



PRESS RELEASE – Func Food Group Q1 2019 Financial Report

Func Food Group has today published its Q1 2019 financial report. The report is available in English at <http://www.funcfood.com/investors/?lang=en>.

SUMMARY

First quarter and year-to-date March 2019

- Consolidated Group revenues amounted to MEUR 8.8 (MEUR 8.8 in consolidated 2018).
- Revenues increased by 0,4% in comparison to 2018.
- Consolidated Group EBITDA amounted to MEUR -0.4 (MEUR -0.4 in consolidated 2018). EBITDA decreased by MEUR 0.1 in comparison to 2018.
- EBITDA adjusted for items affecting comparability was MEUR +0.3 in 2019 and MEUR -0.3 in 2018.

In Q1 2019 the Group's net revenue increased 0,4% in total and was +4,5% excluding Freddy and private label. Sales in Sweden increased 8,2% (+15,4% excl. Freddy) due to successful new launches and disposal sales of discontinued products. Finland sales decreased 12,7% due to expected decline in non-focus portfolio. Group's reported EBITDA was affected by sales of discontinued products in Sweden. Adjusted EBITDA was EUR 0.3 million reflecting improved sales margin and applied cost structure savings in both Finland and Sweden.

In Sweden, Q1 net revenue increased by 10,2% vs. previous year in local currency SEK (excluding intercompany sales) and increased by 8,2% in EUR. Excluding the Freddy business the quarterly net revenue in SEK was +17,5% and in EUR +14,6% vs. previous year.

Sweden and Finland launched successful Celsius Peach Vibe flavor in Q1. Sweden also launched Celsius Passionfruit and Celsius Unlimited flavors at end of Q1.

Sweden's Q1 EBITDA was EUR -0.5 million (-0.3 vs PY) and adjusted EBITDA in Q1 was EUR 0.1 million (+0.3 vs PY). Finland's Q1 EBITDA was EUR -0.0 million (+0.1 vs PY) and adjusted EBITDA in Q1 was EUR 0.1 million (+0.1 vs PY). EBITDA in both countries was affected by sales of discontinued products. Adjusted EBITDA reflects successful launch performance and applied cost structure savings.

Total sales margin-% was at 25,7% vs. 32,7% in Q1 2018 and was mainly affected by sales of discontinued products.

Norway's impact to the Group's overall net revenue stayed at a low level in Q1.

The retail index for Sweden was -2,0% Q1 YTD. In Finland, the retail index was +0,4% Q1 YTD and the retail prices increased by 1,8%.

The Group started on 20th December 2018 a written procedure for waiving December 2018 bond coupon. Process was completed successfully on 23th January 2019 and amended terms including waiving the bond coupon retroactively became effective on the same date.

The company has been in event of default after non-payment of bond coupon interest at 26th March 2019. Standstill period was agreed with bondholders on 17th April 2019, which was to enable finalizing acquisition negotiations with potential buyer. Acquisition negotiations and standstill period ended on 9th May 2019. New discussions are underway with bondholders. As a result, most likely new standstill period will begin or bondholders will start a formal written procedure process during which shareholders and bondholders negotiate changes in ownership structure.

Quarterly report has been prepared in accordance with the going concern principle. Group's bond is due at 26th June 2019, but Group has been in event of default since 26th March 2019 due to non-payment of bond coupon interest. Negotiations with bondholders are underway. Ownership or financing structure of the Group is expected to change as a result of the negotiations without remarkable effect on business operations. However there is a risk that ownership restructuring and/or bond refinancing will not be successful. Many factors affect the result of the process, incl. Company's financial position, resulting in risk for going concern. Management estimates that despite the risks, going concern principle applies and restructuring or refinancing is expected to be successful. Therefore, management sees that financial statements have been prepared in accordance with the going concern principle.

Total consolidated EBIT for the Group was MEUR -1.4 for the quarter (MEUR -1.4 in Q1 2018). Investments in marketing decreased by MEUR 0.2 and other operating expenses decreased by MEUR 0.2, while personnel expenses decreased by MEUR 0.1 vs. PY. Total depreciations and amortizations decreased MEUR 0,1 compared to Q1 2018.

Consolidated cash and cash equivalents on 31st March 2019 amounted to MEUR 0.6 (MEUR 0.4 in the beginning of the year). The Group's net cash flow from operations in the quarter was MEUR +0.4, mainly driven by continued inventory reduction, less negative EBITDA and the non-payment of bond coupon interest. Net working capital at end of Q1 was MEUR -0.4.

Net cash flow from YTD investing activities was MEUR 0.1, and the Group had no loans withdrawn. Payments relating to financial leasing liabilities amounted to MEUR 0.1.

People's Choice AB has on-going case with Swedish tax office regarding incorrect 2016 tax form submission. Penalty fee is MEUR 0.4. People's Choice has made an appeal to amend the penalty fee into proportional level compared to the error. Company received negative decision in May 2019 and continues the appeal process. Appeal process usually takes 4-12 months before final decision is made and payment is due. The fee has been fully accrued in tax expenses in Q4 result.

The Group agreed standstill period with bondholders on 17th April 2019, which was to enable finalizing acquisition negotiations with potential buyer. Acquisition negotiations and current standstill period ended on 9th May 2019. However, discussions with all parties are continuing.

The Group estimates its net revenue and adjusted EBITDA to slightly grow from 2018. Risks related to estimate are described in going concern and risks sections.

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