

Frankis Group Oyj

Interim report – Q1 2014

FRANKISgroup



CEO Comments – Q1 2014

The net sales of the Finnish fast food market totaled €111,2 million in Q1 2014 representing a slight growth of + 1,4 % to Q1 2013. Consumer confidence gained little ground, but stayed low in the end of quarter (march 2014) scoring points 8,5 below last year march 2013 points of 10,2.

The Group's net sales and EBITDA-R in the first quarter came in below our expectations at € 12.5 (€ 13.1 million) and € 1.04 million (€ 1.20 million) respectively. With regards to EBITDA-R we are approximately € 0.16 million behind the equivalent period last year. The main reason for the lower EBITDA-R is lower net sales and gross margin in the Group. The continuously challenging climate has also resulted in the decline of our store network. At the end of Q1 2014 we had 16 Kotipizza stores less than in Q1 2013, which affect negatively to the chains net sales and also to the revenues and gross margins of whole group. As of Q1 2014 we had altogether 265 Kotipizza stores (281). On the other hand, our burger concept "55" Burger, Cola and Fries concept has grown its outlet base to 41 (38).

The operational cash flow of the period Q1 2014 was € 1.79 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 Q1 2014 was higher than in Q1 2013 mainly due to the payment days of payables and receivables.

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

Marketing activities started in January with direct mail to over 1,4 million households, including value saving coupons.

February we started our new marketing scheme with "Can't find a better pizza" with high quality rawmaterials and stories in focus. Same month we launched multi-awarded pizza Berlusconi.

March we highlighted the healthy functionalism of the rye dough pizza with Chicken Kotzone.

Q1 same store sales were +5,9 % (January +6,7 % February 5,9% and March + 4,8%).

Our focus in the first quarter of the year 2014 was to increase customer traffic and to reduce the number of own stores (9 own stores at the end of Q1 2014 and 15 stores at Q1 2013) and keep up with the budgeted new store openings.

The new concept renewal project proceeded well ahead, when concept steering group ended their customer journey studies, checked latest trends and got to choose final materials what comes to interior design, workwear and package design.





interior design, furniture, lamps, chairs



environmentally friendly packages, informative



new workwear line called Cosy

The new concept store is scheduled to open in mid May 2014.

Tommi Tervanen
CEO Frankis Group Oyj

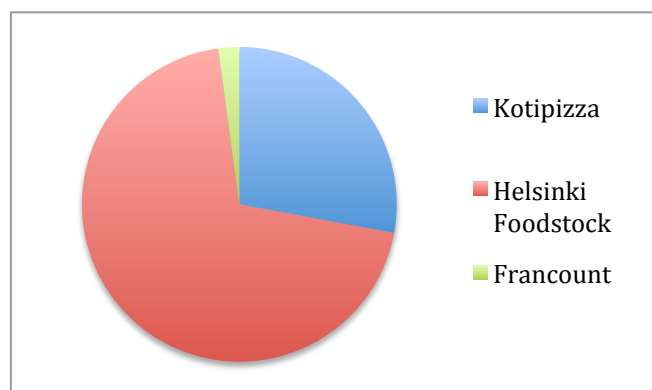
FINANCIAL OVERVIEW JANUARY-MARCH

Net sales: tEUR	12,503 (13,074 LY)
Gross margin in %:	24.7 (27.1)
EBITDA-R: tEUR	1,044 (1,196 LY)
EBIT: tEUR	251 (521 LY)
Net working capital: tEUR	-598
Net debt: tEUR	25,175

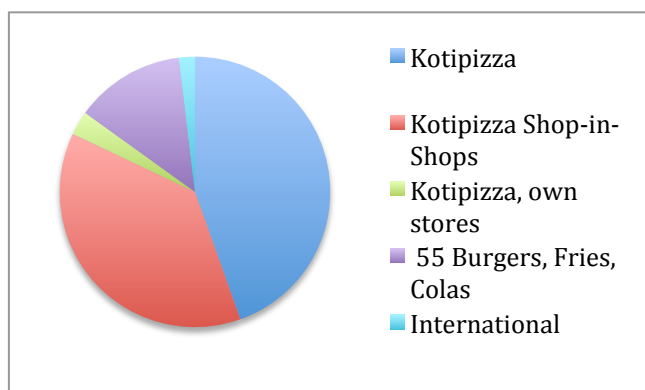
FINANCIAL OVERVIEW MARCH YTD

Net sales: tEUR	12,503 (13,074 LY)
Gross margin in %:	24.7 (27.1)
EBITDA-R: tEUR	1,044 (1,196 LY)
EBIT: tEUR	251 (521 LY)

Frankis Group sales split 1-3/2013*



Frankis Group restaurant split 3/2014



* Excluding intra-group eliminations

Accounting Principles

This Q1 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)	
Q1 2014	A	PY	A	PY
<i>EUR thousands</i>				
Total Sales	12 503	13 074	12 503	13 074
Gross Profit	3 085	3 546	3 085	3 546
<i>Gross margin</i>	24,7 %	27,1 %	24,7 %	27,1 %
Operating fixed costs	-2 041	-2 350	-2 041	-2 350
EBITDA - R	1 044	1 196	1 044	1 196
<i>EBITDA-R margin</i>	8,3 %	9,1 %	8,3 %	9,1 %
Restructuring costs	-173	-71	-173	-71
EBITDA	871	1 125	871	1 125
<i>EBITDA margin</i>	7,0 %	8,6 %	7,0 %	8,6 %
Depreciation	-107	-96	-107	-96
Amortisation of goodwill	-513	-508	-513	-508
EBIT	251	521	251	521
Financial net	-942	-730	-942	-730
Extraordinary net	0	0	0	0
EBT	-691	-209	-691	-209
Income Tax	270	-545	270	-545
EAT	-421	-754	-421	-754

Group Balance Sheet

Consolidated Balance Sheet

31 March 2014

EUR thousands

	A	PY
Intangible assets	34 500	35 908
Tangible assets	629	458
Investments	2	2
Non-current assets	35 131	36 368
Inventory	3 635	3 055
Long term receivables	10	11
Short term receivables	6 142	5 611
Cash	5 129	3 035
Current assets	14 916	11 712
ASSETS	50 047	48 080
EQUITY	2 217	4 643
Provisions	31	63
Long term int.bear. liabilities	30 000	16 485
Adv.payments long term	1 759	1 771
Other long term liabilities	7 649	14 561
Short term intr.bear. liabilities	0	1 000
Adv.payments short term	0	45
Accounts payables	5 233	5 138
Other short term liabilities	3 158	4 374
Liabilities	47 799	43 374
EQUITY & LIABILITIES	50 047	48 080

Group Cashflow Statement

Consolidated Cashflow Statement	Quarter		Accumulated (YTD)	
Q1 2014	A	PY	A	PY
<i>EUR thousands</i>				
EBITDA	871	1 125	871	1 125
Inventory, change	-281	-108	-281	-108
Accounts receivables, change	2 101	199	2 101	199
Non-int.bear. Liabilities, change	-866	-631	-866	-631
Provisions, change	-32	42	-32	42
Operational Cash Flow	1 793	627	1 793	627
Group contribution	0	0	0	0
Capex	-657	-760	-657	-760
Interest payments, net	-708	-730	-708	-730
Income Tax	-49	-185	-49	-185
Cash flow before financing	379	-1 048	379	-1 048
Loans receivable	0	0	0	0
Long term loans, change	47	-1 989	47	-1 989
Short term loans, change	60	1 041	60	1 041
Debt to other related parties., chg	-220	775	-220	775
Debt to group comp., chg	52	188	52	188
Other financing, net	590	66	590	66
Net Cash flow	908	-967	908	-967
Opening Cash	4 221	4 002	4 221	4 002
Closing Cash	5 129	3 035	5 129	3 035

Frankis Group Oyj - Income Statement

Income Statement	Quarter		Accumulated (YTD)	
Q1 2014	A	PY	A	PY
<i>EUR thousands</i>				
Total Sales	209	209	210	209
Gross Profit	210	209	210	209
<i>Gross margin</i>	100,5 %	100,0 %	100,0 %	100,0 %
Operating fixed costs	-374	-269	-374	-269
EBITDA - R	-164	-60	-164	-60
<i>EBITDA-R margin</i>	-78,5 %	-28,7 %	-78,1 %	-28,7 %
Restructuring costs	0	-11	0	-11
EBITDA	-164	-71	-164	-71
<i>EBITDA margin</i>	-78,5 %	-34,0 %	-78,1 %	-34,0 %
Depreciation	-8	-7	-8	-7
EBIT	-172	-78	-172	-78
Financial net	-928	-1 748	-928	-1 748
Extraordinary net	4 302	4 258	4 302	4 258
EBT	3 202	2 432	3 202	2 432
Income Tax	-22	-96	-22	-96
EAT	3 180	2 336	3 180	2 336

Frankis Group Oyj - Balance Sheet

Balance Sheet	Quarter	
31 March 2014	A	PY
<i>EUR thousands</i>		
Intangible assets	12	12
Tangible assets	76	103
Investments	30 772	30 722
Non-current assets	30 860	30 837
Inventory	0	0
Long term receivables	0	0
Short term receivables	10 643	3 511
Cash	1 316	12
Current assets	11 959	3 523
ASSETS	42 819	34 360
EQUITY	3 884	4 164
Provisions	0	48
Long term int.bear. liabilities	30 000	12 285
Adv.payments long term	0	0
Other long term liabilities	7 442	14 526
Short term intr.bear. liabilities	0	300
Adv.payments short term	0	0
Accounts payables	105	36
Other short term liabilities	1 388	3 001
Liabilities	38 935	30 148
EQUITY & LIABILITIES	42 819	34 360

Frankis Group Oyj - Cashflow Statement

Cashflow Statement	Quarter		Accumulated (YTD)	
	A	PY	A	PY
Q1 2014				
<i>EUR thousands</i>				
EBITDA	-164	-71	-164	-71
Inventory, change	0	0	0	0
Accounts receivables, change	75	-1	75	-1
Non-int.bear. Liabilities, change	41	4	41	4
Provisions, change	-48	48	-48	48
Operational Cash Flow	-96	-20	-96	-20
Group contribution	4 301	4 258	4 301	4 258
Capex	-42	-733	-42	-733
Interest payments, net	-927	-1 747	-927	-1 747
Income Tax	-97	1	-97	1
Cash flow before financing	3 139	1 759	3 139	1 759
Loans receivable	-2 082	-1 313	-2 082	-1 313
Long term loans, change	-41	-494	-41	-494
Short term loans, change	-478	-1 114	-478	-1 114
Debt to other related parties., chg	-220	775	-220	775
Debt to group comp., chg	52	188	52	188
Other financing, net	831	203	831	203
Net Cash flow	1 201	4	1 201	4
Opening Cash	115	8	115	8
Closing Cash	1 316	12	1 316	12

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