL (20.5327%), Wellkept Group SA (17.0739%) and free float – own shares included (32.8468%).

**9.2 Treasury shares**

Sphera Group has in place a share option plan for senior executives, part of their variable remuneration being granted in shares of the parent company with a vesting period of one year from the date of granting.

As of March 31, 2024, the equity reserve associated with share-based remuneration stands at RON 3,259 thousand (RON 3,894 thousand as of December 31, 2023) for the qualifying variable remuneration. On January 18, 2024, the Group allocated 39,300 free shares with a total value of RON 769 thousand to the executive directors. This allocation was made by offsetting the “Treasury shares” against the related “Reserves for share-based remuneration”.

As at 31 March 2024, Sphera Group held 64,800 own treasury shares, representing 0.167% of the parent company's share capital (31 December 2023: 104.100 own treasury shares, representing 0.268%).

**10 EBITDA**

	<b>Three-month period ended 31 March 2024</b>		<b>31 March 2023</b>
<b>Operating profit</b>	<b>32,115</b>		<b>15,863</b>
<b>Adjustments to bridge operating profit to EBITDA:</b>			
Depreciation, amortization and impairment of non-current assets included in restaurant expenses	25,456		23,840
Depreciation, amortization and impairment of non-current assets included in general and administrative expenses	1,446		1,791
<b>EBITDA</b>	<b>59,017</b>		<b>41,494</b>
Non-recurring expenses	-		-
<b>Normalized EBITDA</b>	<b>59,017</b>		<b>41,494</b>

For the three-month period ended 31 March 2024 and 31 March 2023, no EBITDA normalization adjustment was required.

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

---

**11 RELATED PARTY DISCLOSURES**

During the three-month period ended 31 March 2024 and 31 March 2023 respectively, the Group has carried out transactions with the following related parties:

<b>Related party</b>	<b>Nature of the relationship</b>	<b>Country of incorporation</b>	<b>Nature of transactions</b>
Moulin D'Or SRL	Entity affiliated to a shareholder of the parent	Romania	Goods and services
Midi Development SRL	Entity affiliated to a shareholder 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
Arggo Software Development and Consulting SRL	Entity affiliated to a shareholder of the parent	Romania	IT services, licenses
Wellkept Group SA	Shareholder and entity under common control of Radu Dimofte, ultimate controlling party of the parent	Romania	Rent training center and payment of dividends
Tatika Investments Ltd.	Shareholder and entity under common control of Radu Dimofte, ultimate controlling party of the parent	Cyprus	Payment of dividends
Radu Dimofte	Beneficial owner of Wellkept Group SA, Tatika Investments Ltd and ultimate controlling party of the parent	Romania	Rent store KFC Mosilor
Computerland Romania SRL	Shareholder with significant influence	Romania	Payment of dividends, acquisition of IT equipment, licenses
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

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

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

	Transactions during the three-month period ended 31 March 2024		Balances as at 31 March 2024	
	Sales (without VAT) to related parties	Purchases (without VAT) from related parties	Amounts owed by related parties	Amounts owed to related parties
Wellkept Group SA	-	132	-	21
Grand Plaza Hotel SA	-	321	66	43
Arggo Software Development and Consulting SRL	-	288	-	46
Dorobanti 239 Imobiliare SRL	-	902	-	9
Baneasa Developments SRL	-	1,182	-	197
Baneasa Investments SA	-	172	172	68
Computerland Romania SRL	6	176	8	12
Elicom SRL	-	174	-	50
Elicom Connect SRL	-	-	-	1
Radu Dimofte	-	23	-	-
Moulin D'Or SRL	-	3	-	-
	<b>6</b>	<b>3,373</b>	<b>246</b>	<b>447</b>

	Transactions during the three-month period ended 31 March 2023		Balances as at 31 December 2023	
	Sales (without VAT) to related parties	Purchases (without VAT) from related parties	Amounts owed by related parties	Amounts owed to related parties
Wellkept Group SA	-	130	-	19
Grand Plaza Hotel SA	-	307	66	25
Arggo Software Development and Consulting SRL	-	281	-	113
Dorobanti 239 Imobiliare SRL	-	823	-	131
Baneasa Developments SRL	-	1,166	-	202
Baneasa Investments SA	-	166	128	68
Computerland Romania SRL	4	2	7	9
Elicom SRL	-	201	-	68
Elicom Connect SRL	-	-	-	1
Radu Dimofte	-	23	-	-
Midi Development SRL	-	4	-	17
	<b>4</b>	<b>3,103</b>	<b>201</b>	<b>653</b>

**Compensation of key management personnel of the Group:**

	Three-months ended	
	31 March 2024	31 March 2023
Short-term employee benefits	2,527	2,578
<b>Total compensation of the key management personnel</b>	<b>2,527</b>	<b>2,578</b>

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

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

**12 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

Inter-segment revenues for services 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.

<b>Three-month period ended 31 March 2024</b>	<b>KFC</b>	<b>Pizza Hut</b>	<b>Taco Bell</b>	<b>Other</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenues from external customers	317,624	27,436	20,865	(1)	-	<b>365,924</b>
Inter-segment revenues	-	-	-	10,395	(10,395)	-
Other income	509	270	10	-	(18)	<b>771</b>
Operating expenses	<b>285,263</b>	<b>29,183</b>	<b>19,820</b>	<b>10,699</b>	<b>(10,385)</b>	<b>334,580</b>
<b>Segment operating profit/(loss)</b>	<b>32,870</b>	<b>(1,477)</b>	<b>1,055</b>	<b>(305)</b>	<b>(28)</b>	<b>32,115</b>
Finance costs	5,291	670	568	987	(1,519)	5,998
Finance income	1,291	22	19	519	(1,519)	332
Income tax expense	3,695	-	93	23	-	<b>3,811</b>
<b>Net profit/(loss)</b>	<b>25,175</b>	<b>(2,125)</b>	<b>413</b>	<b>(796)</b>	<b>(28)</b>	<b>22,638</b>
<b>Total assets</b>	<b>599,403</b>	<b>44,745</b>	<b>37,051</b>	<b>78,048</b>	<b>(59,355)</b>	<b>699,892</b>
<b>Total liabilities</b>	<b>489,970</b>	<b>66,130</b>	<b>38,673</b>	<b>56,810</b>	<b>(117,137)</b>	<b>534,446</b>
<b>Three-month period ended 31 March 2023</b>	<b>KFC</b>	<b>Pizza Hut</b>	<b>Taco Bell</b>	<b>Other</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenues from external customers	284,087	31,185	19,788			<b>335,060</b>
Inter-segment revenues	-	-	-	9,518	(9,518)	-
Operating expenses	<b>265,962</b>	<b>32,870</b>	<b>20,027</b>	<b>9,819</b>	<b>(9,482)</b>	<b>319,196</b>
<b>Segment operating profit/(loss)</b>	<b>18,125</b>	<b>(1,685)</b>	<b>(239)</b>	<b>(301)</b>	<b>(36)</b>	<b>15,864</b>
Finance costs	5,340	520	533	940	(866)	6,467
Finance income	638	8	-	1,163	(866)	942
Income tax expense	2,695	10	64	148	-	2,916
<b>Net profit/(loss)</b>	<b>10,728</b>	<b>(2,207)</b>	<b>(836)</b>	<b>(226)</b>	<b>(36)</b>	<b>7,422</b>

**SPHERA FRANCHISE GROUP SA**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024 (UNAUDITED)**  
*All amounts in RON thousand, unless specified otherwise*

<b>Total assets</b>						
31 March 2023	<b>590,293</b>	<b>56,631</b>	<b>41,395</b>	<b>72,762</b>	<b>(58,942)</b>	<b>702,139</b>
<b>Total liabilities</b>						
31 March 2023	<b>512,647</b>	<b>61,433</b>	<b>45,136</b>	<b>75,962</b>	<b>(116,862)</b>	<b>578,316</b>
<b>Total assets</b>						
31 December 2023	<b>604,684</b>	<b>43,104</b>	<b>41,240</b>	<b>79,461</b>	<b>(67,173)</b>	<b>701,316</b>
<b>Total liabilities</b>						
31 December 2023	<b>520,617</b>	<b>62,364</b>	<b>43,275</b>	<b>57,427</b>	<b>(124,983)</b>	<b>558,700</b>

**Geographic information:**

<b>Revenue from external customers</b>	<b>Three-month period ended</b>	
	<b>31 March 2024</b>	<b>31 March 2023</b>
Romania	317,123	289,218
Italy	43,303	40,951
Republic of Moldova	5,498	4,891
<b>Total restaurant revenue</b>	<b>365,924</b>	<b>335,060</b>

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

Bucharest, 15 May 2024

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes



[investor.relations@spheragroup.com](mailto:investor.relations@spheragroup.com)