

# Frankis Group Oyj

Interim report – Q2 2013

FRANKISgroup



## CEO Comments - Q2 2013

The net sales of the Finnish fast food market totaled €121.8 million in Q2 2013 representing a very moderate growth of +0.1 % to Q2 2012. Consumer confidence remained low in Finland in the second quarter scoring points between 5 and 8, well below long time average of 12.4. As such, the business climate has remained very challenging.

The Group's net sales and EBITDA-R in the second quarter came in below our expectations at €13.6 million (€13.1 million) and €0.90 million (€1.08 million) respectively. With regards to EBITDA-R during H1 2013 (January – June) we are approximately €0.25 million behind the equivalent period last year, €2.10 million vs. €2.36 million. The main reason for the lower EBITDA-R is the lagging of the chain sales of our main brand Kotipizza which was down –2.7% during Q2. The challenging climate has also resulted in the decline of our store network. At the end of Q2 2013 we had 10 Kotipizza stores less than in Q2 2012. As of Q2 2013 we had altogether 279 Kotipizza stores (289). On the other hand, our burger concept "55" Burger, Cola and Fries concept has grown its outlet base to 41 (30).

The operational cash flow of the period Q2 2013 was €0.11 million negative. The main reasons for the negative operative cash flow were the seasonality increased value of inventory, increased accounts receivables and lower accounts payables. 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 Q2 2013 was also lower than in Q2 2012 mainly due to the change that was made in accounting principles in receivables / other assets group.

The operating cash flow in H1 2013 was lower than during H1 2012 particularly due to that a significant sum of accounts payables were paid to suppliers in January 2013 rather than in December as during H1 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.

On the product side, we launched a new product in the market in April, called Salmione. Salmione is a pizza with cold smoked salmon, rucola and lemon vinaigrette targeting the lighter side of the pizza plate. Sales were disappointing though customer surveys and focus group reviews were very positive.

Our marketing calendar followed the "Classic of the Month"-theme until June. For the summer season we introduced a new summer campaign element with theme "Not everyone is a master of Grill". The summer campaign has been visible in main Finnish media including TV.



*\*Because not everybody is a master of Grill*

A new theme for the summer was also mobile coupons (e.g. 2 for the price of 1), first in their category, which activated new customer segments and also drove a fair amount of traffic on e.g. our Facebook community.



Marketing efforts in Q2 2013 also included our traditional coupons which covered approximately 2 million households in Finland via direct mailing during mid-May to mid-June. In June we witnessed the first positive same store sales during 2013 at +3.2 per cent in the Kotipizza chain. Also the total Kotipizza chain sales were up +1.4 per cent in June compared to June 2012.

In April we reached a first foothold in Sweden when opening our first store, a shop-in-shop, inside Dinner's location in Gävle.

Our focus in the second half of the year is to increase customer traffic by creating and launching attractive campaigns, to reduce the number of own stores (12 own stores at the end of Q2 2013 and Q2 2012) and keep up with the budgeted new store openings. Pressure remains on the food cost due to rising food prices.



Tommi Tervanen, CEO  
Frankis Group Oyj

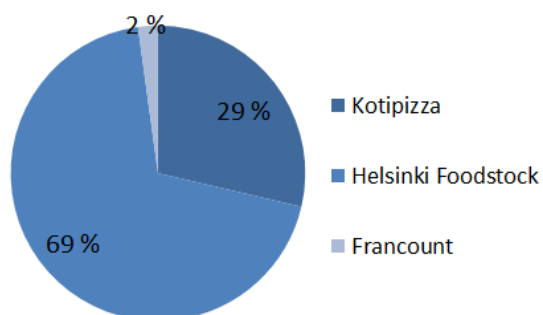
## FINANCIAL OVERVIEW APRIL-JUNE

Net sales: tEUR	13,608 (13,119 LY)
Gross margin in %:	23.7 (27.3)
EBITDA-R: tEUR	938 (1,076 LY)
EBIT: tEUR	229 (443 LY)
Net working capital: tEUR	-469
Net debt: tEUR	25,832

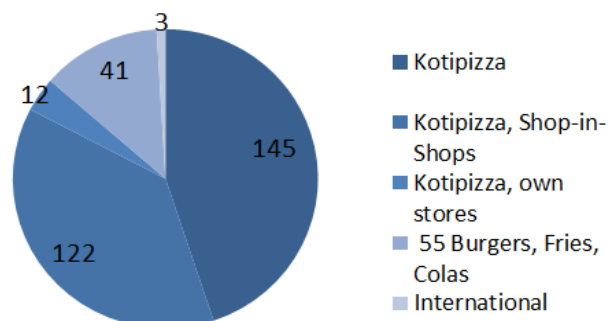
## FINANCIAL OVERVIEW JUNE YTD

Net sales: tEUR	26,683 (26,104 LY)
Gross margin in %:	25.4 (27.0)
EBITDA-R: tEUR	2,134 (2,358 LY)
EBIT: tEUR	750 (1,099 LY)

## Frankis Group sales split H1/2013



## Frankis Group restaurant split 6/2013



## Accounting Principles

This Q2 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

(EUR thousands)	Q2		YTD	
	13A	12A	13A	12A
<b>Total Sales</b>	<b>13 608</b>	<b>13 119</b>	<b>26 683</b>	<b>26 104</b>
<b>Gross Profit</b>	<b>3 223</b>	<b>3 580</b>	<b>6 769</b>	<b>7 057</b>
<i>Gross margin</i>	<i>23,7 %</i>	<i>27,3 %</i>	<i>25,4 %</i>	<i>27,0 %</i>
Operating fixed costs	-2 325	-2 504	-4 675	-4 699
<b>EBITDA - R</b>	<b>898</b>	<b>1 076</b>	<b>2 094</b>	<b>2 358</b>
<i>EBITDA-R margin</i>	<i>6,6 %</i>	<i>8,2 %</i>	<i>7,8 %</i>	<i>9,0 %</i>
Restructuring costs	-57	-58	-128	-117
<b>EBITDA</b>	<b>841</b>	<b>1 018</b>	<b>1 966</b>	<b>2 241</b>
<i>EBITDA margin</i>	<i>6,2 %</i>	<i>7,8 %</i>	<i>7,4 %</i>	<i>8,6 %</i>
Depreciation	-612	-575	-1 216	-1 142
<b>EBIT</b>	<b>229</b>	<b>443</b>	<b>750</b>	<b>1 099</b>
Financial net	-1 902	-654	-2 632	-1 313
Extraordinary net	0	0	0	0
<b>EBT</b>	<b>-1 673</b>	<b>-211</b>	<b>-1 882</b>	<b>-214</b>
Income Tax	-81	-27	-626	251
<b>EAT</b>	<b>-1 754</b>	<b>-238</b>	<b>-2 508</b>	<b>37</b>

# Group Balance Sheet

(EUR thousands)

30 June 2013    30 June 2012

Intangible assets	35 459	36 103
Tangible assets	518	455
Investments	2	2
<b>Non-current assets</b>	<b>35 979</b>	<b>36 560</b>
Inventory	3 515	3 195
Long term receivables	11	17
Short term receivables	5 709	5 670
Cash	4 328	3 493
<b>Current assets</b>	<b>13 563</b>	<b>12 375</b>
<b>ASSETS</b>	<b>49 542</b>	<b>48 935</b>

<b>EQUITY</b>	<b>2 901</b>	<b>4 769</b>
<b>Provisions</b>	<b>63</b>	<b>21</b>
Long term int.bear. liabilities	30 000	18 000
Adv.payments long term	1 826	1 967
Other long term liabilities	6 988	13 642
Short term int.bear. liabilities	0	1 000
Adv.payments short term	25	95
Accounts payables	4 581	5 233
Other short term liabilities	3 158	4 208
<b>Liabilities</b>	<b>46 578</b>	<b>44 145</b>
<b>EQUITY &amp; LIABILITIES</b>	<b>49 542</b>	<b>48 935</b>

# Group Cash Flow Statement

(EUR thousands)	Q2		YTD	
	13A	12A	13A	12A
EBITDA	841	1 018	1 966	2 241
Inventory, change	-459	-768	-567	-704
Accounts receivables, change	121	1 276	321	671
Non-int.bear. liabilities, change	-616	-326	-1 247	-181
Provisions, change	0	0	42	-9
<b>Operational Cash Flow</b>	<b>-113</b>	<b>1 200</b>	<b>515</b>	<b>2 018</b>
Group contribution	0	0	0	0
Capex	-222	-153	-982	-289
Interest payments, net	-1 901	-654	-2 631	-1 313
Income Tax	-149	-420	-334	-454
<b>Cash flow before financing</b>	<b>-2 385</b>	<b>-27</b>	<b>-3 432</b>	<b>-38</b>
Loans receivable	0	0	0	0
Long term loans, change	5 191	0	3 202	-1 511
Short term loans, change	-1 016	-40	25	472
Debt to associated comp., chg	-394	-877	381	-730
Debt to group comp., chg	-57	164	131	328
Other financing, net	-46	1 568	19	1 648
<b>Net Cash flow</b>	<b>1 293</b>	<b>788</b>	<b>326</b>	<b>169</b>
Opening Cash	3 035	2 705	4 002	3 324
<b>Closing Cash</b>	<b>4 328</b>	<b>3 493</b>	<b>4 328</b>	<b>3 493</b>



# Frankis Group Oyj - Income Statement

(EUR thousands)	Q2		YTD	
	13A	12A	13A	12A
<b>Total Sales</b>	<b>223</b>	<b>193</b>	<b>432</b>	<b>374</b>
<b>Gross Profit</b>	<b>223</b>	<b>193</b>	<b>432</b>	<b>374</b>
<i>Gross margin</i>	100,0 %	100,0 %	100,0 %	100,0 %
Operating fixed costs	-284	-242	-552	-486
<b>EBITDA - R</b>	<b>-61</b>	<b>-49</b>	<b>-120</b>	<b>-112</b>
<i>EBITDA-R margin</i>	-27,4 %	-25,4 %	-27,8 %	-29,9 %
Restructuring costs	-3	0	-15	0
<b>EBITDA</b>	<b>-64</b>	<b>-49</b>	<b>-135</b>	<b>-112</b>
<i>EBITDA margin</i>	-28,7 %	-25,4 %	-31,3 %	-29,9 %
Depreciation	-8	0	-15	0
<b>EBIT</b>	<b>-72</b>	<b>-49</b>	<b>-150</b>	<b>-112</b>
Financial net	-1 851	-588	-3 599	-1 174
Extraordinary net	0	0	4 258	0
<b>EBT</b>	<b>-1 923</b>	<b>-637</b>	<b>509</b>	<b>-1 286</b>
Income Tax	0	0	-96	0
<b>EAT</b>	<b>-1 923</b>	<b>-637</b>	<b>413</b>	<b>-1 286</b>

# Frankis Group Oyj - Balance Sheet

<i>(EUR thousands)</i>	30 June 2013	30 June 2012
Intangible assets	12	0
Tangible assets	96	0
Investments	30 732	29 483
<b>Non-current assets</b>	<b>30 840</b>	<b>29 483</b>
Inventory	0	0
Long term receivables	0	920
Short term receivables	8 703	1 227
Cash	1 668	530
<b>Current assets</b>	<b>10 371</b>	<b>2 677</b>
<b>ASSETS</b>	<b>41 211</b>	<b>32 160</b>
<b>EQUITY</b>	<b>2 240</b>	<b>3 145</b>
<b>Provisions</b>	<b>48</b>	<b>0</b>
Long term int.bear. liabilities	30 000	12 400
Adv.payments long term	0	0
Other long term liabilities	6 953	13 505
Short term int.bear. liabilities	0	300
Adv.payments short term	0	0
Accounts payables	23	8
Other short term liabilities	1 947	2 802
<b>Liabilities</b>	<b>38 923</b>	<b>29 015</b>
<b>EQUITY &amp; LIABILITIES</b>	<b>41 211</b>	<b>32 160</b>

# Frankis Group Oyj – Cash Flow Statement

(EUR thousand)	2013	
	Q2	YTD
EBITDA	-64	-135
Inventory, change	0	0
Accounts receivables, change	-14	-15
Non-int.bear.liabilities, change	7	11
Provisions, change	0	48
<b>Operational Cash Flow</b>	<b>-71</b>	<b>-91</b>
Group contribution	0	4 258
Capex	-10	-743
Interest payments, net	-1 852	-3 600
Income Tax	0	2
<b>Cash flow before financing</b>	<b>-1 933</b>	<b>-174</b>
Loans receivable	-4 958	-6 271
Long term loans, change	9 389	8 895
Short term loans, change	-300	-1 414
Debt to associated comp., chg	-394	381
Debt to group comp., chg	-57	131
Other financing, net	-91	112
<b>Net Cash flow</b>	<b>1 656</b>	<b>1 660</b>
Opening Cash	12	8
<b>Closing Cash</b>	<b>1 668</b>	<b>1 668</b>

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