

Interim Financial Report

For the six-month period ended 30 June 2019 (H1-2019)

Report date:	13 August 2019
Name of the issuing entity:	Sphera Franchise Group SA
Statutory seat:	Bucharest, Romania
Visiting address:	Bucharest, 239 Dorobanti Ave., 2 nd Floor, 1 st District, Romania
Phone no/Fax no:	0040 21 201 1757 / 0040 21 201 1759
Sole Registration Code:	RO 37586457
Order number with the Trade Registry:	J40/7126/2017
Subscribed and paid-in share capital:	RON 581,990,000
Number of shares in issue:	38,799,340
Number of listed shares:	9,831,753
Regulated market on which the issued securities are traded:	Bucharest Stock Exchange, Main Segment, Category Premium (Shares)
Symbol:	SFG

Note:

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

Report concluded in compliance with: Law no. 24/2017 regarding the capital market and ASF Regulation no. 5/2018 on issuers of financial instruments and market operations.

Contact details:

Investor Relations

E-mail: investor.relations@spheragroup.com

Financial analysis of H1-2019 financial results

Summary of interim Consolidated Financial Statements for the six-month period ended 30 June 2019 (unaudited)

Data in RON'000	H1-2019	H1-2018	Y/Y%	% of Sales		
			2019/2018	H1-2019	H1-2018	Δ%
Restaurant sales	445,567	350,068	27.28%			
Restaurant expenses	394,721	303,503	30.05%	88.59%	86.70%	1.89
Food and material	154,699	125,383	23.38%	34.72%	35.82%	(1.10)
Payroll and employee benefits	106,321	72,749	46.15%	23.86%	20.78%	3.08
Rent	9,713	25,562	-62.00%	2.18%	7.30%	(5.12)
Royalties	26,075	20,650	26.27%	5.85%	5.90%	(0.05)
Advertising	20,387	18,186	12.11%	4.58%	5.19%	(0.62)
Other operating expenses, net	44,061	31,397	40.34%	9.89%	8.97%	0.92
Depreciation and amortization	33,464	9,576	249.45%	7.51%	2.74%	4.77
Restaurant operating profit	50,846	46,565	9.19%	11.41%	13.30%	(1.89)
General and administration expenses, net	26,410	25,237	4.65%	5.93%	7.21%	(1.28)
Operating profit	24,437	21,328	14.58%	5.48%	6.09%	(0.61)
Finance costs	9,341	1,159	705.75%	2.10%	0.33%	1.77
Finance income	63	148	-57.51%	0.01%	0.04%	(0.03)
Profit before tax	15,158	20,317	-25.39%	3.40%	5.80%	(2.40)
Income tax expense	1,455	1,560	-6.68%	0.33%	0.45%	(0.12)
Profit for the period	13,703	18,757	-26.95%	3.08%	5.36%	(2.28)
EBITDA	60,058	31,383	91.37%	13.48%	8.96%	4.51
Normalised EBITDA*	60,058	32,315	85.85%	13.48%	9.23%	4.25

Breakdown of consolidated results by Group companies – H1-2019

Data in RON'000	H1-2019							
	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons.Adj	SFG Cons.
Restaurant sales	322,861	63,508	5,411	39,196	13,956	13,402	(12,767)	445,567
Restaurant expenses	274,228	62,149	4,437	40,759	13,181	0	(33)	394,721
Food and material	118,595	16,875	2,106	12,045	5,079	0	0	154,699
Payroll and employee benefits	68,930	21,001	879	11,817	3,694	0	0	106,321
Rent	8,689	418	36	404	166	0	0	9,713
Royalties	19,341	3,702	326	2,346	360	0	0	26,075
Advertising	12,854	3,947	191	2,732	697	0	(32)	20,387
Other operating expenses, net	26,903	8,661	432	6,476	1,590	0	(1)	44,061
Depreciation and amortization	18,916	7,546	466	4,940	1,595	0	0	33,464
Restaurant operating profit	48,633	1,359	975	(1,563)	775	64,641	(63,973)	50,846
General and administration expenses, net	15,433	4,261	144	2,560	1,560	15,141	(12,688)	26,410
Operating profit	33,200	(2,903)	831	(4,123)	(784)	49,500	(51,285)	24,437
Finance costs	5,884	1,690	216	1,968	771	1,008	(2,195)	9,341
Finance income	1,352	4	0	16	0	886	(2,195)	63
Profit before tax	28,669	(4,589)	615	(6,076)	(1,555)	49,379	(51,285)	15,158
Income tax expense	1,731	785	107	(1,067)	103	(204)	0	1,455
Profit for the period	26,938	(5,374)	507	(5,009)	(1,658)	49,582	(51,285)	13,703
EBITDA	53,218	4,742	1,316	829	886	50,353	(51,285)	60,058
Normalised EBITDA*	53,218	4,742	1,316	829	886	50,353	(51,285)	60,058

Impact of the adoption of IFRS 16 - Leases

Starting 1 January 2019, Sphera applied IFRS 16 that sets out the principles for the recognition, measurement, presentation and disclosure of leases. Given the material impact of the adoption of IFRS 16 on the consolidated financial statements of Sphera, we are providing below a comparison of the financial results including the impact of IFRS 16 and the financial results excluding the impact of IFRS 16.

For more information on the adoption of IFRS 16 and the impact on the financial statements of Sphera, please refer to Note 2 from the Appendix 1, Interim Condensed Consolidated Financial Statements.

	Data in RON'000			Change (%)		% of Sales		
	H1-2019	H1-2019	H1-2018			H1-2019	H1-2019	H1-2018
	(1)	(2)		2019 ⁽¹⁾ / 2018	2019 ⁽²⁾ / 2018	(1)	(2)	
Restaurant sales	445,567	445,567	350,068	27.28%	27.28%			
Restaurant expenses	394,721	396,138	303,503	30.05%	30.52%	88.59%	88.91%	86.70%
Food and material	154,699	154,699	125,383	23.38%	23.38%	34.72%	34.72%	35.82%
Payroll and employee benefits	106,321	106,321	72,749	46.15%	46.15%	23.86%	23.86%	20.78%
Rent	9,713	31,642	25,562	-62.00%	23.79%	2.18%	7.10%	7.30%
Royalties	26,075	26,075	20,650	26.27%	26.27%	5.85%	5.85%	5.90%
Advertising	20,387	20,387	18,186	12.11%	12.11%	4.58%	4.58%	5.19%
Other operating expenses, net	44,061	43,883	31,397	40.34%	39.77%	9.89%	9.85%	8.97%
Depreciation and amortization	33,464	13,130	9,576	249.45%	37.11%	7.51%	2.95%	2.74%
Restaurant operating profit	50,846	49,429	46,565	9.19%	6.15%	11.41%	11.09%	13.30%
General and admin. expenses, net	26,410	26,632	25,237	4.65%	5.53%	5.93%	5.98%	7.21%
Operating profit	24,437	22,797	21,328	14.58%	6.89%	5.48%	5.12%	6.09%
Finance costs	9,341	3,467	1,159	705.75%	199.08%	2.10%	0.78%	0.33%
Finance income	63	63	148	-57.51%	-57.51%	0.01%	0.01%	0.04%
Profit before tax	15,158	19,393	20,317	-25.39%	-4.55%	3.40%	4.35%	5.80%
Income tax expense	1,455	1,297	1,560	-6.68%	-16.87%	0.33%	0.29%	0.45%
Profit for the period	13,703	18,096	18,757	-26.95%	-3.52%	3.08%	4.06%	5.36%
EBITDA	60,058	36,712	31,383	91.37%	16.98%	13.48%	8.24%	8.96%
Normalised EBITDA*	60,058	36,712	32,315	85.85%	13.61%	13.48%	8.24%	9.23%

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

* Excluding the impact of one-off litigation provision in H1 2018.

Consolidated sales of Sphera reached RON 445.6 million in H1-2019, representing an increase of 27.28% compared to the previous year. The main drivers for this performance were the growth in the sales of USFN Romania (KFC restaurants) (+19.19% Y/Y), which had a contribution of 14.85pp in the sales growth rate, and USFN Italy (KFC restaurants in Italy), whose sales advanced 284.26% Y/Y and contributed 8.28pp to the sales growth rate. CFF (Taco Bell restaurants) sales grew 200.57% and had a contribution of 2.66pp to the sales growth rate, while ARS (Pizza Hut restaurants) sales advanced 7.37% Y/Y and had a contribution of 1.25pp to the sales growth rate.

In H1-2019, like-for-like sales across Sphera brands increased 9% Y/Y, being supported by a 12% advance of KFC Romania, with KFC Italy increasing 0.4% and Pizza Hut operations increasing 0.4%, while Taco Bell fell 14.3%. The strong like-for-like growth of KFC Romania continued to be supported by a very good performance of the stores outside Bucharest, as well as by incremental sales generated by our increasing delivery business, especially in Bucharest.

Data in RON thousand	H1-2019	H1-2018	Change 2019/2018	Contribution to sales growth
Sales by companies (principal brand)				
USFN Romania (KFC)	322,861	270,870	19.19%	14.85%
USFN Moldova (KFC)	5,411	4,406	22.81%	0.29%
USFN Italy (KFC)	39,196	10,200	284.26%	8.28%
ARS (Pizza Hut)	63,508	59,146	7.37%	1.25%
CFF (Taco Bell)	13,956	4,643	200.57%	2.66%
Other revenues ¹⁾	635	802	-20.79%	-0.05%
Total sales	445,567	350,068	27.28%	27.28%

Note: 1) Other revenues consist of revenues of Sphera stand-alone less consolidation adjustments.

Data in RON thousand	H1-2019	H1-2018	Change 2019/2018	Contribution to sales growth
Sales by region				
Romania	400,960	335,461	19.52%	18.71%
Italy	39,196	10,200	284.26%	8.28%
Republic of Moldova	5,411	4,406	22.81%	0.29%
Total sales	445,567	350,068	27.28%	27.28%

Consolidated operational expenses reached RON 394.72 million in H1-2019, representing an increase of 30.05% compared to the previous year. As percentage of sales, operational expenses increased by 1.89pp year-on-year to 88.59% in H1-2019, driven mainly by a 3.08pp increase in the cost of labour and a 0.92pp increase in other operating expenses, while being partly offset by a 1.10pp decrease in cost of food and materials. As a result of the adoption of IFRS 16, rent expenses decreased by 5.12pp to 2.18% of sales, while depreciation expenses increased by 4.77pp to 7.51% of sales.

Excluding the impact of IFRS 16, consolidated operational expenses reached RON 396.14 million in H1-2019, representing an increase of 30.52% compared to the previous year. As percentage of sales, operational expenses increased by 2.21pp year-on-year to 88.91% in H1-2019.

	Data in RON thousand			Change (%)		Percentage of sales		
	H1-2019	H1-2019	H1-2018	2019 ⁽¹⁾ / 2018		H1-2019	H1-2019	H1-2018
	(1)	(2)		2018	2018	(1)	(2)	
Restaurant expenses	394,721	396,138	303,503	30.05%	30.52%	88.59%	88.91%	86.70%
Food and material	154,699	154,699	125,383	23.38%	23.38%	34.72%	34.72%	35.82%
Payroll and employee benefits	106,321	106,321	72,749	46.15%	46.15%	23.86%	23.86%	20.78%
Rent	9,713	31,642	25,562	-62.00%	23.79%	2.18%	7.10%	7.30%
Royalties	26,075	26,075	20,650	26.27%	26.27%	5.85%	5.85%	5.90%
Advertising	20,387	20,387	18,186	12.11%	12.11%	4.58%	4.58%	5.19%
Other operating expenses	44,061	43,883	31,397	40.34%	39.77%	9.89%	9.85%	8.97%
Depreciation	33,464	13,130	9,576	249.45%	37.11%	7.51%	2.95%	2.74%
Restaurant operating profit	50,846	49,429	46,565	9.19%	6.15%	11.41%	11.09%	13.30%

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

Restaurant operating profit reached RON 50.8 million in H1-2019 (11.41% of sales), up 9.19% compared with the previous year (13.30% of sales), of which RON 5.7 million was accounted for by USFN Romania operations (13.32% over the previous year) and another RON 0.96 million by CFF Romania, while lower profits were brought by ARS Romania (RON 1.58 million) and USFN Italy (RON 1.00 million). Excluding the impact of IFRS 16 adoption, restaurant operating profit reached 49.43 million in H1-2019 (11.09% of sales) up 6.15% compared with the previous year, of which RON 4.41 million was accounted for by USFN Romania operations (10.27% over the previous year) and 0.92 million brought by CFF Romania, with lower restaurant profits brought by ARS Romania (RON 1.72 million) and USFN Italy (RON 0.90 million).

General and administration (G&A) expenses reached RON 26.41 million in H1-2019 (5.93% of sales), up 4.65% compared to previous year (7.21% of sales). Excluding the impact of IFRS 16 adoption, general and administration (G&A) expenses reached RON 26.63 million in H1-2019 (5.98% of sales), up 5.53% compared to previous year.

	Data in RON thousand			Change (%)		Percentage of sales		
	H1-2019	H1-2019	H1-2018	2019 ⁽¹⁾ / 2018	2019 ⁽²⁾ / 2018	H1-2019	H1-2019	H1-2018
	(1)	(2)				(1)	(2)	
General and administration expenses, net	26,410	26,632	25,237	4.65%	5.53%	5.93%	5.98%	7.21%
General and administration expenses net, normalized	26,410	26,632	24,305	8.66%	9.57%	5,93%	5,98%	6,94%
Payroll and employee benefits	15,808	15,808	14,008	12.85%	12.85%			
Third-party services	4,051	4,051	3,603	12.44%	12.44%			
Depreciation and amortization	2,158	785	479	350.73%	63.96%			
Rent	237	1,831	1,660	-85.73%	10.34%			
Banking charges	1,561	1,561	1,317	18.55%	18.55%			
Transport	1,315	1,315	1,463	-10.11%	-10.11%			
Other expenses	1,281	1,281	2,708	-52.71%	-52.71%			
<i>out of which Litigation provision</i>			<i>932</i>					

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

EBITDA rose 91.37% Y/Y to RON 60.06 million in H1-2019, while operating profit increased 14.58% Y/Y to RON 24.44 million. EBITDA margin improved 4.51pp to 13.48% in H1-2019, mainly as a result of the impact of IFRS 16 on restaurant operating margin, as described before. Net profit reached RON 13.70 million in H1-2019, being 26.95% lower than in the previous year. The net profit margin decreased 2.28pp to 3.08% of sales in H1-2019.

Excluding the impact of IFRS 16, EBITDA increased 16.98% Y/Y to RON 36.71 million in H1-2019, with EBITDA margin contracting 0.7pp to 8.24%, mainly as a result of lower restaurant operating margin. Net profit reached RON 18.1 million in H1-2019, being 3.52% lower than in the previous year. The net profit margin decreased 1.30pp to 4.06% of sales in H1-2019.

	Data in RON thousand			Change (%)		Percentage of sales		
	H1-2019	H1-2019	H1-2018	2019 ⁽¹⁾ / 2018	2019 ⁽²⁾ / 2018	H1-2019	H1-2019	H1-2018
	(1)	(2)				(1)	(2)	
EBITDA	60,058	36,712	31,383	91.37%	16.98%	13.48%	8.24%	8.96%
EBITDA normalized*	60,058	36,712	30,450	97.23%	20.56%	13.48%	8.24%	8.70%
Operating profit	24,437	22,797	21,328	14.58%	6.89%	5.48%	5.12%	6.09%
Profit before tax	15,158	19,393	20,317	-25.39%	-4.55%	3.40%	4.35%	5.80%
Profit for the period	13,703	18,096	18,757	-26.95%	-3.52%	3.08%	4.06%	5.36%

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

* Excluding the impact of one-off litigation provision in H1 2018

Main financial ratios as at 30 June 2019

(presented in accordance with the requirements of the National Securities Commission Regulation No. 1/2006)

(Financial data in RON thousand)

	<u>Including IFRS 16</u>	<u>Excluding IFRS 16</u>
Current ratio		
$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{109,756}{194,884} = 0.56$	$\frac{113,100}{159,366} = 0.71$
Debt to Equity ratio		
$\frac{\text{Interest-bearing debt}}{\text{Equity}}$	$\frac{80,931}{131,691} = 61.46\%$	$\frac{80,931}{132,846} = 60.92\%$
$\frac{\text{Interest-bearing debt}}{\text{Capital employed}}$	$\frac{80,931}{212,622} = 38.06\%$	$\frac{80,931}{213,777} = 37.86\%$
Trade receivables turnover (days)*		
$\frac{\text{Average receivables}}{\text{Sales}}$	$\frac{22,387}{445,567} = 9.04$	$\frac{22,387}{445,567} = 9.04$
Fixed asset turnover*		
$\frac{\text{Sales}}{\text{Net fixed assets}}$	$\frac{445,567}{449,424} = 1.98$	$\frac{445,567}{244,508} = 3.64$

Note: Annualized values, based on NCS methodology.

APPENDIX 1

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	Six-month period ended	
	30 June	30 June
	2019	2018
Restaurant sales	445,567	350,068
Restaurant expenses		
Food and material expenses	154,699	125,383
Payroll and employee benefits	106,321	72,749
Rent	9,713	25,562
Royalties	26,075	20,650
Advertising	20,387	18,186
Other operating expenses, net	44,061	31,397
Depreciation and amortization	33,464	9,576
Restaurant operating profit	50,846	46,565
General and administration expenses, net	26,410	25,237
Operating profit	24,437	21,328
Finance costs	9,341	1,159
Finance income	63	148
Profit before tax	15,158	20,317
Income tax expense	1,455	1,560
Profit for the period	13,703	18,757
Attributable to:		
Equity holders of the parent	13,602	18,678
Non-controlling interests	101	80
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>		
Exchange differences on translation of foreign operations	(176)	118
Total comprehensive income for the period, net of tax	13,526	18,876
Attributable to:		
Equity holders of the parent	13,436	18,780
Non-controlling interests	90	95

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019
(UNAUDITED)

	30 June 2019	31 December 2018
Assets		
Non-current assets	465,556	229,173
Property, plant and equipment	385,168	158,122
Intangible assets	64,256	62,150
Deposits for rent guarantee	11,016	5,219
Deferred tax assets	5,116	3,682
Current assets	109,757	122,979
Inventories	10,238	10,564
Trade and other receivables	28,330	16,444
Prepayments	2,439	5,306
Cash and short-term deposits	68,750	90,665
Total assets	575,313	352,152
Equity and liabilities		
Equity		
Issued capital	581,990	581,990
Share premium	(519,998)	(520,578)
Retained earnings	69,776	67,248
Foreign currency translation reserve	(145)	20
Equity attributable to equity holders of the parent	131,623	128,680
Non-controlling interests	68	146
Total equity	131,691	128,826
Non-current liabilities	248,737	91,536
Interest-bearing loans and borrowings	80,931	86,787
Lease liabilities	167,806	-
Trade and other payables	-	4,749
Current liabilities	194,885	131,790
Trade and other payables	102,573	82,658
Interest-bearing loans and borrowings	40,256	37,669
Lease liabilities	40,593	-
Provisions	11,463	11,463
Total liabilities	443,622	223,326
Total equity and liabilities	575,313	352,152

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019
(UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	Issued capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
As at 1 January 2019, as previously reported	581,990	(520,578)	67,248	20	128,680	146	128,826
Impact of change in accounting policies (IFRS 16)			3,179		3,179	47	3,227
As at 1 January 2019	581,990	(520,578)	70,428	20	131,859	194	132,053
Profit for the period	-	-	13,602	-	13,602	101	13,703
Other comprehensive income							
Translation differences				(165)	(165)	(11)	(176)
Total comprehensive income	-	-	13,602	(165)	13,436	90	13,526
Transfer to share premium (Note 8)	-	580	(580)	-	-	-	-
Cash dividends to be paid (Note 8)	-	-	(13,673)	-	(13,673)	(216)	(13,889)
At 30 June 2019	581,990	(519,998)	69,776	(145)	131,623	68	131,691

	Issued capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
As at 1 January 2018	581,990	(520,578)	43,190	(78)	104,525	19	104,544
Profit for the period			18,678		18,678	80	18,757
Other comprehensive income							
Translation differences	-	-	-	103	103	15	118
Total comprehensive income	-	-	18,678	103	18,780	95	18,876
Cash dividends	-	-	-	-	-	(93)	(93)
At 30 June 2018	581,990	(520,578)	61,868	25	123,305	21	123,326

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH
PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

	Six-month period ended	
	30 June	30 June
	2019	2018
Operating activities		
Profit before tax	15,158	20,317
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	34,162	9,058
Amortisation of intangible assets	1,460	996
Unrealised net foreign exchange differences	3,711	(286)
(Gain)/Loss on disposal of property, plant and equipment	1	(60)
Provisions for litigations	-	932
Finance income	(63)	(24)
Finance costs (interest)	5,687	1,065
Working capital adjustments:		
(Increase)/Decrease in trade and other receivables and prepay- ments	(18,160)	(3,332)
(Increase)/decrease in inventories	326	(361)
Increase/(decrease) in trade and other payables	5,311	(11,736)
Interest received	63	24
Interest paid	(5,581)	(1,070)
Income tax paid	(2,341)	(3,925)
Net cash flows from operating activities	39,732	11,598
Investing activities		
Proceeds from sale of property, plant and equipment	14	253
Purchase of intangible assets	(3,565)	(1,587)
Purchase of property, plant and equipment	(34,214)	(27,163)
Net cash flows used in investing activities	(37,765)	(28,498)
Financing activities		
Proceeds from borrowings	11,232	32,055
Repayment of borrowings	(15,038)	(10,244)
Payment of lease liabilities	(19,867)	(107)
Dividends paid to non-controlling interests	-	(93)
Net cash flows used in financing activities	(23,674)	21,611
Net increase in cash and cash equivalents	(21,707)	4,711
Net foreign exchange differences	(209)	103
Cash and cash equivalents at 1 January	90,665	52,655
Cash and cash equivalents at 30 June	68,750	57,469

**SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT
AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (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 Dorobanti, Bucharest, Romania.

The Group operates quick service and takeaway restaurant concepts (a chain of 92 restaurants as at 30 June 2019) under the Kentucky Fried Chicken ("KFC"), spread across Romania as well as in the Republic of Moldova and in Italy. The Group also operates a chain of pizza restaurants (23 restaurants) as well as pizza delivery points (22 locations) under the Pizza Hut ("PH") and Pizza Hut Delivery ("PHD") brands, spread across Romania, one chain of restaurants under the "Taco Bell" brand (7 restaurants) and one restaurant under Paul brand, in Romania.

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. 28-30 Gheorghe Magheru Boulevard, Bucharest, Romania.

American Restaurant System SA (ARS) operating the Pizza Hut and Pizza Hut Delivery franchises was incorporated in 1994 as a joint stock company and is registered at No. 5-7 Calea Dorobantilor Street, Bucharest, Romania.

The Moldavian subsidiary, US Food Network SRL, 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 which operates the KFC franchise in Italy was incorporated in 2016 as a limited liability company and is registered at No. 6 Via Pietro Paleocapa Street, Milano, Italy. The Group owns 100% of the company's shares.

On 19 June 2017 Sphera set up the newest subsidiary of the Group, California Fresh Flavors SRL ("Taco Bell") and holds 9,999 shares of its 10,000 shares (99.99% holding). The company operates as a limited liability company and is registered at No. 239 Calea Dorobanti, Bucharest, Romania.

2 BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed unaudited financial statements of the Group as of and for the six-month period ended 30 June 2019 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 2018.

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The interim condensed consolidated financial statements for six-month period ended 30 June 2019 included in this report are unaudited.

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 2018, except for the adoption of the new standards and amendments effective as of 1 January 2019; out of these new standards and amendments, IFRS 16 Leases had a material effect on the Group's financial statements.

The Group applied IFRS 16 starting on 1 January 2019 using the modified retrospective approach for transition, thus not restating comparative amounts for the comparative period presented. As a consequence, comparative data presented in these condensed consolidated interim financial statements are not fully comparable to the reporting period data. The Group recognized the cumulative effect of initially applying the new standard as an adjustment to the opening balance of retained earnings at the date of initial application.

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., office equipment, personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees also is also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Transition to IFRS 16 Leases

Taking into consideration the significant number and value of signed lease agreements as a lessee of restaurant premises, the Group had a material impact on its consolidated statement of financial position and on its consolidated statement of comprehensive income following the adoption of this new standard. The most significant impact was that the Group recognized new assets and liabilities for its operating leases under IAS 17, unless an exemption from IFRS 16 was applicable. The change in presentation of operating lease expenses resulted in a corresponding improvement in cash flows from operating activities and a decline in cash flows from financing activities.

The Group's rental agreements for restaurants include either:

- Fixed lease payments for rented space,
- Rent calculated as a percentage of restaurant's turnover (contingent lease payments), or
- Higher of above two, i.e. minimal base rent (fixed lease payments) and turnover rent.

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Under IFRS 16 only fixed lease payments are accounted through IFRS 16 lease model. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. Therefore, turnover rent is accounted as operating expenses ("Rent"). For any new lease agreement, the Group recognizes a new asset and liability on its balance sheet. The Group performs a remeasurement of the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset i.e. with no impact on income statement.

Apart from the premises for restaurant operations, the Group has several lease contracts for office premises, vehicles and equipment that had a less significant impact on the consolidated financial statements.

The right-of-use assets for previous operating leases were measured at the date of initial application at the amount of the lease liability, adjusted by prepaid or accrued lease payments. Sphera Group applied the following practical expedients for transition:

- The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group did not therefore apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e. printing and photocopying machines) that are considered of low value.
- The lease term was considered to be the non-cancellable period in the contract, without taking into consideration the renewal option.
- The Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). The lease payments were discounted using the incremental borrowing rate as at 1 January 2019. The Group estimated the incremental borrowing rates applicable for its leases portfolios considering the following inputs:
 - yield on most recent loans contracted by the Group entities, and
 - applicable risk-free yields for relevant maturities.To get the incremental borrowing rate for different portfolios, the Group assumed a constant risk spread over the risk-free yield curve for relevant maturities.
- The Group relies on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- The Group used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The first-time application of IFRS 16 resulted in recognizing 193,386 as right-of-use assets and 191,642 (equivalent of 41,090 EUR thousand) as lease liabilities for previous operating leases. For leases previously classified as finance leases the Group recognized the carrying amount of the lease asset and lease liability before transition as the carrying amount of the right-of-use asset and lease liability at the date of initial application.

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As at 1 January 2019, the change in the accounting policy affected the following items in the consolidated statement of financial position:

	<u>1 January 2019</u>
Property, plant and equipment (Right-of-use assets)	193,386
Property, plant and equipment (carrying value of the leased vehicles - finance leases under IAS 17)	(689)
Prepayments	(3,018)
Total assets	189,679
Retained earnings	3,227
Lease liabilities - non-current	153,706
Lease liabilities - current	37,649
Trade and other payables	(4,903)
Total equity and liabilities	189,679

Reconciliation of future operating lease commitments as at 31 December 2018 to lease liability as at 1 January 2019:

	<u>1 January 2019</u>
Future minimum lease payments under non-cancellable operating leases as at 31 December 2018	224,865
less minimum lease payments for short-term leases and low value assets	(147)
Gross lease liability for previously unrecognized operating lease commitments as at 1 January 2019	224,718
less discounting effect as at 1 January 2019	(33,077)
Lease liability for previously unrecognized operating lease commitments as at 1 January 2019	191,642
Finance lease liability recognized as at 31 December 2018	733
Lease liability recognized as at 1 January 2019	192,375

As at 31 December 2018, the finance lease liabilities amounting of 733 were presented within Interest-bearing loans and borrowings (short term debt of 301 and long-term debt of 432) in the Statement of financial position. Due to the significant value of the lease liabilities resulting from the implementation of IFRS 16, the lease liabilities were separately presented in the Interim consolidated statement of financial position as at 30 June 2019, with no restatement of comparative data.

Right-of-use assets are presented within Property, plant and equipment in the Interim consolidated statement of financial position.

As at and for the six-month period ended 30 June 2019, an overview on the leasing is as follows:

	<u>30 June 2019</u>
Right of use assets	
Right-of-use assets – <i>Freehold buildings and leasehold improvements</i>	202,284
Right-of-use assets - <i>Plant and machinery</i>	4,519
Total right of use assets (net book value)	206,803
	Six-month period ended 30 June 2019
Depreciation expense	
Depreciation of right-of-use assets included in Restaurant expenses	20,334
Depreciation of right-of-use assets non-operating, recognized in General and administration expenses	1,373
Total depreciation expense	21,707

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	30 June 2019
Lease liabilities	
Non-current lease liabilities	167,806
Current lease liabilities	40,593
Total lease liabilities	208,399
	Six-month period ended 30 June 2019
Finance costs	
Interest expense	3,403
Foreign exchange loss	2,470
Total finance costs	5,873

Foreign currencies

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

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

The exchange rate RON – EUR as at 30 June 2019 and 31 December 2018 were:

	30 June 2019	31 December 2018
RON – EUR	4.7351	4.6639
RON – USD	4.1587	4.0736
RON – MDL	0.2293	0.2389

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 at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the profit or loss.

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3 GROUP INFORMATION

Investments in controlled companies

Details of the Group consolidated subsidiaries at 30 June 2019 and 31 December 2018 are as follows:

Company name	Country of incorporation	Field of activity	Control 30 June 2019	Control 31 December 2018
US Food Network SA	Romania	Restaurants	99.9997%	99.9997%
American Restaurant System SA	Romania	Restaurants	99.9997%	99.9997%
California Fresh Flavours 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%

The value of non-controlling interests in USFN and ARS as of 30 June 2019 is below 1 thousand RON therefore there are no other presentations thereof.

4 OTHER OPERATING EXPENSES, NET

	Six-month period ended	
	30 June 2019	30 June 2018
Third-party services	15,320	9,812
Utilities	12,020	8,683
Maintenance and repairs	5,857	3,816
Cleaning supplies	3,774	2,309
Small-wares	1,964	2,651
Transport	3,376	1,784
Telephone and postage	455	388
Insurance	401	302
Miscellaneous expenses and income, net	894	1,652
Total	44,061	31,397

5 GENERAL AND ADMINISTRATION EXPENSES, NET

	Six-month period ended	
	30 June 2019	30 June 2018
Payroll and employee benefits	15,808	14,010
Third-party services	4,051	3,603
Depreciation and amortization	2,158	479
Rent	237	1,660
Banking charges	1,561	1,317
Transport	1,315	1,463
Maintenance and repairs	162	319
Small-wares	174	321
Insurance	274	256
Advertising	144	167
Telephone and postage	195	203
Provisions for litigations	-	932
Miscellaneous expenses and income, net	331	507
Total	26,410	25,237

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6 DEPRECIATION AND AMORTIZATION

	Six-month period ended	
	30 June	30 June
	2019	2018
Depreciation and amortization of right-of-use assets, recognized in "Restaurant expenses"	13,130	-
Depreciation and amortization of property, plant and equipment and intangible assets owned, recognized in "Restaurant expenses"	20,334	9,576
Depreciation and amortization of non-operating right-of-use assets recognized in "General and administration expenses, net"	785	-
Depreciation and amortization of non-operating property, plant and equipment and intangible assets recognized in "General and administration expenses, net"	1,373	478
Total depreciation and amortization	35,622	10,054

7 FINANCE COSTS

	Six-month period ended	
	30 June	30 June
	2019	2018
Interest on loans and borrowings	2,284	1,042
Finance charges payable under lease contracts	3,403	23
Foreign exchange loss, net	3,654	94
Total finance costs	9,341	1,159

8 ISSUED CAPITAL

	30 June	31 December
	2019	2018
Authorised shares		
Ordinary shares of 15 RON each	38,799,340	38,799,340
Share capital (RON thousand)	581,990	581,990

The shareholders of Sphera Franchise Group SA at 30 June 2019, are: Tatika Investments Ltd. (27.33%), Computerland Romania SRL (formerly named M.B.L. Computers SRL) (21.44%), Wellkept Group SA (16.34%), Anasa Properties SRL (10.99%) and free float (23.90%). As of December 31st, 2018, the shareholders of Sphera Franchise Group SA were: Tatika Investments Ltd. (27.33%), Computerland Romania SRL (formerly named M.B.L. Computers SRL) (20%), Wellkept Group SA (16.34%), Anasa Properties SRL (10.99%) and free float (25.34%).

At the Annual General Shareholders Meeting held on 25 April 2019, the shareholders of Sphera Franchise Group SA approved the following distribution of the net profit of Sphera Franchise Group SA, as presented in its separate financial statements as at and for the year ended 31 December 2018:

- Setting up the legal reserves in accordance with the statutory regulations in amount of 1,990;
- Covering accumulated losses from 2017 in amount of 10,196 (out of which current loss of the period ended 31 December 2017 of 9,615 and negative share premium of 580);
- Distribution of dividends to the Company's shareholders in total gross amount of 13,673, representing an amount of 0.3524 RON/ordinary share;
- Profit not distributed of 13,679.

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As at 30 June 2019, the Group has recognised a liability in amount of 13,673 for the value of the gross dividends to be distributed, as approved by the General Shareholders Meeting.

9 PROVISIONS

In 2018 and 2019, USFN SA has been subject to a tax audit in relation with income tax (period 2012-2016) and VAT (period 2013-2017). As at 31 December 2018, based on the draft report issued by the tax authorities on 27 February 2019, the Group recognized in the consolidated financial statements a provision for tax in amount of 11,463, representing the income tax (4,541) and VAT adjustments (3,220) for the period under review and related interest and late payment charges (3,703). The issues raised in this draft report are subject of further discussion and documentation, but due to the unpredictability of the outcome, the Group's management has decided to recognise a provision for these tax adjustments in the consolidated financial statements as at and for the year ended 31 December 2018. The recorded amount represents the best estimate based on the available information at the date of the consolidated financial statements.

The final report has been issued on 12 April 2019 and is not substantially different compared with the draft version. As a result, the value of the provision has not been adjusted as of 30 June 2019. Administrative and legal proceedings aiming at the reduction of the financial impact provisioned in the financial results of the year 2018 have been initiated and are currently in progress.

10 EBITDA

	Six-month period ended	
	30 June	30 June
	2019	2018
Operating profit	<u>24,437</u>	<u>21,328</u>
Adjustments to bridge operating profit to EBITDA:		
Depreciation and amortization included in restaurant expenses	33,464	9,576
Depreciation and amortization included in general and administration expenses	2,158	479
EBITDA	<u>60,058</u>	<u>31,383</u>
Non-recurring expenses	-	932
Adjusted EBITDA	<u>60,058</u>	<u>32,315</u>

The application of IFRS 16 resulted in a positive impact on EBITDA: the fixed lease payments of an operating lease under IAS 17 were previously presented within operating expenses (Rent), while under the right-of-use model adopted from 1 January 2019, the Group recognised depreciation of right-of-use assets and interest expense on lease liabilities (Note 2).

For the six-month period ended 30 June 2018, EBITDA was normalised to exclude the non-recurring provision for litigations in amount of RON 932.

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11 RELATED PARTY DISCLOSURES

During the six-month period ended 30 June 2019 and 30 June 2018 respectively, the Group has carried out transactions with the following related parties:

Related party	Nature of the relationship	Country of incorporation	Nature of transactions
Moulin D'Or SRL	Entity with common members of key management personnel	Romania	Sale of goods and services
Midi Development SRL	Entity with common members of key management personnel	Romania	Services
Grand Plaza Hotel SA	Entity affiliated to a shareholder of the parent	Romania	Rent and utilities store PH Dorobanti
Arggo Software Development and Consulting SRL	Entity affiliated to a shareholder of the parent	Romania	Implementation services
Anasa Properties SRL	Shareholder	Romania	Rent and utilities administrative area
Wellkept Group SA	Shareholder	Romania	Rent training center
Cinnamon Bake&Roll SRL	Entity with common members of key management personnel	Romania	Sale of goods and services, loans provided
Lucian Vlad	Beneficial owner of Anasa Properties SRL and Lunic Franchising and Consulting Ltd.	Romania	Rent store KFC Mosilor
Radu Dimofte	Beneficial owner of Wellkept Group SA	Romania	Rent store KFC Mosilor
Elicom SRL	Entity affiliated to a shareholder of the parent	Romania	Call-centre services
Elicom Connect SRL	Entity affiliated to a shareholder of the parent	Romania	Marketing services

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

	Transactions during the six-month period ended 30 June 2019		Balances as at 30 June 2019	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Cinnamon Bake&Roll SRL	6	3	1,148	-
Moulin D'Or SRL	624	30	445	-
Lucian Vlad	-	168	21	-
Radu Dimofte	-	70	9	-
Wellkept Group SA	-	231	-	3
Midi Development SRL	4	5	-	-
Grand Plaza Hotel SA	-	536	-	3
Arggo Software Development and Consulting SRL	-	142	-	45
Elicom SRL	-	575	-	167
Elicom Connect SRL	-	5	-	1
	634	1,765	1,623	219

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	Transactions during the six-month period ended 30 June 2018		Balances as at 31 December 2018	
	Sales to related parties	Purchases from related parties	Amounts owed by related par- ties	Amounts owed to related par- ties
Cinnamon Bake&Roll SRL	2	2	1,271	2
Moulin D'Or SRL	784	21	854	5
Lucian Vlad	-	261	-	-
Radu Dimofte	-	77	-	-
Wellkept Group SA	-	168	-	-
Anasa Properties SRL	-	15	-	-
Midi Development SRL	-	-	4	26
Grand Plaza Hotel SA	-	497	-	97
Arggo Software Development and Consulting SRL	-	222	-	30
Elicom SRL	-	348	-	167
Elicom Connect SRL	-	5	-	1
	786	1,616	2,129	328

The Group has granted a loan to Cinnamon Bake&Roll SRL during the period 2003-2018. The loan balance as at 30 June 2019, included in the above table, was of 929 (31 December 2018: 924) and the interest accrual as at 30 June 2019 was of 47 (31 December 2018: 42).

Intangibles in progress include an amount of 901 (31 December 2018: 956) representing the capital expenditure related to the new ERP system implementation services provided by Arggo Software and Development SRL.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the period end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the six-months periods ended 30 June 2019 and for similar period of the year 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group:

	Six months ended	
	30 June 2019	30 June 2018
Short-term employee benefits	3,761	3,530
Total compensation paid to key management personnel	3,761	3,530

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

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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

The Group has also two more immaterial operating segments, one being Paul restaurant which is managed by USFN and which was aggregated into the KFC segment and the management and other support services provided by Sphera to other related parties.

The Group's service revenues in amount of 635 (2018: 433) resulting from the contracts signed with other related parties are presented in the "Other" category. The parent-company's revenues from services rendered to its subsidiaries are presented in the "Inter-segment revenues" line and eliminated during consolidation.

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.

Six-month period ended 30 June 2019	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	367,469	63,508	13,956	635	-	445,567
Inter-segment revenues				12,767	(12,767)	-
Dividend revenues				51,239	(51,239)	-
Operating expenses	337,561	66,410	14,740	15,141	(12,721)	421,130
Segment operating profit	29,908	(2,902)	(784)	49,500	(51,285)	24,437
Finance costs	7,150	1,690	771	1,008	(1,277)	9,341
Finance income	449	4	-	886	(1,277)	63
Income taxes	771	785	103	(204)	-	1,455
Net profit/(loss)	22,437	(5,373)	(1,658)	49,583	(51,285)	13,703
Total assets	430,993	68,560	27,249	134,029	(85,519)	575,313
Total liabilities	394,237	80,405	33,564	63,096	(127,680)	443,622

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Six-month period ended 30 June 2018	KFC	Pizza Hut	Taco Bell	Other	Eliminations	Consolidated
Revenues from external customers	285,477	59,146	4,643	801	-	350,068
Inter-segment revenues	-	-	-	11,706	(11,706)	-
Dividend revenues				61,798	(61,798)	
Operating expenses	259,779	61,223	6,150	13,294	(11,706)	328,740
Segment operating profit	25,698	(2,077)	(1,507)	61,012	(61,798)	21,328
Finance costs	804	377	135	451	(609)	1,159
Finance income	510	2	-	245	(609)	148
Income taxes	897	714	63	(114)	-	1,560
Net profit/(loss)	24,507	(3,167)	(1,705)	60,921	(61,798)	18,757
Total assets 30 June 2018	177,773	38,797	10,005	79,057	(28,240)	277,392
Total liabilities 30 June 2018	141,612	41,633	13,412	42,456	(85,046)	154,066
Total assets 31 December 2018	234,865	48,846	14,904	78,777	(25,241)	352,152
Total liabilities 31 December 2018	177,614	55,760	19,934	43,754	(73,736)	223,326

Geographic information:

	Six-month period ended	
	30 June 2019	30 June 2018
Revenue from external customers		
Romania	400,960	335,461
Italy	39,196	10,200
Republic of Moldova	5,411	4,406
Total restaurant revenue	445,567	350,068

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

SPHERA FRANCHISE GROUP SA
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE SIX-
MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)

All amounts in RON thousand, unless specified otherwise

Declaration of the management

We confirm to the best of our knowledge that the unaudited interim condensed consolidated financial statements for the six-month period ended 30 June 2019 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 six months of the 2019 financial year and their impact on the interim condensed consolidated financial statements.

Bucharest, 13 August 2019

Chief Executive Officer & Chairman of the Board of Directors

George Argentopoulos

Chief Financial Officer

Valentin Budes