

Frankis Group Oyj

Interim report – Q4 2013

FRANKISgroup



CEO Comments - Q4 2013

The net sales of the Finnish fast food market totaled €126,0 million in Q4 2013 representing a slight growth of +1,5 % to Q4 2012. Consumer confidence remained still low in the fourth quarter scoring points between 3,8 and 7,2, well below long time average of 12. As such, the business climate remained very challenging towards the end of the year.

The Group's net sales and EBITDA-R in the fourth quarter came in below our expectations at € 13.4 (€ 14.0 million) and € 1.3 million (€ 1.5 million) respectively. With regards to EBITDA-R for the period January-December 2013, we are approximately € 0.78 million behind the equivalent period last year, € 4.92 million vs. € 5.70 million. The main reason for the lower EBITDA-R is the lagging of the chain sales of our main brand Kotipizza which was down -1,6 % during Q4. The continuously challenging climate has also resulted in the decline of our store network. At the end of Q4 2013 we had 14 Kotipizza stores less than in Q4 2012. As of Q4 2013 we had altogether 270 Kotipizza stores (284). On the other hand, our burger concept "55" Burger, Cola and Fries concept has grown its outlet base to 42 (36).

The operational cash flow of the period Q4 2013 was € 1.42 million positive. The actual payment date of account payables and receivables may result in relatively large variations in the operational cash flow between quarters.

The operational cash flow in Q4 2013 was lower than in Q4 2012 mainly due to the payment days of payables and receivables.

The operating cash flow in Q4 YTD 2013 was lower than during Q4 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. Short term receivables (account receivables) were also on high level because of a temporary billing delay due the implementation of a new IT system.

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 year continued with a monthly themes.

October : "Can you set a price for freedom? In Kotipizza restaurants you can: every two-topping pizza 5,90"

November: "Return of the Burgerpizza 7,90 and add-ons + 1€"

December: " Facebook Christmas Calendar"

Q4 same store sales were +1,8 % (October + 0,6% November + 3,6% and December +1,2%)

Our focus in the first quarter of the year 2014 is to increase customer traffic and to reduce the number of own stores (9 own stores at the end of Q4 2013 and 12 stores at Q4 2012) and keep up with the budgeted new store openings.





Beginning of November, we published first Kotipizza Corporate social responsibility report, which we call "Slice of responsibility". The report published in our website www.kotipizza.fi and also a leaflet for stores and consumers were produced.

Annual 2013

To summarize the whole year 2013 it was a really challenging as the consumer confidence decreased whole year, only improving a little bit in November onwards, but scoring points well below long time averages. Consumers had doubts about the Finnish economy, own saving possibilities and risk of unemployment.

Unemployment remained at levels of 7,5-8% throughout the year.

Rawmaterial prices were under pressure for rising cost and financing of the new entrepreneurs loans remained tight from financial institutions.

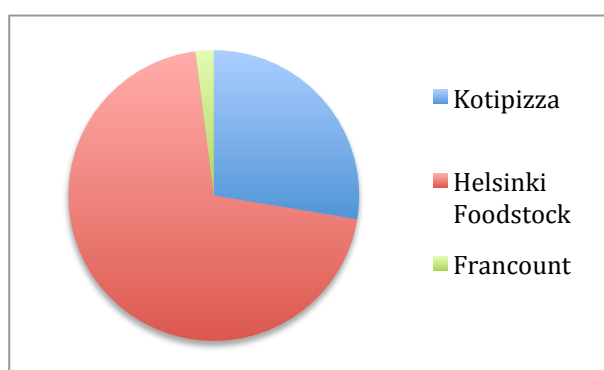
2013 annual Kotipizza chain sales decreased -3,7% and same store sales -1,2%

Tommi Tervanen
CEO Frankis Group Oyj

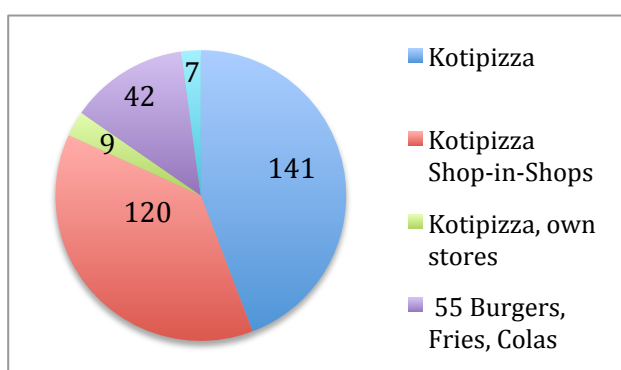
FINANCIAL OVERVIEW OCTOBER-DECEMBER FINANCIAL OVERVIEW DECEMBER YTD

Net sales: tEUR	13,361 (13,971 LY)	Net sales: tEUR	53,914 (54,070 LY)
Gross margin in %:	25.6 (26.3)	Gross margin in %:	25.2 (26.8)
EBITDA-R: tEUR	1,329 (1,531 LY)	EBITDA-R: tEUR	4,924 (5,697 LY)
EBIT: tEUR	523 (882 LY)	EBIT: tEUR	2,138 (3,146 LY)
Net working capital: tEUR	651		
Net debt: tEUR	25,974		

Frankis Group sales split 10-12/2013*



Frankis Group restaurant split 12/2013



* Excluding intra-group eliminations

Accounting Principles

This Q4 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 8-10 in this report.

Group Income Statement

Consolidated Income Statement	Quarter		Accumulated (YTD)	
	Q4 2013	A	PY	A
<i>EUR thousands</i>				
Total Sales	13 361	13 971	53 914	54 070
Gross Profit	3 424	3 671	13 595	14 516
<i>Gross margin</i>	25,6 %	26,3 %	25,2 %	26,8 %
Operating fixed costs	-2 095	-2 140	-8 671	-8 819
EBITDA - R	1 329	1 531	4 924	5 697
<i>EBITDA-R margin</i>	9,9 %	11,0 %	9,1 %	10,5 %
Restructuring costs	-169	-58	-307	-233
EBITDA	1 160	1 473	4 617	5 464
<i>EBITDA margin</i>	8,7 %	10,5 %	8,6 %	10,1 %
Depreciation	-124	-86	-432	-324
Amortisation of goodwill	-513	-505	-2 047	-1 994
EBIT	523	882	2 138	3 146
Financial net	-756	-670	-4 142	-2 660
Extraordinary net	0	0	0	0
EBT	-233	212	-2 004	486
Income Tax	-81	-45	-787	184
EAT	-314	167	-2 791	670

Group Balance Sheet

Consolidated Balance Sheet

31 December 2013

A

PY

EUR thousands

Intangible assets	34 536	35 815
Tangible assets	545	396
Investments	2	2
Non-current assets	35 083	36 213
Inventory	3 354	2 947
Long term receivables	10	12
Short term receivables	7 959	6 050
Cash	4 221	4 002
Current assets	15 544	13 011
ASSETS	50 627	49 224
EQUITY	2 628	5 399
Provisions	63	21
Long term int.bear. liabilities	30 000	18 486
Adv.payments long term	1 772	1 890
Other long term liabilities	7 262	14 550
Short term intr.bear. liabilities	0	0
Adv.payments short term	2	62
Accounts payables	6 060	5 342
Other short term liabilities	2 840	3 474
Liabilities	47 936	43 804
EQUITY & LIABILITIES	50 627	49 224

Group Cashflow Statement

Consolidated Cashflow Statement	Quarter		Accumulated (YTD)	
	Q4 2013	A	PY	A
<i>EUR thousands</i>				
EBITDA	1 160	1 473	4 617	5 464
Inventory, change	176	200	-406	-454
Accounts receivables, change	-2 218	-488	-1 929	296
Non-int.bear. Liabilities, change	2 298	1 131	244	790
Provisions, change	0	0	42	-9
Operational Cash Flow	1 416	2 316	2 568	6 087
Group contribution	0	0	0	0
Capex	-194	-95	-1 349	-1 118
Interest payments, net	-755	-671	-4 142	-2 660
Income Tax	-80	0	-495	-478
Cash flow before financing	387	1 550	-3 418	1 831
Loans receivable	0	0	0	0
Long term loans, change	-15	1	3 267	-109
Short term loans, change	-8	-41	5	-609
Debt to associated comp., chg	52	-308	172	-1 735
Debt to group comp., chg	50	184	233	23
Other financing, net	-623	0	-40	1 277
Net Cash flow	-157	1 386	219	678
Opening Cash	4 378	2 616	4 002	3 324
Closing Cash	4 221	4 002	4 221	4 002

Frankis Group Oyj - Income Statement

Income Statement	Quarter		Accumulated (YTD)	
	A	PY	A	PY
Q4 2013				
<i>EUR thousands</i>				
Total Sales	210	182	851	737
Gross Profit	210	182	851	737
<i>Gross margin</i>	100,0 %	100,0 %	100,0 %	100,0 %
Operating fixed costs	-294	-234	-1 073	-890
EBITDA - R	-84	-52	-222	-153
<i>EBITDA-R margin</i>	-40,0 %	-28,6 %	-26,1 %	-20,8 %
Restructuring costs	-10	0	-25	0
EBITDA	-94	-52	-247	-153
<i>EBITDA margin</i>	-44,8 %	-28,6 %	-29,0 %	-20,8 %
Depreciation	-8	0	-30	0
EBIT	-102	-52	-277	-153
Financial net	-700	-652	-5 007	-2 451
Extraordinary net	0	0	4 258	0
EBT	-802	-704	-1 026	-2 604
Income Tax	0	0	-96	0
EAT	-802	-704	-1 122	-2 604

Frankis Group Oyj - Balance Sheet

Balance Sheet	Quarter	
31 December 2013	A	PY
<i>EUR thousands</i>		
Intangible assets	11	12
Tangible assets	83	3
Investments	30 732	30 097
Non-current assets	30 826	30 112
Inventory	0	0
Long term receivables	0	920
Short term receivables	8 636	1 278
Cash	115	8
Current assets	8 751	2 206
ASSETS	39 577	32 318
EQUITY	704	1 827
Provisions	48	0
Long term int.bear. liabilities	30 000	12 886
Adv.payments long term	0	0
Other long term liabilities	7 143	14 420
Short term intr.bear. liabilities	0	0
Adv.payments short term	0	0
Accounts payables	52	45
Other short term liabilities	1 630	3 140
Liabilities	38 825	30 491
EQUITY & LIABILITIES	39 577	32 318

Frankis Group Oyj - Cashflow Statement

Cashflow Statement	Quarter	Accumulated (YTD)
Q4 2013	A	A
<i>EUR thousands</i>		
EBITDA	-94	-247
Inventory, change	0	0
Accounts receivables, change	-72	-114
Non-int.bear. Liabilities, change	-2	29
Provisions, change	0	48
Operational Cash Flow	-168	-284
Group contribution	0	4 258
Capex	0	-744
Interest payments, net	-701	-5 008
Income Tax	0	2
Cash flow before financing	-869	-1 776
Loans receivable	193	-6 105
Long term loans, change	-9	8 878
Short term loans, change	0	-1 414
Debt to associated comp., chg	51	172
Debt to group comp., chg	52	235
Other financing, net	-599	117
Net Cash flow	-1 181	107
Opening Cash	1 296	8
Closing Cash	115	115

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