



# PRESS RELEASE – Func Food Group Q4 and Full Year 2018

## Financial Report

Func Food Group has today published its Q4 2018 financial report. The report is available in English at <http://www.funcfood.com/investors/?lang=en>.

### FOURTH QUARTER 2018

- Consolidated Group revenues amounted to MEUR 7.4 (MEUR 8.9 in consolidated 2017).
- Revenues decreased by MEUR 1.6 or 17,6% in comparison to 2017.
- Consolidated Group EBITDA amounted to MEUR -1.0 (MEUR -1.5 in consolidated 2017). EBITDA increased by MEUR 0.6 in comparison to 2017.
- EBITDA adjusted for items affecting comparability was MEUR -0.7 in 2018 and MEUR -0.7 in 2017.

### YEAR-TO-DATE DECEMBER 2018

- Consolidated Group revenues amounted to MEUR 33.0 (MEUR 40.1 in consolidated 2017).
- Revenues decreased by MEUR 7.1 or -17,6% in comparison to 2017.
- Consolidated Group EBITDA amounted to MEUR -3.0 (MEUR 0.2 in consolidated 2017). EBITDA decreased by MEUR 3.2 in comparison to 2017.
- EBITDA adjusted for items affecting comparability was MEUR -1.3 in 2018 and MEUR 1.3 in 2017 (reduction of MEUR 2.6).

### MANAGEMENT COMMENTS SUMMARY

In Q4 2018 the Group's total revenue decreased due to Finland sales performance and changes in Celsius sales and campaign cycling in Sweden. Group's EBITDA was also affected by write-offs in FAST and Cocovi for discontinued products as part of on-going portfolio transformation. In order to account for seasonal imbalances and strategic decisions to exit private label manufacturing, report also includes pro forma revenue growth comparisons without Freddy Store Ab and private label sales. In Q4 2018 pro forma net revenue also decreased.

Revenue for Finland in Q4 decreased 32,9% mainly due to increased competition and changes in customer campaigns. 2018 launches of Muscle Series and three additional flavours for ROX bar generated new sales.

In Sweden, Q4 net revenue decreased by 4,1% vs. previous year in local currency SEK (excluding intercompany sales) and decreased by 8,7% in EUR. Excluding the Freddy business the quarterly net revenue in SEK was +0,1% and in EUR -3,0% vs. previous year. Celsius sales were impacted by changes in sales and campaign cycling.

Finland's EBITDA (MEUR -0.6) and adjusted EBITDA (MEUR -0.4) were both decreasing in Q4 vs PY. Decrease came from low sales performance. Sweden's EBITDA (MEUR -0.4) and adjusted EBITDA (MEUR -0.4) were both increasing in Q4 vs PY mainly due to improved cost accruals in 2018.

Total sales margin-% was at 27,2% vs. 23,7% in Q4 2017 and was impacted mainly by improved 2018 accrual of logistics expenses and periodization of purchases.

Norway has been in an emerging phase since Q4 2017. Norway's impact to the Group's overall net revenue and EBITDA figures stayed at a low level in Q4.

The retail index for Sweden was positive 1,8% YTD. In Finland the retail index was +4,0% including an increase of the retail price index by +2,4%.

The bondholders of the Group approved changes to the bond terms on January 15 2018. The Group had proposed that Func Food Sweden Ab may convert up to 10.0 million euros of the originally 33.1 million, and at year-end 23.1 million euros of intra-group loan granted by Func Food Group Oyj into an equity instrument.

The Group had also proposed that the planned bond repayment of 4.5 million euros can be omitted in September 2018. At the same time, the Group proposed an increase in the amount of permitted financial leasing debt and a permission to use recourse factoring arrangements with large retail customers, where the credit risk remains with the Group.

The Group also proposed changes to the bond terms in relation to discontinuing the Freddy business operations and the possible merger of Finnish subsidiaries.

As a condition for the implementation of the changes, the Group arranged 3.0 million euros of additional funding from its shareholders between November 2017 and January 2018.

The Group arranged 0.8 million euros of additional funding from its shareholders at end of September and another 0.4 million euros of at the end of October.

The Group announced a reorganisation of business activities on February 19, 2018 and started co-operation negotiations for Func Food Finland Oy, which ended on March 12, 2018. As a result of the negotiations, the job duties of ten employees ended or changed, and the Group closed its office in Tampere at end of Q2 2018.

The Group announced another reorganization of business activities on November 1, 2018. Func Food Group Oyj and Func Food Finland Oy started co-operation negotiations, which ended on November 20, 2018. As a result of the reorganization, the job duties of five employees ended or changed.

The Group has amended the distribution agreement with Freddy SPA to move the distribution to a new partner on 1 January 2019. Current inventory of Freddy Store AB will be sold until end of September 2019.

Impairment testing of goodwill, intangible assets and subsidiary shares was done in January to evaluate changed medium- and long-term outlook. Cash generating unit (CGU) Finland's future outlook for Cocovi and FitFarm brands changed materially during Q4 2018. This together with continuing transformation of the overall Finnish portfolio has led to an impairment of 7.7 million euros in Finland CGU.

Goodwill and Other Intangible Assets in consolidated statements have been adjusted correspondingly. Parent company's holdings in Finnish subsidiaries were decreased by the same amount. The Group is constantly evaluating its outlook based on best estimates and how it reflects in the impairment testing.

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*This information is information that Func Food Group Oyj is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 22:00 CET on 28 February 2019.*