



**KFC**



# 2023 Preliminary Results

Sphera Franchise Group S.A.





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The preliminary 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 preliminary condensed consolidated financial statements as of December 31<sup>st</sup>, 2023 **are unaudited**.

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

**NOTE:** As of January 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	Preliminary Financial Results
For financial period	01.01.2023 – 31.12.2023
Date of publishing	29.02.2024

### 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

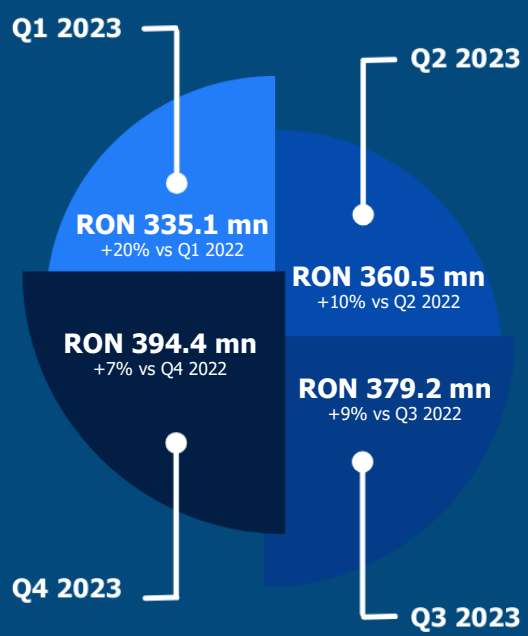
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# KEY FINANCIAL HIGHLIGHTS



2023 Consolidated Sales  
RON 1,469.2 mn  
+11% vs. 2022



#1	RON 59 mn	RON 36.9 mn
the best quarter in the history in terms sales, EBITDA and net profit	restaurant operating profit in Q4 2023, +32% vs. 2022	normalized net profit in Q4 2023, +29% vs. 2022
RON 147.9 mn	0.4	RON 79.8 mn
normalized EBITDA in 2023, +44% vs. 2022	net debt / EBITDA ratio	normalized net profit in 2023, +80% vs. 2022

## RESULTS ANALYSIS

Q4 2023 brought another quarter of historical sales for Sphera Franchise Group, as the Group reported another best quarter in history in terms of overall sales, registering revenues of RON 394.4 million, a 6.8% year-on-year increase versus RON 369.2 million generated in Q4 2022. It is important to underline that, as previously reported, as of Q2 2023, Sphera registers more moderate, single digit YoY growth rates. These rates are reflective of pre-pandemic growth levels and indicate the consolidation of the Group's network across the three markets, with the principal focus of the management being on profit margins.

Romania contributed RON 340 million to the Q4 2023 turnover, bringing in 86.2% of the total sales as the revenues registered a 7.7% YoY increase. Italy brought RON 48.8 million, 12.4% of total revenues, with sales registering a 0.6% YoY increase, while the Republic of Moldova contributed RON 5.6 million, amounting to 1.4% of revenues and an 9.9% appreciation in sales. At the level of the brands, in Q4 2023, KFC saw a 9% increase in sales, generating RON 343.3 million, while Taco Bell grew 13.3% to RON 22.6 million. Pizza Hut sales declined 16.6% to RON 28.6 million. Pizza Hut's network reorganization program formally began in Q3 2023 with the aim to optimize costs, increase the agility of the brand and improve profitability indicators, therefore having a moderate impact on the Q4 2023 topline evolution.

<i>Data in RON '000</i>	<b>Q1-22</b>	<b>Q2-22</b>	<b>Q3-22</b>	<b>Q4-22</b>	<b>Q1-23</b>	<b>Q2-23</b>	<b>Q3-23</b>	<b>Q4-23</b>	<b>Change 2023/2022</b>
<b>Sales by region</b>									
Romania	241,607	284,592	297,301	315,594	289,218	311,266	324,269	340,017	<b>11.0%</b>
Italy	33,545	38,768	45,512	48,510	40,951	44,364	49,708	48,791	<b>10.5%</b>
Rep. Moldova	3,427	4,086	4,757	5,123	4,891	4,890	5,179	5,629	<b>18.4%</b>
<b>Total sales</b>	<b>278,579</b>	<b>327,445</b>	<b>347,570</b>	<b>369,228</b>	<b>335,060</b>	<b>360,520</b>	<b>379,156</b>	<b>394,436</b>	<b>11.1%</b>

At the level of restaurant expenses, those grew slower than the revenues in Q4 2023, increasing 3.3% YoY to RON 335.4 million. The largest contribution to restaurant expenses were the food and material costs, which stabilized and increased only 1.6% to RON 124.3 million in Q4 2023 versus Q4 2022, significantly below the inflation rate. Payroll and employee benefits grew by 10.1% YoY to RON 82.1 million, reflecting the Group's efforts to motivate and secure its employee base. Rent saw a 2.1% YoY increase, linked to the evolution of sales, amounting to RON 26.2 million, while royalties decreased 2.7%, to RON 21.3 million due to the reclassification of RON 2.2 million closing costs from this line to Other operating expenses. Advertising costs increased 5.2% YoY to RON 19.4 million, reflecting the seasonality of the marketing campaigns. Depreciation and amortization decreased 32.9%, amounting to RON 9.9 million; excluding the effect of normalized items related to closed stores, depreciation was almost stable.

The main contributions to other operating expenses of RON 52.2 million, which increased 11.3% YoY, are third-party and utility costs.

The Group closed the last quarter of 2023 with a restaurant operating profit of RON 59 million, a 32.1% YoY increase. The G&A expenses decreased 1.7% YoY to RON 16.3 million, the weight in total sales declining with 0.4pp. The operating profit thus increased 52.1% YoY, to RON 42.7 million, versus 28.1 million in Q4 2022. The net finance cost decreased 4.3% reaching to RON 2.6 million in Q4 2023 vs. RON 2.7 million in Q4 2022. The tax expense amounted to RON 3.8 million in Q4 2023 vs. 1.9 million in Q4 2022.

The gross profit for the quarter of RON 40.1 million registered a 58.1% YoY increase, and the net profit for the period of RON 36.3 million increased 54.9% YoY. Excluding the impact of the one-offs, the normalized gross profit for the period amounted to RON 40.7 million, a 33% YoY increase, the normalized net profit was RON 36.9 million, a 28.7% increase, while the normalized EBITDA was RON 53.2 million, a 19.9% YoY increase.

**Summary of Preliminary Consolidated Financial Statements for Q4 (excluding IFRS 16 Impact):**

Data in RON'000	Q4-23	Q4-22	Y/Y % 2023/ 2022	% of Sales		Δ%
				Q4-23	Q4-22	
<b>Restaurant sales</b>	<b>394,436</b>	<b>369,228</b>	<b>6.8%</b>			
<b>Restaurant expenses</b>	<b>335,449</b>	<b>324,582</b>	<b>3.3%</b>	<b>85.0%</b>	<b>87.9%</b>	<b>-2.9%</b>
Food and material	124,337	122,365	1.6%	31.5%	33.1%	-1.6%
Payroll and employee benefits	82,148	74,581	10.1%	20.8%	20.2%	0.6%
Rent	26,222	25,692	2.1%	6.6%	7.0%	-0.3%
Royalties	21,256	21,853	-2.7%	5.4%	5.9%	-0.5%
Advertising	19,370	18,408	5%	4.9%	5.0%	-0.1%
Other operating expenses	52,182	46,883	11.3%	13.2%	12.7%	0.5%
Depreciation and amortization	9,935	14,799	-32.9%	2.5%	4.0%	-1.5%
<b>Restaurant operating profit</b>	<b>58,986</b>	<b>44,646</b>	<b>32.1%</b>	<b>15.0%</b>	<b>12.1%</b>	<b>2.9%</b>
General & Admin expenses	16,285	16,566	-1.7%	4.1%	4.5%	-0.4%
Operating profit	42,701	28,080	52.1%	10.8%	7.6%	3.2%
<b>Normalized operating profit<sup>1</sup></b>	<b>43,274</b>	<b>33,296</b>	<b>30.0%</b>	<b>11.0%</b>	<b>9.0%</b>	<b>2.0%</b>
Finance costs	2,772	2,848	-2.7%	0.7%	0.8%	-0.1%
Finance income	169	128	31.6%	0.0%	0.0%	0.0%
Profit before tax	40,098	25,360	58.1%	10.2%	6.9%	3.3%
<b>Normalized profit before tax<sup>1</sup></b>	<b>40,671</b>	<b>30,576</b>	<b>33.0%</b>	<b>10.3%</b>	<b>8.3%</b>	<b>2.0%</b>
Income tax expense	3,793	1,266	199.7%	1.0%	0.3%	0.6%
Specific Tax	0	651	-100.0%	0.0%	0.2%	-0.2%
Profit for the period	36,305	23,444	54.9%	9.2%	6.3%	2.9%
<b>Normalized profit for the period<sup>1</sup></b>	<b>36,878</b>	<b>28,660</b>	<b>28.7%</b>	<b>9.3%</b>	<b>7.8%</b>	<b>1.6%</b>
EBITDA	53,218	43,889	21.3%	13.5%	11.9%	1.6%
<b>Normalized EBITDA<sup>2</sup></b>	<b>53,233</b>	<b>44,383</b>	<b>19.9%</b>	<b>13.5%</b>	<b>12.0%</b>	<b>1.5%</b>

<sup>1</sup> In Q4 2023, profit was normalized to exclude the impairment for the closing of 2 KFC restaurants in Romania (RON 0.6m).

In Q4 2022, profit was normalized to exclude the impairment of non-current assets (RON 4.7m) and other costs related to the closing of non-performing stores (RON 0.5m).

<sup>2</sup> In Q4 2022, EBITDA was normalized to exclude the provisions related to the closing of non-performing stores in amount of RON 0.5m.

The continued strong performance in Q4 2023 contributed to significantly improved results generated by the Group in 2023, particularly the overall profitability. The Group ended 2023 with another record high result, registering RON 1,469.2 million in restaurant sales, an 11.1% increase compared to RON 1,322.8 million generated in 2022. The restaurant expenses increased at a slower pace than sales, growing 7.8% YoY, from RON 1,214.4 million in 2022 to RON 1,309.6 million in 2023, also reducing their weight in sales with almost 3pp, reaching 89.1% of sales in 2023 versus 91.8% in 2022.

All cost categories saw small to moderate YoY increases, with food and material expenses increasing 4.9% to RON 479.4 million, lower than the inflation rate for food products registered at the national level in 2023. The weight of food and material costs in total sales decreased by 2pp YoY, down to 32.6%. On the other hand, payroll and employee benefits increased 13.3%, to RON 325.2 million, mirroring the labor market evolution.

The rent increased 10.2% YoY in 2023 to RON 104.3 million due to both larger average restaurant footprint throughout the year and the variable structure of rental contracts linked to the sales. Royalties increased 11.6%, reaching RON 87.9 million, while advertising increased by 12.5% to RON 75.4 million. Depreciation and amortization decreased 1.6%, amounting to RON 44.5 million, with the decrease being primarily driven by the impairment of the non-current assets related to the closing of selected stores.

Other operating expenses amounted to RON 192.9 million, a 4.5% YoY increase. The main contribution to this category was brought by the third-party expenses, which increased 10.2% YoY to RON 99.6 million.

Attributable to an effective pricing strategy, internal cost-control measures, and higher sales volumes, the Group reported a restaurant operating profit of RON 159.6 million in 2023, reflecting a 45.7% YoY increase. The G&A increased 11.1% YoY to RON 62.7 million maintaining the same weight in sales as in 2022, of 4.3%. Consequently, the operating profit for the period was RON 96.9 million, an 82.3% YoY increase compared to RON 53.2 million generated in 2022.

The net finance costs decreased 18.7% YoY to RON 10.4 million for 2023 vs. RON 12.8 million for 2022. Consequently, the gross profit for 2023 amounted to RON 86.5 million, more than double versus RON 40.4 million registered in 2022. As the income tax expense amounted to RON 14.4 million in 2023, the bottom-line ended at RON 72.1 million for 2023, versus RON 39.1 million in 2022, reflecting an 84.6% increase.

Excluding the impact of one-off costs, due primarily to the stores closing, the normalized net profit for the 2023 amounted to RON 79.8 million, an 80.3% YoY increase. The normalized EBITDA was RON 147.9 million, a 44.1% YoY increase.

#### Summary of preliminary Consolidated Financial Statements for FY (excluding IFRS 16 Impact):

Data in RON'000	2023P	2022A	Y/Y % 2023/2022	% of Sales		Δ%
				2023P	2022A	
<b>Restaurant sales</b>	<b>1,469,172</b>	<b>1,322,822</b>	<b>11.1%</b>			
<b>Other restaurant income</b>	<b>-</b>	<b>1,172</b>	<b>-100.0%</b>			
<b>Restaurant expenses</b>	<b>1,309,595</b>	<b>1,214,438</b>	<b>7.8%</b>	<b>89.1%</b>	<b>91.8%</b>	<b>-2.7%</b>
Food and material	479,405	457,108	4.9%	32.6%	34.6%	-2.0%
Payroll and employee benefits	325,207	287,056	13.3%	22.1%	21.7%	0.4%
Rent	104,287	94,646	10.2%	7.1%	7.2%	-0.1%
Royalties	87,935	78,803	11.6%	6.0%	6.0%	0.0%
Advertising	75,351	66,988	12.5%	5.1%	5.1%	0.1%
Other operating expenses	192,872	184,560	4.5%	13.1%	14.0%	-0.8%
Depreciation and amortization	44,537	45,276	-1.6%	3.0%	3.4%	-0.4%
<b>Restaurant operating profit</b>	<b>159,577</b>	<b>109,555</b>	<b>45.7%</b>	<b>10.9%</b>	<b>8.3%</b>	<b>2.6%</b>
General & Admin expenses	62,655	56,389	11.1%	4.3%	4.3%	0.0%
Operating profit	96,923	53,166	82.3%	6.6%	4.0%	2.6%
<b>Normalized operating profit<sup>1</sup></b>	<b>104,624</b>	<b>58,382</b>	<b>79.2%</b>	<b>7.1%</b>	<b>4.4%</b>	<b>2.7%</b>
Finance costs	11,772	13,307	-11.5%	0.8%	1.0%	-0.2%
Finance income	1,359	496	174.1%	0.1%	0.0%	0.1%
Profit before tax	86,510	40,355	114.4%	5.9%	3.1%	2.8%
<b>Normalized profit before tax<sup>1</sup></b>	<b>94,211</b>	<b>45,571</b>	<b>106.7%</b>	<b>6.4%</b>	<b>3.4%</b>	<b>3.0%</b>
Income tax expense/ (credit)	14,404	(1,264)	-	1.0%	-0.1%	1.1%
Specific Tax	0	2,565	-100.0%	0.0%	0.2%	-0.2%
Profit for the period	72,106	39,054	84.6%	4.9%	3.0%	2.0%
<b>Normalized profit for the period<sup>1</sup></b>	<b>79,807</b>	<b>44,270</b>	<b>80.3%</b>	<b>5.4%</b>	<b>3.3%</b>	<b>2.1%</b>
EBITDA	145,290	102,161	42.2%	9.9%	7.7%	2.2%
<b>Normalized EBITDA<sup>2</sup></b>	<b>147,937</b>	<b>102,655</b>	<b>44.1%</b>	<b>10.1%</b>	<b>7.8%</b>	<b>2.3%</b>

<sup>1</sup> In 2023, net profit was normalized to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the closing of KFC restaurants in Romania (RON 0.9m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m, out of which RON 2.2m YUM costs and RON 0.1m other closing costs), as well as other provisions (litigation with a former non-executive director, RON 0.3m).

In 2022, net profit was normalized to exclude the impairment of non-current assets (RON 4.7m) and other costs related to the closing of non-performing stores (RON 0.5m).

<sup>2</sup> In 2023, EBITDA was normalized to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m).

In 2022, EBITDA was normalized to exclude the provisions related to the closing of non-performing stores in amount of RON 0.5m.



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

Data in RON'000	2023P		2022A		Change (%)	
	1	2	1	2	2023/ 2022 (1)	2023/ 2022 (2)
<b>Restaurant sales</b>	<b>1,469,172</b>	<b>1,469,172</b>	<b>1,322,822</b>	<b>1,322,822</b>	<b>11.1%</b>	<b>11.1%</b>
<b>Other restaurant income</b>	<b>-</b>	<b>-</b>	<b>1,172</b>	<b>1,172</b>	<b>-100.0%</b>	<b>-100.0%</b>
<b>Restaurant expenses</b>	<b>1,301,077</b>	<b>1,309,595</b>	<b>1,207,065</b>	<b>1,214,438</b>	<b>7.8%</b>	<b>7.8%</b>
Food and material	479,405	479,405	457,108	457,108	4.9%	4.9%
Payroll and employee benefits	325,207	325,207	287,056	287,056	13.3%	13.3%
Rent	34,644	104,287	32,109	94,646	7.9%	10.2%
Royalties	87,935	87,935	78,803	78,803	11.6%	11.6%
Advertising	75,351	75,351	66,988	66,988	12.5%	12.5%
Other operating expenses	192,503	192,872	184,450	184,560	4.4%	4.5%
Depreciation and amortization	106,031	44,537	100,551	45,276	5.4%	-1.6%
<b>Restaurant operating profit</b>	<b>168,095</b>	<b>159,577</b>	<b>116,928</b>	<b>109,555</b>	<b>43.8%</b>	<b>45.7%</b>
General & Admin expenses	61,975	62,655	55,572	56,389	11.5%	11.1%
Operating profit	106,120	96,923	61,356	53,166	73.0%	82.3%
<b>Normalized operating profit<sup>1</sup></b>	<b>113,821</b>	<b>104,624</b>	<b>66,572</b>	<b>58,382</b>	<b>71.0%</b>	<b>79.2%</b>
Finance costs	26,177	11,772	23,062	13,307	13.5%	-11.5%
Finance income	1,359	1,359	496	496	174.1%	174.1%
Profit before tax	81,303	86,510	38,790	40,355	109.6%	114.4%
<b>Normalized profit before tax<sup>1</sup></b>	<b>89,004</b>	<b>94,211</b>	<b>44,006</b>	<b>45,571</b>	<b>102.3%</b>	<b>106.7%</b>
Income tax expense/ (credit)	11,791	14,404	(1,725)	(1,264)	-	-
Specific Tax	0	0	2,565	2,565	-100.0%	-100.0%
Profit for the period	69,512	72,106	37,950	39,054	83.2%	84.6%
<b>Normalized profit for the period<sup>1</sup></b>	<b>77,213</b>	<b>79,807</b>	<b>43,167</b>	<b>44,270</b>	<b>78.9%</b>	<b>80.3%</b>
EBITDA	219,168	145,290	168,495	102,161	30.1%	42.2%
<b>Normalized EBITDA<sup>2</sup></b>	<b>221,815</b>	<b>147,937</b>	<b>168,988</b>	<b>102,655</b>	<b>31.3%</b>	<b>44.1%</b>

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

<sup>1</sup> In 2023, net profit was normalized to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the closing of KFC restaurants in Romania (RON 0.9m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m, out of which RON 2.2m YUM costs and RON 0.1m other closing costs), as well as other provisions (litigation with a former non-executive director, RON 0.3m).

In 2022, net profit was normalized to exclude the impairment of non-current assets (RON 4.7m) and other costs related to the closing of non-performing stores (RON 0.5m).

<sup>2</sup> In 2023, EBITDA was normalized to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m).

In 2022, EBITDA was normalized to exclude the provisions related to the closing of non-performing stores in amount of RON 0.5m.

G&A expenses increased by 11.1% compared to 2022, amounting to RON 62.7 million. However, as a percentage of sales, G&A remained stable at 4.2%.

	Data in RON '000				Change (%)		Percentage of sales			
	2023P	2023P	2022A	2022A	2023/ 2022 (1)	2023/ 2022 (2)	2023P	2023P	2022A	2022A
	(1)	(2)	(1)	(2)			(1)	(2)	(1)	(2)
<b>General and administration (G&amp;A) expenses</b>	<b>61,975</b>	<b>62,655</b>	<b>55,572</b>	<b>56,389</b>	<b>11.5%</b>	<b>11.1%</b>	<b>4.2%</b>	<b>4.3%</b>	<b>4.2%</b>	<b>4.3%</b>
Payroll and employee benefits	42,839	42,839	36,488	36,488	17.4%	17.4%				
Third-party services	7,200	7,201	7,210	7,210	-0.1%	-0.1%				
Depreciation and amortization	7,017	3,830	6,588	3,720	6.5%	3.0%				
Rent	232	4,098	264	3,949	-12.0%	3.8%				
Banking charges	748	748	773	773	-3.3%	-3.3%				
Transport	1,397	1,397	1,203	1,203	16.1%	16.1%				
Other*	2,541	2,541	3,047	3,047	-16.6%	-16.6%				

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.

The growth in the restaurant operating profit, from RON 109.6 million in 2022 to RON 159.6 million in 2023, can be attributed to the improved performance of KFC and Taco Bell brands. USFN Romania contributed RON 139 million (+28.2% vs. 2022) to the restaurant operating profit, USFN Italy: RON 19.2 million (vs. restaurant operating loss of RON 1.7 million in 2022), CFF: 6 million (+148.6% vs. 2022), and USFN Moldova: RON 3.8 million (+42.5% vs. 2022). Excluding the one-off costs related to closings, ARS registered normalized restaurant operating loss of RON 2.3 million in line with the previous year.

Similarly, the normalized EBITDA has followed a positive evolution, increasing from RON 102.7 million in 2022 to RON 147.9 million in 2023, a 44.1% increase. This improvement can be mainly attributed to effective cost-control measures taken across the Group, leading to an increase in operating profit. The normalized EBITDA margin varied per brand, with USFN Moldova having the highest margin of 17.8%, followed by USFN Romania: 11.9%, USFN Italy: 9.4%, and CFF: 7.2%. ARS saw negative EBITDA margin of 4.5% since the network is in a turnaround process.

As the normalized net profit for 2023 increased 80.3% to RON 79.8 million, it is important to underline that four out of five companies generated positive net result, therefore proving the effectiveness of the strategy adopted by the management which aimed to consolidate the presence of KFC Romania and Moldova, while turning KFC Italy and Taco Bell to profit. The biggest contributor to the net result in 2023 was USFN Romania, which generated a normalized profit of RON 86.8 million (+26.5% vs. 2022), USFN Italy with RON 3 million (vs. a net loss of RON 6.4 million for 2022), USFN Moldova with RON 2.8 million (+42.6% vs. 2022), CFF with RON 0.6 million (vs. a net loss of RON 3.8 million for 2022), while ARS saw an improvement of RON 2.1 million versus last year.

#### Breakdown of the preliminary consolidated results by Group companies for FY2023 (excluding IFRS16 impact):

Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	SFG Cons
<b>Restaurant sales</b>	<b>1,065,024</b>	<b>115,211</b>	<b>20,589</b>	<b>183,814</b>	<b>84,544</b>	<b>40,779</b>	<b>(40,788)</b>	<b>1,469,172</b>
<b>Dividends revenue</b>	-	-	-	-	-	<b>73,003</b>	<b>(73,003)</b>	-
<b>Restaurant expenses</b>	<b>926,044</b>	<b>123,952</b>	<b>16,808</b>	<b>164,656</b>	<b>78,589</b>	-	<b>(455)</b>	<b>1,309,595</b>
Food and material	360,398	31,478	8,225	49,943	29,359	-	3	479,405
Payroll and employee benefits	230,034	32,217	3,062	41,692	18,202	-	-	325,207
Rent	70,699	11,490	1,090	14,789	6,219	-	-	104,287
Royalties	63,805	6,810	1,233	11,012	5,075	-	-	87,935
Advertising	52,928	6,405	804	11,359	4,287	-	(432)	75,351
Other operating expenses	124,645	27,411	2,072	26,760	11,990	-	(6)	192,872
Depreciation	23,535	8,140	322	9,101	3,459	-	(20)	44,537
<b>Restaurant operating profit/(loss)</b>	<b>138,979</b>	<b>(8,740)</b>	<b>3,781</b>	<b>19,158</b>	<b>5,954</b>	<b>113,782</b>	<b>(113,336)</b>	<b>159,577</b>
G&A expenses	37,524	7,858	473	11,153	3,522	46,680	(44,555)	62,655
Operating profit/(loss)	101,456	(16,599)	3,308	8,005	2,432	67,101	(68,781)	96,923
<b>Normalized operating profit/(loss)<sup>1</sup></b>	<b>102,373</b>	<b>(10,120)</b>	<b>3,308</b>	<b>8,005</b>	<b>2,432</b>	<b>71,776</b>	<b>(73,150)</b>	<b>104,624</b>
Finance costs	8,410	1,089	71	3,429	1,623	3,809	(6,659)	11,772
Finance income	5,279	12	-	1	-	2,726	(6,659)	1,359
Profit/(Loss) before tax	98,324	(17,676)	3,237	4,577	809	66,019	(68,781)	86,510
<b>Normalized profit/ (loss) before tax<sup>1</sup></b>	<b>99,242</b>	<b>(11,197)</b>	<b>3,237</b>	<b>4,577</b>	<b>809</b>	<b>70,693</b>	<b>(73,150)</b>	<b>94,211</b>
Income tax expense/ (credit)	12,462	(475)	433	1,572	175	238	-	14,404
Profit/(Loss) for the period	85,863	(17,201)	2,804	3,005	634	65,781	(68,781)	72,106
<b>Normalized profit/(loss) for the period<sup>1</sup></b>	<b>86,780</b>	<b>(10,722)</b>	<b>2,804</b>	<b>3,005</b>	<b>634</b>	<b>70,455</b>	<b>(73,150)</b>	<b>79,807</b>
EBITDA	126,925	(7,574)	3,666	17,205	6,097	67,778	(68,808)	145,290
<b>Normalized EBITDA<sup>2</sup></b>	<b>126,925</b>	<b>(5,232)</b>	<b>3,666</b>	<b>17,205</b>	<b>6,097</b>	<b>72,452</b>	<b>(73,176)</b>	<b>147,937</b>

<sup>1</sup> In 2023, net profit was normalized to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the closing of KFC restaurants in Romania (RON 0.9m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m, out of which RON 2.2m YUM costs and RON 0.1m other closing costs), as well as other provisions (litigation with a former non-executive director, RON 0.3m).

<sup>2</sup> In 2023, EBITDA was normalized to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). At individual level, normalized EBITDA for 2023 excludes the impairment loss for the investment in ARS (4,369) registered in SFG.

In Q4 2023, the same stores sales across Sphera brands grew 3%, with the most significant same stores increase registered by CFF, which grew 14.8% YoY, followed by USFN Moldova, where comparable sales increased 9.9% YoY, and USFN Romania, where same store sales grew 5.1% YoY. USFN Italy saw a moderate increase of 0.6%, while ARS saw a 16.7% YoY decrease in same store performance.

In 2023, Sphera opened 8 new restaurants – all of them being new KFC restaurants in Romania. The new openings were offset by the closing of 2 non-performing KFC units in Italy, 3 KFC units in Romania, and 8 Pizza Hut locations as well as one Paul unit in Romania. The new KFC locations helped the Group's performance as USFN Romania all store performance increased 10.5%, contributing to a 6.8% increase in all store performance across the Group in Q4 2023.

		Y/Y Q1-22	Y/Y Q2-22	Y/Y Q3-22	Y/Y Q4-22	Y/Y Q1-23	Y/Y Q2-23	Y/Y Q3-23	Y/Y Q4-23
<b>USFN RO</b>	<b>All Stores</b>	<b>23.6%</b>	<b>37.3%</b>	<b>20.1%</b>	<b>35.0%</b>	<b>19.6%</b>	<b>10.5%</b>	<b>10.7%</b>	<b>10.5%</b>
	o/w Same Stores	21.6%	34.3%	17.6%	31.5%	18.0%	6.5%	6.9%	5.1%
<b>ARS</b>	<b>All Stores</b>	<b>55.3%</b>	<b>45.5%</b>	<b>15.1%</b>	<b>38.5%</b>	<b>10.0%</b>	<b>-6.2%</b>	<b>-9.8%</b>	<b>-16.6%</b>
	o/w Same Stores	52.8%	42.1%	11.1%	34.2%	8.7%	-6.8%	-9.5%	-16.7%
<b>CFF</b>	<b>All Stores</b>	<b>48.2%</b>	<b>39.6%</b>	<b>27.3%</b>	<b>56.3%</b>	<b>40.6%</b>	<b>19.9%</b>	<b>19.1%</b>	<b>13.3%</b>
	o/w Same Stores	46.4%	31.7%	17.3%	41.1%	27.7%	14.5%	14.6%	14.8%
<b>USFN IT</b>	<b>All Stores</b>	<b>70.3%</b>	<b>58.4%</b>	<b>37.5%</b>	<b>31.6%</b>	<b>22.1%</b>	<b>14.4%</b>	<b>9.2%</b>	<b>0.6%</b>
	o/w Same Stores	70.3%	58.4%	37.5%	31.6%	22.1%	14.4%	9.2%	0.6%
<b>USFN MD</b>	<b>All Stores</b>	<b>22.8%</b>	<b>44.8%</b>	<b>48.3%</b>	<b>42.0%</b>	<b>42.7%</b>	<b>19.7%</b>	<b>8.9%</b>	<b>9.9%</b>
	o/w Same Stores	22.8%	44.8%	48.3%	42.0%	42.7%	19.7%	8.9%	9.9%
<b>TOTAL</b>	<b>All Stores</b>	<b>31.8%</b>	<b>40.5%</b>	<b>22.3%</b>	<b>35.9%</b>	<b>20.3%</b>	<b>10.1%</b>	<b>9.1%</b>	<b>6.8%</b>
	o/w Same Stores	29.9%	37.5%	19.6%	32.4%	18.3%	6.8%	6.2%	3.0%

Sales for delivery with increased 2pp QoQ across the Group, with 18% of all sales being made for delivery. The quarterly increase reflects the cyclical preferences of the customers who are more inclined to order for delivery over the winter periods. Consequently, the total value of sales for delivery in Q4 2023 amounted to RON 70.3 million, a 3.6% increase vs. RON 67.9 million registered in Q4 2022.

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 Q4 2023, 8.3% of sales for delivery were delivered using Sphera's own delivery capacity, vs. 13% in Q4 2022.

Sales by entity		Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23
<b>USFN RO</b>	delivery	27%	20%	16%	16%	18%	16%	16%	17%
	non-delivery	73%	80%	84%	84%	82%	84%	84%	83%
<b>ARS</b>	delivery	49%	40%	38%	39%	36%	34%	35%	36%
	non-delivery	51%	60%	62%	61%	64%	66%	65%	64%
<b>CFF</b>	delivery	41%	32%	26%	27%	30%	28%	23%	24%
	non-delivery	59%	68%	74%	73%	70%	72%	77%	76%
<b>USFN IT</b>	delivery	14%	12%	9%	10%	8%	7%	6%	8%
	non-delivery	86%	88%	91%	90%	92%	93%	94%	92%
<b>USFN MD</b>	delivery	35%	31%	31%	29%	31%	30%	30%	31%
	non-delivery	65%	69%	69%	71%	69%	70%	70%	69%
<b>All</b>	delivery	28%	22%	18%	18%	19%	17%	16%	18%
	non-delivery	72%	78%	82%	82%	81%	83%	84%	82%

## MAIN FINANCIAL RATIOS

The main financial ratios of Sphera Franchise Group, based on the preliminary consolidated result as of December 31<sup>st</sup>, 2023, are presented below, together with the FY 2022 ratios. All the ratios are calculated including IFRS 16 impact.

<i>Financial data in RON '000</i>	<b>FY 2023 (Preliminary)</b>	<b>FY 2022 (Audited)</b>
<b>Current ratio</b>		
<u>Current assets</u>	<u>130,923</u>	<u>168,282</u>
<u>Current liabilities</u>	<u>248,946</u>	<u>271,195</u>
	<b>= 0.53</b>	<b>= 0.62</b>
<b>Debt to Equity ratio</b>		
<u>Interest-bearing debt (long term)</u>	<u>302,949</u>	<u>313,678</u>
<u>Equity</u>	<u>140,259</u>	<u>116,363</u>
	<b>= 216%</b>	<b>= 270%</b>
<u>Interest-bearing debt (long term)</u>	<u>302,949</u>	<u>313,678</u>
<u>Capital employed</u>	<u>443,207</u>	<u>430,041</u>
	<b>= 68%</b>	<b>= 73%</b>
<b>Trade receivables turnover (days)</b>		
<u>Average receivables</u>	<u>15,850</u>	<u>25,950</u>
<u>Turnover</u>	<u>1,469,172</u>	<u>1,322,822</u>
	<b>= 3.88</b>	<b>= 7.06</b>
<b>Fixed asset turnover</b>		
<u>Turnover</u>	<u>1,469,172</u>	<u>1,322,822</u>
<u>Net fixed assets</u>	<u>534,160</u>	<u>506,054</u>
	<b>= 2.75</b>	<b>= 2.61</b>

Notes: Annualized values, based on the ASF methodology.





# 2023 Preliminary Results Call

## 29.02.2024 | 15:00 & 16:00 hrs

On February 29<sup>th</sup>, Sphera Franchise Group will hold two conference calls with the management, one in English and another in Romanian, to discuss the preliminary 2023 results. The calls will be attended by Calin Ionescu (CEO), Valentin Budes (CFO), Monica Eftimie (CMO), and Zuzanna Kurek (IR).

The call in English language will take place at 15:00, local time (14:00 CET | 13:00 UK), and the one in Romanian at 16:00, local time.

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



# SIGNIFICANT EVENTS IN Q4 2023 & AFTER CLOSING OF THE REPORTING PERIOD

## BUSINESS UPDATES

### NETWORK EVOLUTION

In Q4 2023, Sphera opened 3 new KFC restaurants in Romania – two drive thrus, one in Buzau and another in Slobozia, and a food court unit in Craiova. At the same time, the Group closed 3 KFC, 6 Pizza Hut restaurants and 1 Paul restaurant in Romania. The closing of one KFC restaurant (KFC Leonida) is temporary due to external factors (building restoration). Consequently, as of December 31<sup>st</sup>, 2023, Sphera Franchise Group operated 171 restaurants: 101 KFC restaurants in Romania, 2 in Moldova and 18 in Italy, as well as 34 Pizza Hut restaurants, 15 Taco Bell restaurants, and one PHD subfranchise.

The process of streamlining the restaurant network continued in 2024, with the Group closing 5 other Pizza Hut Delivery locations in January.

One KFC drive thru restaurant was opened in February in Romania (Sibiu DT), with the Group ending the first two months of 2024 with a total of 167 restaurants, including 102 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.

### STAFF

As of December 31<sup>st</sup>, 2023, the Group had 5,152 employees, of which 4,662 were based in Romania, 418 in Italy and 72 in the Republic of Moldova. In Q4 2023, the Group continued the process of digitalizing its network through further deployment of digital kiosks to simplify the selling process, as well as carried on with the project of hiring employees from abroad. Sphera has over 250 employees from Sri Lanka, most of them currently working for USFN Romania.

## CAPITAL MARKET UPDATES

### DIVIDEND PAYMENT

During the OGSM held on September 4<sup>th</sup>, 2023, the shareholders approved dividend distribution amounting to RON 45,007,234.40 from the undistributed net profit from financial years 2020-2022, fixing a gross dividend per share at RON 1.16. The dividend was paid to the shareholders on October 10<sup>th</sup>, 2023, having ex-date of September 18<sup>th</sup>, 2023, and record date of September 19<sup>th</sup>, 2023.

### SHARE BUY-BACK PROGRAM

On September 4<sup>th</sup>, 2023, Sphera Franchise Group completed the share buyback program communicated to the market on June 30<sup>th</sup>, 2023, and initiated on July 3<sup>rd</sup>, 2023. The buyback was carried out in accordance with EGMS Resolution no. 1 from April 27<sup>th</sup>, 2023. During the buyback, Sphera Franchise Group bought back 104,100 shares at an average buyback price of RON 19.5715 per share, with the full price paid for the buyback shares repurchased amounting to RON 2,037,392.50. The buyback was carried out to implement the Share Option Plan (SOP) for Directors for the activity related to the years 2021 and 2022. 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 2021.

## STOCK EXCHANGE EVOLUTION

SFG shares continued the positive evolution in Q4 2023, registering a 24.2% increase in the fourth quarter of the year, as the share closing price on December 31<sup>st</sup>, 2023, was RON 25.7, vs. closing price of RON 20.7 on September 30<sup>th</sup>, 2023. Considering the dividend paid to shareholders on October 10<sup>th</sup>, the total return on SFG shares in Q4 2023 was 29.8%. In Q4 2023, investors traded 1,191,724 SFG shares (9.1% of the free float), with a total value of RON 28.5 million, of which DEAL transaction accounted for 363,823 shares worth RON 9.1 million. The share price evolution in Q4 2023 outperformed the evolution of BVB reference index BET, which increased 7.2% in the period and above the BET-TR index, which grew 8.2%. Therefore, Sphera Franchise Group shares registered the best evolution in Q4 2023 out of all the companies included in the BET index.

In 2023, investors traded 2,963,093 SFG shares (22.6% of the free float) with a total value of RON 60.7 million. In 2023, SFG shares were the 3<sup>rd</sup> top performer from the BET index, appreciating 83.6% and significantly outperforming the BET index, which grew 31.8%. The Total Return on SFG shares in 2023, including the dividends paid on March 31<sup>st</sup>, 2023, and October 10<sup>th</sup>, 2023, was 95.5%, versus 39.9% increase for the BET-TR index registered in the same period.

## DECLARATION FROM THE MANAGEMENT

Bucharest, February 29<sup>th</sup>, 2024

We confirm to the best of our knowledge that the unaudited preliminary condensed consolidated financial statements for the twelve months period ended 31 December 2023 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 in 2023 and their impact on the preliminary condensed consolidated financial statements.

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes

**SPHERA FRANCHISE GROUP SA**  
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE**  
**YEAR ENDED 31 DECEMBER 2023 (UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

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## **Preliminary Condensed Consolidated Financial Statements for the year ended 31 December 2023 (unaudited)**

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

The preliminary condensed consolidated financial statements are unaudited.

**SPHERA FRANCHISE GROUP SA**  
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2023 (UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

**PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED**  
**31 DECEMBER 2023 (UNAUDITED)**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Restaurant sales	9	1,469,172	1,322,822
Other restaurant income		-	1,172
Restaurant expenses			
Food and material expenses		479,405	457,108
Payroll and employee benefits	4	325,207	287,056
Rental expenses		34,645	32,110
Royalties expenses		87,935	78,803
Advertising expenses		75,351	66,988
Other operating expenses	5	192,503	184,450
Depreciation, amortization and impairment		106,031	100,551
<b>Restaurant operating profit</b>		<b>168,095</b>	<b>116,928</b>
General and administrative expense	6	61,975	55,572
<b>Profit from operating activities</b>		<b>106,120</b>	<b>61,356</b>
Finance costs		26,176	23,062
Finance income		1,359	496
<b>Profit before tax</b>		<b>81,303</b>	<b>38,790</b>
Income tax expense/(credit) from continuing operations		11,791	(1,725)
Specific tax expense		-	2,565
<b>Profit</b>		<b>69,512</b>	<b>37,950</b>
<b>Attributable to:</b>			
Owners of the parent		68,950	37,557
Non-controlling interests		562	393
<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		83	(87)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Remeasurement (loss)/gain on defined benefit plan		(168)	199
<b>Total comprehensive income</b>		<b>69,427</b>	<b>38,062</b>
<b>Attributable to:</b>			
Owners of the parent		68,845	37,690
Non-controlling interests		582	372



**SPHERA FRANCHISE GROUP SA**  
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2023 (UNAUDITED)**

*All amounts in RON thousand, unless specified otherwise*

**PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**  
**(UNAUDITED)**

	<b>Note</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Assets</b>			
<b>Non-current assets</b>		<b>567,344</b>	<b>537,600</b>
Property and equipment		239,299	230,557
Right-of-use assets		236,724	217,719
Intangible assets and goodwill		58,137	57,778
Financial assets (cash collateral)		9,339	8,929
Deferred tax assets		23,845	22,617
<b>Current assets</b>		<b>130,923</b>	<b>168,282</b>
Inventories		14,953	15,907
Trade and other receivables		10,421	21,279
Prepayments		7,402	3,007
Cash and short-term deposits		98,147	128,089
<b>Total assets</b>		<b>698,267</b>	<b>705,882</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	7	581,990	581,990
Share premium		(519,998)	(519,998)
Treasury shares	7	(2,037)	-
Reserves for share-based remuneration		3,894	1,502
Other reserves		(1,283)	(1,115)
Retained earnings		77,468	54,012
Reserve of exchange differences on translation		(261)	(324)
<b>Equity attributable to owners of the parent</b>		<b>139,773</b>	<b>116,067</b>
Non-controlling interests		486	297
<b>Total equity</b>		<b>140,259</b>	<b>116,364</b>
<b>Non-current liabilities</b>		<b>309,063</b>	<b>318,323</b>
Long-term borrowings		91,455	122,949
Non-current lease liabilities		211,494	190,729
Net employee defined benefit liabilities		4,607	3,861
Trade and other payables LT		330	-
Deferred revenue		660	-
Deferred tax liabilities		517	784
<b>Current liabilities</b>		<b>248,946</b>	<b>271,195</b>
Trade and other current payables		145,187	150,613
Contract liabilities		394	311
Short-term borrowings		42,317	65,086
Current lease liabilities		56,594	52,693
Income tax payable		4,149	454
Specific tax payable		-	1,289
Provisions		305	749
<b>Total liabilities</b>		<b>558,009</b>	<b>589,518</b>
<b>Total equity and liabilities</b>		<b>698,267</b>	<b>705,882</b>

**SPHERA FRANCHISE GROUP SA**
**PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023 (UNAUDITED)**
*All amounts in RON thousand, unless specified otherwise*
**PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022 (UNAUDITED)**

	Issued capital	Share premium	Treasury shares	Reserves for share-based remuneration	Other reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
<b>As at 1 January 2023</b>	<b>581,990</b>	<b>(519,998)</b>	<b>-</b>	<b>1,502</b>	<b>(1,115)</b>	<b>54,012</b>	<b>(324)</b>	<b>116,067</b>	<b>297</b>	<b>116,364</b>
Profit	-	-	-	-	-	68,950	-	68,950	562	69,512
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Remeasurement gain/(loss) on defined benefit plan (Italy)	-	-	-	-	(168)	-	-	(168)	-	(168)
Translation differences	-	-	-	-	-	-	63	63	20	83
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(168)</b>	<b>68,950</b>	<b>63</b>	<b>68,845</b>	<b>582</b>	<b>69,427</b>
Acquisition of own shares	-	-	(2,037)	-	-	-	-	(2,037)	-	(2,037)
Share based remuneration	-	-	-	1,856	-	-	-	1,856	-	1,856
Gain/(Loss) related to acquisition of treasury shares	-	-	-	-	-	(487)	-	(487)	-	(487)
Reserves	-	-	-	536	-	-	-	536	-	536
Dividends	-	-	-	-	-	(45,007)	-	(45,007)	(393)	(45,400)
<b>At 31 December 2023</b>	<b>581,990</b>	<b>(519,998)</b>	<b>(2,037)</b>	<b>3,894</b>	<b>(1,283)</b>	<b>77,468</b>	<b>(261)</b>	<b>139,773</b>	<b>486</b>	<b>140,259</b>

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	Issued capital	Share premium	Treasury shares	Reserves for share-based remuneration	Other reserves	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
<b>As at 1 January 2022</b>	<b>581,990</b>	<b>(519,998)</b>			<b>(1,314)</b>	<b>71,457</b>	<b>(258)</b>	<b>131,877</b>	<b>175</b>	<b>132,052</b>
Profit	-	-	-	-	-	37,557	-	37,557	393	37,950
<b>Other comprehensive income</b>										
Losses on remeasurements of defined benefit plans	-	-	-	-	199	-	-	199	-	199
Net of tax exchange differences on translation	-	-	-	-	-	-	(66)	(66)	(21)	(87)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>199</b>	<b>37,557</b>	<b>(66)</b>	<b>37,690</b>	<b>372</b>	<b>38,062</b>
Share based remuneration				1,502	-			1,502		1,502
Dividends	-	-	-	-	-	(55,002)	-	(55,002)	(250)	(55,252)
<b>At 31 December 2022</b>	<b>581,990</b>	<b>(519,998)</b>	<b>-</b>	<b>1,502</b>	<b>(1,115)</b>	<b>54,012</b>	<b>(324)</b>	<b>116,067</b>	<b>297</b>	<b>116,364</b>

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**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023 (UNAUDITED)**

	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Profit before tax from continuing operations	81,303	38,790
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Depreciation of right-of-use assets	64,825	58,415
Depreciation and impairment of property, plant and equipment	42,402	43,471
Amortisation and impairment of intangible assets and goodwill	5,821	5,253
Movement in current assets allowance	(11)	128
Adjustments for share-based remuneration	1,856	936
Adjustments for unrealized foreign exchange losses/(gains)	1,355	(1,482)
Adjustments for (gain)/loss on disposals of property, plant and equipment and right-of-use assets	(839)	(152)
Adjustments for finance income	(1,239)	(496)
Adjustments for finance costs (interest)	24,197	20,727
Movements in provisions, net	(443)	746
<b>Working capital adjustments:</b>		
Adjustments for decrease/(increase) in trade and other receivables and prepayments	5,814	7,525
Adjustments for decrease/(increase) in inventories	954	(2,517)
Adjustments for (decrease)/increase in trade and other payables	15,787	6,448
Interest received classified as operating activities	1,239	496
Interest paid classified as operating activities	(23,414)	(19,843)
Income tax paid	(10,560)	(5,019)
<b>Cash flows from operating activities</b>	<b>209,047</b>	<b>153,426</b>
<b>Investing activities</b>		
Proceeds from sale of property, plant and equipment	722	182
Purchase of intangible assets	(6,909)	(3,259)
Purchase of property, plant and equipment	(51,351)	(51,971)
<b>Cash flows used in investing activities</b>	<b>(57,538)</b>	<b>(55,048)</b>
<b>Financing activities</b>		
Acquisition of treasury shares (Note 7)	(2,037)	-
Proceeds from borrowings	21,633	21,100
Repayment of borrowings	(76,933)	(45,680)
Payment of lease liabilities	(60,104)	(56,879)
Dividends paid to owners of the parent	(63,751)	(34,708)
Dividends paid to non-controlling interests	(393)	(250)
<b>Cash flows used in financing activities</b>	<b>(181,585)</b>	<b>(116,417)</b>
Net increase in cash and cash equivalents	(30,076)	(18,039)
Net foreign exchange differences	134	12
<b>Net increase of cash and cash equivalents, including net foreign exchange differences</b>	<b>(29,942)</b>	<b>(18,027)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>128,089</b>	<b>146,116</b>
<b>Cash and cash equivalents at 31 December</b>	<b>98,147</b>	<b>128,089</b>

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**NOTES TO THE PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 31 DECEMBER 2023 (UNAUDITED)**

**1 CORPORATE INFORMATION**

These preliminary 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 Dorobanti, Bucharest, Romania.

The Group operates quick service and takeaway restaurant concepts (a chain of 121 restaurants as at 31 December 2023) 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 35 pizza restaurants under the Pizza Hut ("PH") brand and a chain of restaurants under the "Taco Bell" brand (15 restaurants).

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 franchise Pizza Hut 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 in 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 Dorobanti, Bucharest, Romania.

**2 BASIS OF PREPARATION OF THE PRELIMINARY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited preliminary condensed consolidated financial statements of the Group have been prepared in line with the accounting policies that will be used in preparing the 2023 annual consolidated financial statements. The final, audited, annual consolidated financial statements will be published in March 2024.

The Group's preliminary condensed consolidated 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 preliminary condensed consolidated financial statements for the year ended 31 December 2023 included in this report are unaudited.

**General accounting policies**

The accounting policies and valuation methods adopted in the preparation of the preliminary condensed consolidated financial statements are largely consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022. The amendments effective since 1 January 2023 do not have a material impact on the Group's preliminary 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.



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**Foreign currencies**

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

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

The exchange rates as at 31 December 2023 and 31 December 2022 and the average exchange rates for the period ended 31 December 2023 and 31 December 2022 were:

	Closing exchange rates		Average exchange rates	
	31 December 2023	31 December 2022	2023	2022
RON – EUR	4.9746	4.9474	4.9465	4.9316
RON – USD	4.4958	4.6346	4.5743	4.6885
RON – MDL	0.2570	0.2428	0.2520	0.2480

**Transactions and balances**

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

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

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

**Group companies**

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

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### 3 GROUP INFORMATION

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

<b>Company name</b>	<b>Country of incorporation</b>	<b>Field of activity</b>	<b>Control 31 December 2023</b>	<b>Control 31 December 2022</b>
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 Food Network SRL	Moldova	Restaurants	80.0000%	80.0000%
US Food Network SRL	Italy	Restaurants	100.0000%	100.0000%

### 4 PAYROLL AND EMPLOYEE BENEFITS

	<b>2023</b>	<b>2022</b>
Payroll and employee benefits recognized in restaurant expenses	325,207	287,056
Payroll and employee benefits recognized in "General and administrative expenses "	42,839	36,488
<b>Total Payroll and employee benefits</b>	<b>368,046</b>	<b>323,544</b>

### 5 OTHER OPERATING EXPENSES

	<b>2023</b>	<b>2022</b>
Third-party services	99,632	90,418
Utilities	41,753	47,597
Maintenance and repairs	16,882	17,720
Cleaning supplies	9,693	9,949
Transport	8,565	8,052
Small-wares	4,506	2,930
Bank charges	5,777	4,506
Closing costs (Note 8)	2,199	-
Telephone and postage	1,227	1,205
Insurance	489	641
Provision for receivables	(11)	128
Net (gain)/loss on disposal of property and equipment and right-of-use assets	(839)	(42)
Miscellaneous expenses and income, net	2,630	1,346
<b>Total</b>	<b>192,503</b>	<b>184,450</b>

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**6 GENERAL AND ADMINISTRATION EXPENSES**

	<b>2023</b>	<b>2022</b>
Payroll and employee benefits	42,839	36,488
Third-party services	7,200	7,210
Depreciation, amortization and impairment of non-current assets	7,017	6,588
Rent	232	264
Banking charges	748	773
Transport	1,397	1,203
Maintenance and repairs	465	483
Small-wares	178	114
Insurance	449	769
Advertising	254	158
Telephone and postage	353	342
Other provisions	305	746
Miscellaneous expenses and income, net	538	434
<b>Total</b>	<b>61,975</b>	<b>55,572</b>

For the year 2023, other provisions refer to a legal action by a former non-executive director of the Group whose mandate was terminated before term, not re-elected by the General Assembly of Shareholders (RON 305 thousand). For the year 2022, other provisions include the estimated costs of RON 494 thousand related to the closing of two KFC stores in Italy at the beginning of the year 2023 and a provision for the estimated compensations claimed in court by a former employee of the Group (RON 252 thousand).

**7 EQUITY**

<b>Issued capital</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Authorised shares (Sphera)</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 December 2023 are: Tatika Investments Ltd. (29.5466%), Computerland Romania SRL (20.5327%), Wellkept Group SA (17.0739%) and free float (32.8468%).

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

**Treasury shares**

As of 31 December 2023, Sphera Franchise Group SA 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 grant. Following EGMS Resolution no. 1 dated April 27th, 2023, the Group carried out a buyback program for the acquisition of a number of 104,100 own shares, during the period July 3<sup>rd</sup> – September 4<sup>th</sup>, 2023. The average buyback price was RON 19.5715 per share, with the full price paid for the buyback shares repurchased amounting to 2,037. The own equity instruments that were acquired (treasury shares) were recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, the difference between the purchase price and the fair value at the date of grant being recognized in equity as a gain or loss related to the acquisition of the treasury shares.

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**8 EBITDA**

	<b>2023</b>	<b>2022</b>
<b>Operating profit</b>	<b>106,120</b>	<b>61,356</b>
<b>Adjustments to bridge operating profit to EBITDA:</b>		
Depreciation, amortization and impairment of non-current assets included in restaurant expenses	106,031	100,551
Depreciation, amortization and impairment of non-current assets included in general and administration expenses	7,017	6,588
<b>EBITDA</b>	<b>219,168</b>	<b>168,495</b>
Normalization adjustments	2,647	494
<b>Normalised EBITDA</b>	<b>221,815</b>	<b>168,988</b>

For the year ended 31 December 2023, EBITDA was normalized to exclude the one-off costs: closing costs of RON 2,342 thousand for thirteen Pizza Hut units, as part of the network reorganization (out of which RON 2.199 thousand representing YUM! costs (Nota 5) and RON 143 thousand other closing costs) and other provisions of RON 305 thousand (Nota 6). For the year ended 31 December 2022, EBITDA was normalized to exclude the impact of provision for estimated costs related to the closing of two non-performing KFC stores in Italy (Nota 6).

**9 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

Until October 2023, the Group had also an immaterial operating segment, one Paul restaurant managed by USFN, and which was aggregated into the KFC segment.

Inter-segment revenues are eliminated and reflected in the "Eliminations" column.

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>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	1,269,420	115,211	84,544	(3)	-	1,469,172
Inter-segment revenues	2	-	-	40,782	(40,784)	-
Other income	-	-	-	-	-	-
Dividend revenues	-	-	-	73,003	(73,003)	-
Operating expenses	1,148,376	129,321	83,906	46,459	(45,010)	1,363,052
<b>Segment operating profit</b>	<b>121,046</b>	<b>(14,110)</b>	<b>638</b>	<b>67,323</b>	<b>(68,777)</b>	<b>106,120</b>
Finance costs	22,033	2,569	2,360	4,026	(4,812)	26,176
Finance income	3,433	12	-	2,726	(4,812)	1,359
Income taxes	11,784	-	(230)	238	-	11,791
Specific tax expense	-	-	-	-	-	-
<b>Net profit/(loss)</b>	<b>90,662</b>	<b>(16,666)</b>	<b>(1,492)</b>	<b>65,784</b>	<b>(68,776)</b>	<b>69,512</b>

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<b>2022</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	1,130,601	122,918	69,303	-	-	1,322,822
Inter-segment revenues	-	-	-	35,080	(35,080)	-
Other income	1,172	-	-	-	-	1,172
Dividend revenues	-	-	-	50,502	(50,502)	-
Operating expenses	1,058,848	132,814	69,444	40,495	(38,964)	1,262,637
<b>Segment operating profit</b>	<b>72,925</b>	<b>(9,896)</b>	<b>(141)</b>	<b>45,087</b>	<b>(46,618)</b>	<b>61,356</b>
Finance costs	19,298	2,269	2,308	3,046	(3,860)	23,062
Finance income	2,540	8	-	1,807	(3,860)	496
Income taxes	(3,042)	68	784	464	-	(1,725)
Specific tax expense	1,629	719	217	-	-	2,565
<b>Net profit/(loss)</b>	<b>57,579</b>	<b>(12,944)</b>	<b>(3,450)</b>	<b>43,383</b>	<b>(46,618)</b>	<b>37,950</b>

**Geographic information:**

<b>Revenue from external customers</b>	<b>Year ended</b>	
	<b>2023</b>	<b>2022</b>
Romania	1,264,769	1,139,094
Italy	183,814	166,335
Republic of Moldova	20,589	17,393
<b>Total restaurant revenue</b>	<b>1,469,172</b>	<b>1,322,822</b>

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

Bucharest, February 29, 2024

Chief Executive Officer

Calin Ionescu

Chief Financial Officer

Valentin Budes





S P H E R A

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