

Frankis Group Oyj

Interim report – Q4 2014



CEO Comments – Q4 2014

Kotipizza stores network

Net sales of Finnish fast food market totalled EUR142.7m in fourth quarter of 2014 representing a growth of 1.8% compared to the previous year. Consumer confidence in Finland remained low towards the end of the quarter with October showing a growth of 0.4 points, November 2.6 points and December 4.4 points. Long-time average consumer confidence in Finland stands at 11.9 points.

Kotipizza stores network did well in Q4 2014 and in full year 2014 despite the weak market sentiment. Throughout the year we kept our main theme in marketing “in search for the best pizza in the world”, which received positive feedback on a broad basis. Our main film of the year ended on the shortlist of the “Best TV-ads of the year 2014”-competition that will take place on 5th March, 2015.

We kicked off the last quarter of the year by bringing a new positive mood to the stores and within our staff. On 1st October we launched new digital visual signage menu boards including great new pictures of our products as well as exciting new add-ons like Sriracha, Teriyaki and Chipotle sauces. Also our new work wear was well received with customers and staff alike. The whole new look was finalised also on pizza boxes, which have been regularly photographed and hashtagged #kotipizza on our Instagram account.

All this action together with well-implemented campaigns was visible in Kotipizza stores sales in 2014. In the last quarter of the year our same store sales growth year on year was at 2.5% exceeding the market growth of 1.8%. In the full year 2014 our network’s same store sales growth year on year was 3.1% compared to Finnish fast food market growth of 1.7%.

Our new store concept, which was implemented already to 9 restaurants in 2014, has proven to be successful. This has been visible in both the number of tickets as well as in the average purchase. The new store concept has been agreed to be implemented to an additional 41 stores during 2015 as of today.

Kotipizza’s Mission “Make the world a better place one pizza at a time” has started to create a greater focus on our marketing, product development and the whole chain as such.

Our focus on sustainable food has also been well received by the market. Kotipizza e.g. had in the beginning of 2015 a full first page add on all main local newspapers in Finland promoting our promise that 50% of our pizzas’ ingredients are of local origin. The message was underpinned with strong slogans promoting sustainability like; ‘Thank you all cows! Producing Kotipizza cheese consumes 10 million litres of local milk. This employs 70 Finnish dairy farms annually.’ This together with well-implemented campaigns and effects of the new store concept has shown as well improved same store sales growth rate at the beginning of year 2015 compared to the average growth in 2014.

We will also focus on new openings during 2015. During the fourth quarter of the year 2 new stores were opened, one in Oulu Ideapark and one in Tahko Skiing Center. Mainly during the first

quarter of year 2015 we will focus on six planned new store openings, which all are located within the Capital Helsinki area. All of them will be implemented according to the new store concept

At the end of year 2014 the number of Kotipizza stores was 261 (270).

Group sales and EBITDA-R

Group net sales and EBITDA-R in the fourth quarter came in slightly disappointing compared to our expectations at EUR13.5m (EUR13.4m) and at EUR1.22m (EUR1.33m), respectively. Main reason for the slightly lower EBITDA-R Y/Y were non-activated costs related to opening up our new Kotipizza online store together with somewhat higher than expected R&D expenses related to our new store concept.

Group net sales in year 2014 came some 1% below the level of the previous year. Main reason for the decline in sales was lower number of our own Kotipizza stores. We closed altogether 10 low profitability own stores during year 2014, which had a positive impact to EBITDA-R. On the other hand non-activated costs related to our new Kotipizza online store together with R&D expenses related to our new store concept had a negative impact to EBITDA-R. Group full year 2014 EBITDA-R came in practically at last year's level at EUR4.95m showing nevertheless a EUR0.03m improvement compared to the year earlier.

Operational cash flow

Operational cash flow for the last quarter of the year was strong at EUR2.0m (1.4m) and very strong for the full year 2014 at EUR6.1m (EUR2.6m). As EBITDA for the last quarter and also on the full calendar year practically came at the previous year's level, main improvement in operational cash flow came from improved NWC efficiency. The actual payment date of account payables and receivables may result in relatively large variations in the operational cash flow between quarters.

Due to the bond financing made in April 2013, financing items and interest rates are not comparable to the previous years.

Marketing

Our fourth quarter marketing activities included Special Opera EUR6.90 supported by TV, in store media, print and mobile in October. In November we continued in TV with our classic pizza Americana EUR6.90 adds. In December we also executed a joint campaign together with Coca-Cola.



Changes in Group and operational structure

Frankis Group Oyj announced on 8 December 2014 a divestment of its fully owned subsidiary Francount Oy, a company specialising in accounting services, to Accountor Oy. Accountor Oy is a leading accounting and payroll services provider in Finland.

Frankis Group Oyj announced on 19 December 2014 a divestment of its 55 Burger concept to Jokes Family Oy, owner of the Rolls burger chain. In conjunction of the transaction it was agreed, that Helsinki Foodstock Oy, a part of Frankis Group, will be handling the logistics of the Rolls chain consisting altogether 155 restaurants after the transaction.

Both of the transactions did not have any material impact to Frankis Group Oyj's fourth quarter financial figures.

Covenants

The EUR30m bond, issued by Frankis Group Oyj, include maintenance covenants. The covenants based on the fourth quarter 2014 figures of Frankis Group Oyj were:

- Net Interest Bearing Debt to EBITDA (as defined in the bond terms): 4.9:1 (shall not exceed 5.5:1)
- Interest Coverage Ratio (as defined in the bond terms): 1.94:1 (shall exceed 1.75:1)
- Cash (as defined in the bond terms): EUR6.104 million (shall exceed EUR2m)

Thus, Frankis Group were in compliance with all the maintenance covenants at the end of Q4 2014.

Tommi Tervanen
CEO Frankis Group Oyj

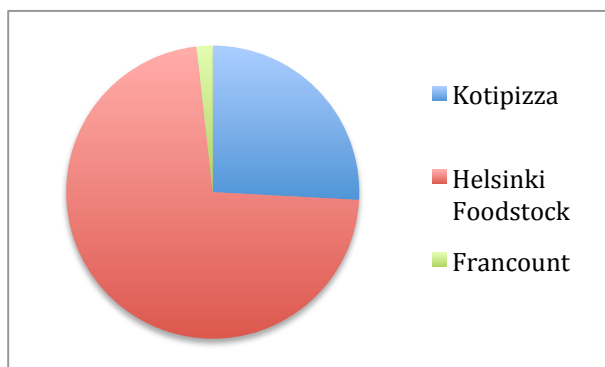
FINANCIAL OVERVIEW OCTOBER – DECEMBER

Net sales: tEUR 13, 461 (13, 361 LY)
Gross margin in %: 22.5 (25.6)
EBITDA-R: tEUR 1, 223 (1, 329 LY)
EBIT: tEUR 374 (523 LY)
Net working capital: tEUR -814
Net debt: tEUR 24, 268

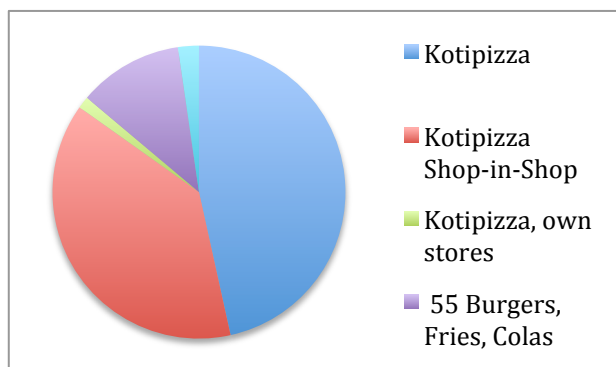
FINANCIAL OVERVIEW DECEMBER YTD

Net sales: tEUR 53, 375 (53, 914 LY)
Gross margin in %: 23.2 (25.2)
EBITDA-R: tEUR 4, 953 (4, 924 LY)
EBIT: tEUR 1, 616 (2, 138 LY)

Frankis Group sales split 10-12/2014*



Frankis Group restaurant split 12/2014



*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 9-11 in this report.

Group Income Statement

Consolidated Income Statement	Quarter		Accumulated (YTD)	
Q4 2014	A	PY	A	PY
<i>EUR thousands</i>				
Total Sales	13 461	13 361	53 375	53 914
Gross Profit	3 030	3 424	12 393	13 595
<i>Gross margin</i>	22,5 %	25,6 %	23,2 %	25,2 %
Operating fixed costs	-1 807	-2 095	-7 440	-8 671
EBITDA - R	1 223	1 329	4 953	4 924
<i>EBITDA-R margin</i>	9,1 %	9,9 %	9,3 %	9,1 %
Restructuring costs	-162	-169	-729	-307
EBITDA	1 061	1 160	4 224	4 617
<i>EBITDA margin</i>	7,9 %	8,7 %	7,9 %	8,6 %
Depreciation	-173	-124	-533	-432
Amortisation of goodwill	-514	-513	-2 075	-2 047
EBIT	374	523	1 616	2 138
Financial net	-710	-756	-3 117	-4 142
Extraordinary net	0	0	0	0
EBT	-336	-233	-1 501	-2 004
Income Tax	-75	-81	74	-787
EAT	-411	-314	-1 427	-2 791

Group Balance Sheet

Consolidated Balance Sheet

31 December 2014

EUR thousands

	A	PY
Intangible assets	33 172	34 536
Tangible assets	787	545
Investments	2	2
Non-current assets	33 961	35 083
Inventory	3 132	3 354
Long term receivables	1	10
Short term receivables	5 901	7 959
Cash	6 104	4 221
Current assets	15 138	15 544
ASSETS	49 099	50 627
EQUITY	1 203	2 628
Provisions	0	63
Long term int.bear. liabilities	30 000	30 000
Adv.payments long term	1 873	1 772
Other long term liabilities	8 048	7 262
Short term intr.bear. liabilities	0	0
Adv.payments short term	0	2
Accounts payables	5 439	6 060
Other short term liabilities	2 536	2 840
Liabilities	47 896	47 936
EQUITY & LIABILITIES	49 099	50 627

Group Cashflow Statement

Consolidated Cashflow Statement	Quarter		Accumulated (YTD)	
Q4 2014	A	PY	A	PY
<i>EUR thousands</i>				
EBITDA	1 061	1 160	4 224	4 617
Inventory, change	527	176	218	-406
Accounts receivables, change	243	-2 218	2 336	-1 929
Non-int.bear. Liabilities, change	209	2 298	-587	244
Provisions, change	0	0	-63	42
Operational Cash Flow	2 040	1 416	6 128	2 568
Group contribution	0	0	0	0
Capex	-419	-194	-1 475	-1 349
Interest payments, net	-740	-755	-2 940	-4 142
Income Tax	-75	-80	-227	-495
Cash flow before financing	806	387	1 486	-3 418
Loans receivable	0	0	0	0
Long term loans, change	141	-15	207	3 267
Short term loans, change	-49	-8	-31	5
Debt to other related parties., chg	-1	52	-752	172
Debt to group comp., chg	104	50	895	233
Other financing, net	-575	-623	78	-40
Net Cash flow	426	-157	1 883	219
Opening Cash	5 678	4 378	4 221	4 002
Closing Cash	6 104	4 221	6 104	4 221

Frankis Group Oyj - Income Statement

Income Statement	Quarter		Accumulated (YTD)	
	A	PY	A	PY
Q4 2014				
<i>EUR thousands</i>				
Total Sales	217	210	853	851
Gross Profit	216	210	852	851
<i>Gross margin</i>	99,5 %	100,0 %	99,9 %	100,0 %
Operating fixed costs	-344	-294	-1 398	-1 073
EBITDA - R	-128	-84	-546	-222
<i>EBITDA-R margin</i>	-59,0 %	-40,0 %	-64,0 %	-26,1 %
Restructuring costs	-8	-10	-51	-25
EBITDA	-136	-94	-597	-247
<i>EBITDA margin</i>	-62,7 %	-44,8 %	-70,0 %	-29,0 %
Depreciation	-6	-8	-24	-30
EBIT	-142	-102	-621	-277
Financial net	-662	-700	-2 929	-5 007
Extraordinary net	0	0	4 302	4 258
EBT	-804	-802	752	-1 026
Income Tax	0	0	-22	-96
EAT	-804	-802	730	-1 122

Frankis Group Oyj - Balance Sheet

Balance Sheet	Quarter	
31 December 2014	A	PY
EUR thousands		
Intangible assets	11	11
Tangible assets	64	83
Investments	30 772	30 732
Non-current assets	30 847	30 826
Inventory	0	0
Long term receivables	0	0
Short term receivables	9 263	8 636
Cash	57	115
Current assets	9 320	8 751
ASSETS	40 167	39 577
EQUITY	1 434	704
Provisions	0	48
Long term int.bear. liabilities	30 000	30 000
Adv.payments long term	0	0
Other long term liabilities	7 695	7 143
Short term intr.bear. liabilities	0	0
Adv.payments short term	0	0
Accounts payables	158	52
Other short term liabilities	880	1 630
Liabilities	38 733	38 825
EQUITY & LIABILITIES	40 167	39 577

Frankis Group Oyj - Cashflow Statement

Cashflow Statement	Quarter		Accumulated (YTD)	
Q4 2014	A	PY	A	PY
<i>EUR thousands</i>				
EBITDA	-136	-94	-597	-247
Inventory, change	0	0	0	0
Accounts receivables, change	-27	-72	10	-114
Non-int.bear. Liabilities, change	119	-2	212	29
Provisions, change	0	0	-48	48
Operational Cash Flow	-44	-168	-423	-284
Group contribution	0	0	4 301	4 258
Capex	-4	0	-46	-744
Interest payments, net	-693	-701	-2 979	-5 008
Income Tax	0	0	-97	2
Cash flow before financing	-741	-869	756	-1 776
Loans receivable	-3	193	-636	-6 105
Long term loans, change	0	-9	-41	8 878
Short term loans, change	-8	0	-504	-1 414
Debt to other related parties., chg	0	51	-751	172
Debt to group comp., chg	104	52	895	235
Other financing, net	-600	-599	223	117
Net Cash flow	-1 248	-1 181	-58	107
Opening Cash	1 305	1 296	115	8
Closing Cash	57	115	57	115

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