

Frankis Group Oyj

Interim report – Q3 2013

FRANKISgroup



CEO Comments - Q3 2013

The net sales of the Finnish fast food market totaled €132,7 million in Q3 2013 representing a moderate decrease of – 0,3 % to Q3 2012. Consumer confidence remained low in the third quarter scoring points between 5 and 6, well below long time average of 12. As such, the business climate has remained very challenging throughout the summer.

The Group's net sales and EBITDA-R in the third quarter came in below our expectations at €13.9 million (€14.0 million) and €1.5 million (€1.8 million) respectively. With regards to EBITDA-R for the period January-September 2013, we are approximately €0.57 million behind the equivalent period last year, €3.60 million vs. €4.17 million. The main reason for the lower EBITDA-R is the lagging of the chain sales of our main brand Kotipizza which was down –3,2 % during Q3. The challenging climate has also resulted in the decline of our store network. At the end of Q3 2013 we had 8 Kotipizza stores less than in Q3 2012. As of Q3 2013 we had altogether 277 Kotipizza stores (285). On the other hand, our burger concept "55" Burger, Cola and Fries concept has grown its outlet base to 41 (32).

The operational cash flow of the period Q3 2013 was €0.64 million positive. The actual payment date of account payables may result in relatively large variations in the operational cash flow between quarters.

The operational cash flow in Q3 2013 was lower than in Q3 2012 mainly due to the payment days of payables and receivables.

The operating cash flow in Q3 YTD 2013 was lower than during Q3 YTD 2012 particularly due to that a significant sum of accounts payables were paid to suppliers in January 2013 rather than in December as 2012.

Due to the Bond financing made in April, financing items and interest rates are not comparable to the previous years. Old loans were replaced by Bond funding, which caused some non-recurring financing costs.

Our marketing for the rest of the summer months continued with a theme "*Because not everybody is a master of Grill*"

This summer theme was backed by mobile coupons (e.g. 2 for the price of 1), first in their category, which activated new customer segments and continued to drive a fair amount of traffic on e.g. our Facebook community.

During September we distributed our traditional coupons, which covered approximately 2 million households in Finland. A main theme for the coupons were "freedom to choose" with e.g. all three topping pizzas for €5,90.



3 TÄYTTEEN
NORMAALIPIZZA
5.90

329

KOTI
PIZZA

Max. 3 tuotetta/kupongi
(erikoistäyte = 2 normaalitäytettä)

Kupongi voimassa 4.9.–30.9.2013.
Tarjous ei koske verkkokauppaa, kuljetusta
eikä yömyyntiä, eikä sitä voi yhdistää
muihin tarjouksiin (esim. lounas).

Q3 same store sales were -0,7% (July + 0,0% August -5,3% and September +3,2%)

Our focus in the last quarter of the year is to increase customer traffic and to reduce the number of own stores (9 own stores at the end of Q3 2013 and 10 stores at Q3 2012) and keep up with the budgeted new store openings.

Tommi Tervanen, CEO Frankis Group Oyj.

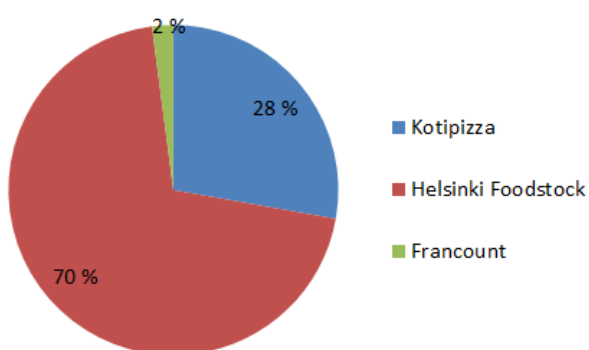
FINANCIAL OVERVIEW JULY - SEPTEMBER

Net sales: tEUR	13,870 (13,995 LY)
Gross margin in %:	24.5 (27.1)
EBITDA-R: tEUR	1,501 (1,808 LY)
EBIT: tEUR	865 (1,165 LY)
Net working capital: tEUR	273
Net debt: tEUR	25,846

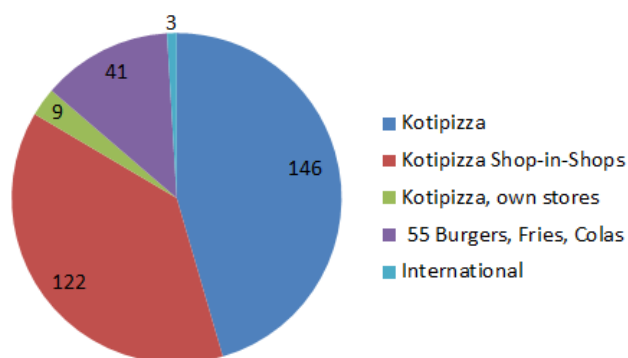
FINANCIAL OVERVIEW SEPTEMBER YTD

Net sales: tEUR	40,553 (40,099 LY)
Gross margin in %:	25.1 (27.0)
EBITDA-R: tEUR	3,595 (4,166 LY)
EBIT: tEUR	1,615 (2,264 LY)

Frankis Group sales split 1-9/2013*



Frankis Group restaurant split 9/2013



* Excluding intra-group eliminations

Accounting Principles

This Q3 interim report has been prepared in accordance with Finnish GAAP. This report has not been reviewed by the company's auditors.

Parent Company

Frankis Group Oyj is the parent company in the group and was established in 2011. The parent company financials are presented on page 7-9 in this report.

Group Income Statement

<i>(EUR thousands)</i>	Q3		YTD	
	13A	12A	13A	12A
Total Sales	13 870	13 995	40 553	40 099
Gross Profit	3 402	3 788	10 171	10 845
<i>Gross margin</i>	<i>24,5 %</i>	<i>27,1 %</i>	<i>25,1 %</i>	<i>27,0 %</i>
Operating fixed costs	-1 901	-1 980	-6 576	-6 679
EBITDA - R	1 501	1 808	3 595	4 166
<i>EBITDA-R margin</i>	<i>10,8 %</i>	<i>12,9 %</i>	<i>8,9 %</i>	<i>10,4 %</i>
Restructuring costs	-10	-58	-138	-175
EBITDA	1 491	1 750	3 457	3 991
<i>EBITDA margin</i>	<i>10,7 %</i>	<i>12,5 %</i>	<i>8,5 %</i>	<i>10,0 %</i>
Depreciation	-113	-82	-308	-238
Amortisation of goodwill	-513	-503	-1 534	-1 489
EBIT	865	1 165	1 615	2 264
Financial net	-754	-677	-3 386	-1 990
Extraordinary net	0	0	0	0
EBT	111	488	-1 771	274
Income Tax	-80	-22	-706	229
EAT	31	466	-2 477	503

Group Balance Sheet

(EUR thousands)

30 September 2013 30 September 2012

Intangible assets	34 978	36 282
Tangible assets	547	424
Investments	2	2
Non-current assets	35 527	36 708
Inventory	3 513	3 147
Long term receivables	27	16
Short term receivables	5 742	5 558
Cash	4 378	2 616
Current assets	13 660	11 337
ASSETS	49 187	48 045
EQUITY	2 934	5 233
Provisions	63	21
Long term int.bear. liabilities	30 000	18 485
Adv.payments long term	1 797	1 969
Other long term liabilities	7 176	14 553
Short term intr.bear. liabilities	0	0
Adv.payments short term	5	82
Accounts payables	3 884	4 871
Other short term liabilities	3 328	2 831
Liabilities	46 190	42 791
EQUITY & LIABILITIES	49 187	48 045

Group Cashflow Statement

<i>(EUR thousands)</i>	Q3		YTD	
	13A	12A	13A	12A
EBITDA	1 491	1 750	3 457	3 991
Inventory, change	-15	50	-582	-654
Accounts receivables, change	-32	113	289	784
Non-int.bear. Liabilities, change	-807	-160	-2 054	-341
Provisions, change	0	0	42	-9
Operational Cash Flow	637	1 753	1 152	3 771
Group contribution	0	0	0	0
Capex	-173	-734	-1 155	-1 023
Interest payments, net	-756	-676	-3 387	-1 989
Income Tax	-81	-24	-415	-478
Cash flow before financing	-373	319	-3 805	281
Loans receivable	0	0	0	0
Long term loans, change	80	1 401	3 282	-110
Short term loans, change	-12	-1 040	13	-568
Debt to associated comp., chg	-261	-697	120	-1 427
Debt to group comp., chg	52	-489	183	-161
Other financing, net	564	-371	583	1 277
Net Cash flow	50	-877	376	-708
Opening Cash	4 328	3 493	4 002	3 324
Closing Cash	4 378	2 616	4 378	2 616

Frankis Group Oyj - Income Statement

<i>(EUR thousands)</i>	Q3		YTD	
	13A	12A	13A	12A
Total Sales	209	181	641	555
Gross Profit	209	181	641	555
<i>Gross margin</i>	100,0 %	100,0 %	100,0 %	100,0 %
Operating fixed costs	-227	-170	-779	-656
EBITDA - R	-18	11	-138	-101
<i>EBITDA-R margin</i>	-8,6 %	6,1 %	-21,5 %	-18,2 %
Restructuring costs	0	0	-15	0
EBITDA	-18	11	-153	-101
<i>EBITDA margin</i>	-8,6 %	6,1 %	-23,9 %	-18,2 %
Depreciation	-7	0	-22	0
EBIT	-25	11	-175	-101
Financial net	-708	-625	-4 307	-1 799
Extraordinary net	0	0	4 258	0
EBT	-733	-614	-224	-1 900
Income Tax	0	0	-96	0
EAT	-733	-614	-320	-1 900

Frankis Group Oyj - Balance Sheet

(EUR thousands) 30 September 2013 30 September 2012

Intangible assets	12	2
Tangible assets	89	0
Investments	30 732	30 084
Non-current assets	30 833	30 086
Inventory	0	0
Long term receivables	0	920
Short term receivables	8 758	1 264
Cash	1 296	124
Current assets	10 054	2 308
ASSETS	40 887	32 394

EQUITY	1 507	2 531
Provisions	48	0
Long term int.bear. liabilities	30 000	12 886
Adv.payments long term	0	0
Other long term liabilities	7 049	14 420
Short term intr.bear. liabilities	0	0
Adv.payments short term	0	0
Accounts payables	73	32
Other short term liabilities	2 210	2 525
Liabilities	39 332	29 863
EQUITY & LIABILITIES	40 887	32 394

Frankis Group Oyj - Cashflow Statement

<i>(EUR thousand)</i>	2013	
	Q3	YTD
EBITDA	-18	-153
Inventory, change	0	0
Accounts receivables, change	-27	-42
Non-int.bear. Liabilities, change	20	31
Provisions, change	0	48
Operational Cash Flow	-25	-116
Group contribution	0	4 258
Capex	-1	-744
Interest payments, net	-707	-4 307
Income Tax	0	2
Cash flow before financing	-733	-907
Loans receivable	-27	-6 298
Long term loans, change	-8	8 887
Short term loans, change	0	-1 414
Debt to associated comp., chg	-260	121
Debt to group comp., chg	52	183
Other financing, net	604	716
Net Cash flow	-372	1 288
Opening Cash	1 668	8
Closing Cash	1 296	1 296

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