

**FINANCIAL YEAR ENDED WITH STRONG FOURTH QUARTER, BOARD OF DIRECTORS PROPOSES 0.35 EUROS PER SHARE DISTRIBUTION FROM FUND FOR INVESTED UNRESTRICTED EQUITY**

**November 2015-January 2016 (November 2014-January 2015)**

- Chain-based net sales of continuing operations grew 15.2% (2.4%)
- Comparable net sales were 14.6 MEUR (12.9). Growth was 13.2%
- Comparable EBITDA was 1.17 MEUR (0.95). EBITDA growth was 22.5%
- Comparable EBIT was 0.85 MEUR (0.79)

**February 2015-January 2016 (February 2014-January 2015)**

- Chain-based net sales of continuing operations grew 9.7% (0.7%)
- Comparable net sales 56.4 MEUR (52.3). Growth was 7.9%
- Comparable EBITDA was 5.03 MEUR (4.20). Growth was 19.8%
- Comparable EBIT was 4.27 MEUR (3.72)
- Net gearing was 31.8 percent (634.2%)
- Equity ratio was 51.8 percent (9.3%)

**Guidance for the fiscal year 2017**

The Group estimates for the full financial year that the chain-based net sales from the continuing operations will grow by over 5 percent as compared to the previous fiscal year and that comparable EBITDA will grow as compared to the previous year.

**Board of director's proposal for distribution from Fund for invested unrestricted equity**

Board of directors proposes 0.35 Euros per share distribution from Fund for invested unrestricted equity.

**KEY FIGURES, EUR THOUSAND**

	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
<b>Comparable figures</b>				
Comparable net sales	14 605	12 899	56 370	52 226
Comparable EBITDA	1 165	951	5 026	4 196
Comparable EBITDA of net sales, %	8.0%	7.4%	8.9%	8.0%
Comparable EBIT	846	789	4 274	3 718
<b>Reported figures</b>				
Chain-based net sales of continuing operations	20 457	17 752	77 266	70 459
Reported net sales	14 605	12 899	56 370	52 226
Reported EBITDA	1 165	822	4 187	4 272
Reported EBITDA of net sales, %	8.0%	6.4%	7.4%	8.2%
Reported EBIT	846	660	3 435	3 794
Earnings per share	0.13	0.00	0.05	-0.43
Net cash flows from operating activities			-641	2 933
Net cash used in investment activities			-1 800	-1 084
Net gearing, %			31.8	634.2
Equity ratio, %			51.8	9.3

## Tommi Tervanen, CEO of Kotipizza Group

The fourth quarter of the financial year ended a historic year during which Kotipizza Group was listed on the Nasdaq OMX Helsinki stock exchange. The growth of group net sales also continued at a near-historic pace similar to that from earlier quarters of the financial year.

The sales in the Kotipizza chain continued on a good level, both in terms of comparable net sales and customer volumes. The chain-based sales of continuing operations increased 15.2% in November–January, being clearly above the average growth in the Finnish fast food market.

The growth in net sales is particularly significant considering that the net amount of Kotipizza restaurants continued to decrease during the review period. At the end of the period, the number of Kotipizza restaurants was 257 (260). The decrease in the number of restaurants is due to the consistent closing of non-profitable restaurants. At the same time, the chain also invests in the opening of new brick-and-mortar restaurants, so it can be estimated that the number of restaurants will start growing again during 2016. At the end of the review period, all Kotipizza restaurants were owned by franchisees apart from one restaurant used as a product development and training unit of the chain.

The Group has consistently developed the Kotipizza chain in the spirit of the fast casual phenomenon, that is, emphasizing the freshness, authenticity and sustainability of the food. Part of the same emphasis is the Mexican-style Chalupa chain started in September, 2015. At the end of the review period, two brick-and-mortar Chalupa restaurants were operating in Helsinki, and Chalupa products were available in one Kotipizza lunch restaurant.

Group net sales grew 13.2% in the last quarter of the year and were 14.6 MEUR (12.9). The chain-based sales of continuing operations increased 15.2% in the fourth quarter and 9.7% in the whole financial year. Comparable EBITDA was 1.17 MEUR (0.95) in the fourth quarter, a growth of 22.5%. Comparable EBITDA growth in the whole financial year was 20%. That means we were on pace with our medium-term financial goals, both in terms of the development of chain-based sales as well as that of EBITDA. The financial standing of the Group is also on a solid ground, net gearing was 32 percent and equity ratio 52 percent at the end of the financial year.

We don't expect any material changes to the chained fast food market this year compared to the previous year. The economic growth in Finland is expected to be slow and to underperform Eurozone. The development of the national economy has a direct impact to consumer demand and to demand for chained fast food. However, according to the statistics demand growth for fast food has been stable, surely following the overall economic development, during the past 15 years in Finland.

The growth of our chain-based net sales exceeded the market growth for chained fast food in year 2015. Some of the contributing factors for the growth were the ongoing concept renewal in Kotipizza, innovative R&D and sustainable procurement. We don't see any such structural changes in the market place that we would not expect our chain based net sales to grow in line with the fast food market growth in Finland or even to exceed the market growth in 2016.

Therefore, we estimate the group's chain-based net sales from the continuing operations will during the present financial year grow by over 5% as compared to the previous financial year, and the comparable gross margin/EBITDA will grow as compared to the previous financial year.

## **GROUP NET SALES**

### **November 2015-January 2016**

Chain-based net sales of the continuing operations grew 15.2% (2.4%) year on year in the fourth quarter of the fiscal year and were 20.5 MEUR (17.8). The chain-based net sales of the continuing operations is the total combined net sales of the company's franchisees, based on which the company's franchising fees are invoiced monthly. It also includes sales of the restaurants owned directly by the group. The chain-based net sales of the continuing operations in the financial year ending 31 January 2015 do not include the chain-based net sales of the 55 Burger, Cola, Fries segment divested during the financial year.

Group comparable net sales for the fourth quarter of the financial year were 14.6 MEUR (12.9) and they grew 13.2% compared to same period in the previous year. Reported net sales were 14.6 MEUR (12.9). Sales growth was mainly based on Foodstock's increased sales volume to Kotipizza chain and new customers of Foodstock. The net sales of Foodstock grew 16.4% year on year in the fourth quarter of the fiscal year. The Kotipizza segment's net sales declined 2.0% compared to the previous year and were 3.0 MEUR (3.1). The Chalupa segment's net sales in the fourth quarter of the financial year were 0.2 MEUR (0.0).

The net sales of the discontinued operations were 0.0 MEUR in the fourth quarter. In the same period of the previous year the net sales of the discontinued operations were 0.8 MEUR.

### **February 2015-January 2016**

Chain-based net sales of the continuing operations grew 9.7% (0.7%) year on year in the financial year and were 77.3 MEUR (70.5).

Group comparable net sales for the financial year were 56.4 MEUR (52.2) and they grew 7.9% compared to same period in the previous year. Reported net sales were 56.4 MEUR (52.2). The sales growth was mainly based on Foodstock's increased sales volume to the Kotipizza chain. The net sales of Foodstock grew 10.4% year in the financial year. The Kotipizza segment's net sales were down 3.8% compared to the previous year and were 11.8 MEUR (12.3). The decline in net sales was mainly due to the smaller number of restaurants directly owned by the Group. The restaurants directly owned by the segment are consolidated in full, and due to this their number may have a material effect on the consolidated figures. The Chalupa segment's net sales in the financial year were 0.4 MEUR (0.0).

The net sales of the discontinued operations were 0.0 MEUR in the fourth quarter and they declined 0.8 MEUR as compared to the net sales of 0.8 MEUR for the twelve months period ending 31 January 2015.

## **GROUP EBIT**

### **November 2015-January 2016**

Comparable EBIT of the Group was 0.85 MEUR (0.79) in the fourth quarter of the financial year. Reported EBIT was 0.85 MEUR (0.66). Reported EBIT did not include items affecting comparability. Comparable EBIT for the fourth quarter includes 0.05 MEUR inventory write downs and 0.05 MEUR of costs related to relocation of Group headquarters, which have been treated as operational costs. Operational gearing based on increased sales volumes together with the smaller number of loss making Kotipizza segment's directly owned restaurants had a positive impact on EBIT. Increased amount of depreciation (calculational, non-cash) had a negative impact on EBIT.

### **February 2015-January 2016**

Comparable EBIT of the Group was 4.28 MEUR (3.72) in the financial year. Reported EBIT was 3.44 MEUR (3.80). Reported EBIT includes 0.84 MEUR of items affecting comparability. Out of items affecting comparability 0.23 MEUR were due to nonrecurring costs related to initial public offering of company's shares to the Nasdaq OMX Helsinki Oy's stock exchange and 0.50 MEUR due to closing permanently down Kotipizza Oyj's previous headquarters in Vaasa. These items affecting comparability were cash based. In addition reported EBIT includes 0.12 MEUR non-cash deferral error related to Foodstock's inventory as an item affecting comparability. Operational gearing based on increased sales volumes had a positive impact on EBIT. Increased amount of depreciation (calculational, non-cash) had a negative impact on the EBIT.

## SALES AND EBITDA OF THE SEGMENTS

<b>KOTIPIZZA SEGMENT</b>				
EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	3 035	3 096	11 784	12 251
Comparable gross margin/EBITDA	1 379	1 260	5 465	4 170
Internal eliminations related to discontinued operations	0	0	0	94
Depreciation and impairments	-269	-106	-584	-340
Comparable EBIT	1 110	1 154	4 881	3 830
Reported gross margin/EBITDA	1 379	1 148	5 196	4 152
Reported EBIT	1 110	1 042	4 612	3 812

### **Olli Väätäinen, COO of Kotipizza Oyj**

“The Kotipizza chain continued to reform strongly in the spirit of the fast casual phenomenon during the review period, modernizing its menu and continuing a facelift of the restaurant design. Part of the reform was also the continuing closing of non-profitable restaurants while also investing in the opening of new ones. At the end of the review period, the number of restaurants was 257 (260). Particularly strong were the investments made in the development of the online store. At the end of the review period, orders made through the online store amounted to nearly a tenth of the net sales in brick-and-mortar restaurants.”

### **November 2015-January 2016**

Net sales of Kotipizza for the fourth quarter of the financial year were 3.04 MEUR (3.10) and they declined 2.0% compared to same period in the previous year. The decline in net sales was mainly due to the smaller number of restaurants directly owned by the segment. The restaurants directly owned by the segment are consolidated in full, and due to this their number may have a material effect on the consolidated figures. During the fourth quarter of the year the number of directly owned restaurants averaged one (1) and it averaged five (5) during the same period in the previous year.

Kotipizza’s comparable EBITDA of was 1.38 MEUR (1.26) in the fourth quarter of the financial year and it grew 9.4% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due to reduced number of directly owned loss-making restaurants, restructuring measures implemented in the segment’s operations and favourable development of chain-based net sales in Kotipizza. Reported EBITDA was 1.38 MEUR (1.15) in fourth quarter of the financial year. Reported EBITDA in Kotipizza did not include items affecting comparability in the fourth quarter. The previous year’s comparable EBITDA for the fourth quarter has been adjusted with 0.11 MEUR items affecting comparability related to restructuring Kotipizza’s Swedish operations.

### **February 2015-January 2016**

Net sales of Kotipizza for the financial year were 11.78 MEUR (12.25) and they declined 3.8% compared to same period in the previous year. The decline in net sales was mainly due to the smaller number of restaurants directly owned by the segment. The restaurants directly owned by the segment are consolidated in full, and due to this their number may have a material effect on the consolidated figures. During the fourth quarter of the year the number of directly owned restaurants averaged one (1) and it averaged eight (8) during the same period in the previous year.

Kotipizza’s comparable EBITDA of was 5.47 MEUR (4.17) in February-October and it grew 31.1% compared to same period in the previous year. The improvement in comparable EBITDA was mainly due to reduced number of directly owned loss-making restaurants, restructuring measures implemented in the segment’s operations and favourable development of chain-based net sales in Kotipizza. On the other hand comparable EBITDA was burdened by double administration costs during the first four months of the review period. Kotipizza’s reported EBITDA was 5.20 MEUR (4.15) in the financial year and it grew 25.1% compared to the previous year. Reported EBIT includes 0.27 MEUR of items affecting comparability. Items affecting comparability were cash based, nonrecurring costs related to closing down

company's old headquarters in Vaasa. Internal eliminations related to sold Francount business operations have been returned to the comparable EBITDA as an item affecting comparability for the previous year. Equivalent costs related to financial management are the segment's direct costs in the current corporate structure. The previous year's comparable EBITDA for the fourth quarter has been adjusted with 0.11 MEUR items affecting comparability related to restructuring Kotipizza's Swedish operations.

#### **FOODSTOCK SEGMENT**

EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	11 396	9 794	44 096	39 954
Comparable gross margin/EBITDA	218	-144	964	657
Internal eliminations related to discontinued operations	0	8	0	136
Depreciation and impairments	-28	-50	-113	-114
Comparable EBIT	190	-194	851	543
Reported gross margin/EBITDA	218	-136	849	793
Reported EBIT	190	-186	736	679

#### **Anssi Koivula, CEO of Helsinki Foodstock Oy**

"The most significant development of the review period was that the Subway chain renewed in December its contract with Foodstock for the next five-year period. In December, Foodstock also entered a co-operation with the Fafa's chain. Within the Group, Foodstock's operations have been especially affected by the Kotipizza chain's growing emphasis on the sustainability and local ingredients. Foodstock has also taken part in the planning of the sourcing of the ingredients for the Chalupa chain. Chalupa's sourcing has gradually been shifted to us and we are now responsible for a majority of the chain's sourcing."

#### **November 2015-January 2016**

Net sales of Foodstock for the fourth quarter of the financial year were 11.40 MEUR (9.80) and they grew 16.4% compared to same period in the previous year. The growth in net sales was mainly due to favourable development of Kotipizza chain-based net sales, which had a positive boost to Foodstock's delivery volumes for the chain. The positive volume effect of Foodstock's new customers also started to be visible in the reported numbers.

Foodstock's comparable EBITDA improved and was 0.22 MEUR (-0,14) in the fourth quarter of the financial year. Foodstock's reported EBITDA was 0.22 MEUR (-0,14) in the fourth quarter of the financial year. Reported EBITDA did not include items affecting comparability in the fourth quarter. Internal eliminations related to sold Francount business operations have been returned to the comparable EBITDA as an item affecting comparability for the previous year. Equivalent costs related to financial management are the segment's direct costs in the current corporate structure.

#### **February 2015-January 2016**

Net sales of Foodstock for February-October were 44.10 MEUR (40.00) and they grew 10.4% compared to same period in the previous year. The growth in net sales was mainly due to increased sales volume to the Kotipizza chain and new customers won at the end of the financial year.

Foodstock's comparable EBITDA was 0.96 MEUR (0.66) in the financial year and it increased 46.7% compared to the same period in the previous year. Foodstock's reported EBITDA was 0.85 MEUR (0.79) in the financial year and it increased 7.1% from the previous year. Reported EBIT includes 0.12 MEUR non-cash deferral error related to Foodstock's inventory as an item affecting comparability. Internal eliminations related to sold Francount business operations have been returned to the comparable EBITDA as an item affecting comparability for the previous year. Equivalent costs related to financial management are the segment's direct costs in the current corporate structure.

**CHALUPA SEGMENT**

EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	165	0	443	0
Comparable gross margin/EBITDA	1	0	-66	0
Internal eliminations related to discontinued operations	0	0	0	0
Depreciation and impairments	-9	0	-18	0
Comparable EBIT	-8	0	-84	0
Reported gross margin/EBITDA	1	0	-66	0
Reported EBIT	-8	0	-84	0

**Iman Gharagozlu, Creative Director of Chalupa Oy**

“The first restaurant of the Chalupa chain was opened in September 2015, and our experiences since then have been a testament to our faith in fast casual concepts, that is, that Finns prefer fresh and responsibly produced, reasonably-priced food to industrial fast food. At the end of the review period, two Chalupa restaurants operated in Helsinki, and Chalupa products were available at one Kotipizza lunch restaurant. From the point of view of the future of the chain, the period’s most important task was the refining, testing and documentation of the Chalupa concept so that the chain can start expanding on a franchising basis.”

**November 2015-January 2016**

Chalupa’s net sales were 0.17 MEUR (0.00) in the fourth quarter of the financial year and comparable EBITDA together with reported EBITDA was 0.00 MEUR (0.00). After the review period, Chalupa opened a new restaurant in Kauniainen and signed a rental agreement to open a new restaurant in Tampere in March–April 2016. The completion of the franchising prospectus is on schedule and it is expected that first franchisee entrepreneurs will start operations in the spring 2016.

**February 2015-January 2016**

Chalupa’s net sales were 0.44 MEUR (0.00) in the financial year and comparable EBITDA together with reported EBITDA was -0.07 MEUR (0.00). Chalupa commenced its true business operations during the third quarter of the financial year due to delay in building permit process for the first restaurant.

**OTHERS-SEGMENT**

EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	9	9	47	21
Comparable gross margin/EBITDA	-433	-165	-1 337	-631
Internal eliminations related to discontinued operations	0	-25	0	-42
Depreciation and impairments	-13	-6	-37	-24
Comparable EBIT	-446	-171	-1 374	-655
Reported gross margin/EBITDA	-433	-190	-1 792	-673
Reported EBIT	-446	-196	-1 829	-697

Others segment includes mainly operations of the group headquarters.

**November 2015-January 2016**

Net sales of the Others segment were 0.00 MEUR (0.00) in the fourth quarter of the financial year. Comparable EBITDA was -0.43MEUR (-0.17). Reported EBITDA was -0.43 MEUR (-0.19). Reported EBITDA did not include items affecting comparability. Internal eliminations related to sold Francount business operations have been returned to the comparable EBITDA as an item affecting comparability for

the previous year. Equivalent costs related to financial management are the segment's direct costs in the current corporate structure.

### **February 2015-January 2016**

Net sales of the Others segment were 0.05 MEUR (0.02) in the financial year. Comparable EBITDA was -1.34 MEUR (-0.63). Comparable EBITDA was still burdened by double administration costs. Kotipizza's old headquarters in Vaasa was closed down on 31 May 2015. Reported EBITDA was -1.79 MEUR (-0.67). Reported EBITDA includes 0.46 MEUR of items affecting comparability. Out of items affecting comparability 0.23 MEUR were related to nonrecurring costs related to listing of company's shares to Nasdaq OMX Helsinki stock exchange and 0.23 MEUR nonrecurring costs related to closing down Kotipizza's Vaasa office. All items affecting comparability were on cash bases. Internal eliminations related to sold Francount business operations have been returned to the comparable EBITDA as an item affecting comparability for the previous year. Equivalent costs related to financial management are the segment's direct costs in the current corporate structure.

### **FINANCIAL ITEMS AND RESULT**

Finance costs of the Group were 3.01 MEUR (3.27). In addition to the normal finance costs 0.90 MEUR nonrecurring cost related to early redemption of the company's 30 MEUR unsecured bond on 11 August 2015 has been booked to the finance costs.

Group taxes were -0.12 MEUR (-0.18) in the financial year.

The result of the period was -0.33 MEUR (0.38) in the financial year.

Earnings per share were 0.05 EUR (-0.43) in the financial year.

### **THE GROUP'S FINANCIAL POSITION**

Kotipizza Group's balance sheet total as of 31 October 2015 was 56.5 MEUR (52.4). The Group's non-current assets as at 31 January 2016 amounted to 40.0 MEUR (38.5), and current assets amounted to 16.5 MEUR (13.8).

The Group's net cash flow from operating activities for the financial year was -0.6 MEUR (2.9). Working capital was released the amount of EUR 0.05 MEUR (released 0.50).

The net cash flow from investment activities for the period was -1.8 MEUR (-1.1). Investments in tangible and intangible assets for the period amounted to -2.0 MEUR (-1.2), and proceeds from sales of tangible assets were 0.17 MEUR (0.15).

The net cash flow from financing activities was 5.3 MEUR (0.10).

The Group's equity ratio was 51.8% (9.0%). The increase in equity ratio was due to share issue implemented and transferring company's shareholder loan and interest related to shareholder loan into equity in accordance with the initial public offering. Initial public offering costs related to old shares of the company amounting 0.23 MEUR are booked to P&L having an income effect and costs related to issued shares adjusted with calculated taxes altogether 1.04 MEUR are booked into equity.

Interest-bearing debt without contingent considerations measured at fair value amounted to 17.4 MEUR (36.0), of which current debt accounted for 1.0 MEUR (0.18). Kotipizza Group Oyj redeem in full its three-year unsecured bond with a nominal value 30 MEUR on 11 August 2015 with the proceeds from the 4 June 2015 announced and 6 October 2015 implemented Initial Public Offering and the new 17.0 MEUR term loans withdrawn on 7 August 2015. New term loans have covenants.

Further information on Kotipizza Group's financial risks is presented in the financial statements for the year 2015 and in the company's prospectus released on 4 June 2015.

## **INVESTMENTS**

The gross investments for the period amounted to -2.0 MEUR (-1.2). The Company's investments to fixed assets, related mainly to IT systems, amounted to -2.0 MEUR (-1.2). Gross investments related to acquisitions of subsidiaries amounted to 0.02 MEUR (0.00).

## **PERSONNEL**

On 31 October 2015, Kotipizza Group employed 38 people, all of who worked in Finland. At the end of the previous financial year 31 January 2015, the Company employed 33 people, all of who worked in Finland. At the end of the financial year ending 31 January 2014, the number of personnel was 53 employees, and a year earlier it was 52 employees.

## **BUSINESS ARRANGEMENTS**

The Group expanded during the review period by establishing a new joint venture. Kotipizza Group, Chalupa Oy and Think Drinks Oy signed a shareholder agreement concerning Chalupa Oy on 13 March 2015. Kotipizza Group owns 60 percent of the joint venture and Think Drinks Oy owns the remaining 40 percent.

## **CHANGES IN THE MANAGEMENT**

There were no changes in Kotipizza Group's operative management, Board of Directors or Management Board during the period.

## **MANAGEMENT BOARD**

Kotipizza Group's Management Board comprises five members: Tommi Tervanen (CEO), Timo Pirskanen (CFO), Olli Väättäinen (Chief Operating Officer), Anssi Koivula (Chief Procurement Officer) and Antti Isokangas (Chief Communications and Corporate Responsibility Officer).

## **SHARES AND SHARE CAPITAL**

Kotipizza Group Oyj's share capital at the end of the review period was EUR 80,000.00 and it comprised 6,351,201 shares. At the beginning of the review period 1 February 2015 the number of the shares was 544,275,188. Extraordinary general meeting of Kotipizza Group Oyj decided on combining shares in accordance with the Finnish companies act 15 chapter 9 §, after which the number of shares decreased to 1,251,201. In accordance with the Initial Public Offering altogether 5,100,000 shares were issued. The Company has one share class and each share entitles to one vote in the Company's general meeting. All shares carry equal rights to dividends and other distribution of assets by the Company. At the end of the period, the Company had 549 (9) shareholders. The Company does not hold any treasury shares.

Information about the company's shareholder structure by sector and size of holding, the largest shareholders and Board of Director and Corporate Management Board interests can be viewed on the company's website at [www.kotipizzagroup.com](http://www.kotipizzagroup.com).

## **RESOLUTIONS OF THE GENERAL MEETINGS**

Kotipizza Group's extraordinary general meeting held on 2 March 2015 resolved to change the name of the Company from Frankis Group Oyj to Kotipizza Group Oyj.

Kotipizza Group's extraordinary general meeting held on 28 May 2015 resolved to change certain sections, like the redemption clause and the consent clause, in the articles of association, adding company's shares into the book-entry system and authorizing the Board of directors to decide on share issue in accordance with the potential Initial Public Offering. New articles of association were registered to the trade register.

Company's annual general meeting held on 29 May 2015 discussed about company's financial statements for the period ending 31 January 2015 and verified its P&L and balance sheet, resolved on distribution of profits, granted discharge from liability to CEO and the Board of directors, confirmed fees

for the members of the Board of directors and chose auditors. Johan Wentzel, Mikael Autio, Kim Hanslin, Minna Nissinen, Petri Parvinen and Kalle Ruuskanen were chosen to continue as members of the Board of directors. Authorised public accountants firm Ernst & Young Oy with public accountant Mikko Järventausta were elected as auditors.

Company's extraordinary general meeting held on 3 June 2015 discussed about company's corrected financial statements for the period ending 31 January 2015 and verified its P&L and balance sheet, resolved on distribution of profits, granted discharge to CEO and the Board of directors, confirmed fees for the members of the Board and chose auditors. Johan Wentzel, Mikael Autio, Kim Hanslin, Minna Nissinen, Petri Parvinen and Kalle Ruuskanen were chosen to continue as members of the Board. Authorised public accountants firm Ernst & Young Oy with public accountant Mikko Järventausta were elected as auditors.

## **RISKS AND UNCERTAINTIES**

In the long term, Kotipizza Group's operative risks and uncertainties relate to a possible failure in predicting consumer preferences and in creating attractive new concepts, as well as to new business risks related to possible expansion to new cities and abroad. The competitive situation is expected to remain harsh in the fast food industry. Company's management cannot affect the general market development and consumer behaviour with its actions.

Restaurant openings also have a material impact on company's franchising, rent, entry, building, operating system, training and other income, income received from selling raw materials and supplies and transport and flow of goods related income and thus to the company's financial result.

Kotipizza Group is currently launching a new fast casual concept, which is reported as Chalupa segment. Launching a new business concept has several risks related e.g. anticipation of consumer needs, habits, taste and behaviour. Launching a new concept has a risk of not reaching an established position at the market and not having a well-established clientele. Failure in launching a new concept causes costs to the company and has a material adverse impact on company's brand, financial position and financial result.

## **EVENTS AFTER THE REPORT PERIOD**

Danske Bank A/S announced on March 8, 2016, pursuant to the Finnish Securities Markets Act chapter 9, section 10, that its holding in Kotipizza Group Oyj had increased above (5) percent (1/20) of the share capital on March 8, 2016.

## **OUTLOOK FOR THE FINANCIAL YEAR 2017**

Demand for chained fast food is estimated to remain stable. The economic growth in Finland is expected to be slow and to clearly underperform Eurozone. According to estimates the national economy in Finland is expected to remain on the previous years' level or to even slightly decline. The development of the national economy has a direct impact to consumer demand and to demand for chained fast food. According to the Finnish Hospitality Association (MaRa) the turnover of the chained based fast food restaurants in Finland grew 5.7% in 2015. Demand for fast food has according to statistics remained relatively stable, surely following the overall development of the economy. According to MaRa's statistics turnover of the chained based fast food restaurants in Finland has grown 2.2 percent a year (CAGR) in years 2000-2015.

The growth of our chain-based net sales exceeded the market growth for chained fast food in year 2015 based on the ongoing concept renewal in Kotipizza, innovative R&D and sustainable procurement. According to the Group management, there are currently no such structural changes seen in the market place that the management would not expect company's chain based net sales to grow in line with the fast food market growth in Finland or even to exceed the market growth in 2016.

The Company estimates the chain-based net sales of the continuing operations will grow during the present financial year by over 5 percent as compared to the previous financial year, and the comparable gross margin (EBITDA) will grow as compared to the previous financial year.

### **Board of director's proposal for distribution from Fund for invested unrestricted equity**

Board of directors proposes 0.35 Euros per share distribution from the Fund for invested unrestricted equity for the financial year 1 February 2015-31 January 2016.

### **ACCOUNTING POLICIES**

Kotipizza Group's unaudited financial statements bulletin for the twelve-month period ending 31 January 2016, including the audited comparison figures for the twelve-month period ending 31 January 2015, have been prepared according to IAS 34 and applying the same accounting principles that were used in the previous audited full year financial statements.

## SUMMARY OF THE FINANCIAL STATEMENT AND NOTES

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
	000 €	000 €	000 €	000 €
<b>Continuing operations</b>				
<b>Net sales</b>	<b>14 605</b>	<b>12 899</b>	<b>56 370</b>	<b>52 226</b>
Other income	58	20	126	65
Change in inventory of raw materials and finished goods (+/-)	-285	-188	458	-239
Raw materials and finished goods (-)	-11 292	-10 089	-45 106	-40 670
Employee benefits/expenses (-)	-839	-818	-3 605	-2 787
Depreciations (-)	-302	-147	-735	-463
Impairments (-)	-17	-15	-17	-15
Goodwill impairment (-)	0	0	0	0
Contingent consideration (-)	0	0	0	0
Other operating expenses (-)	-1 082	-1 002	-4 056	-4 323
<b>Operating profit</b>	<b>846</b>	<b>660</b>	<b>3 435</b>	<b>3 794</b>
Finance income	9	10	28	35
Finance costs	-191	-830	-3 011	-3 265
<b>Loss / profit before taxes from continuing operations</b>	<b>664</b>	<b>-160</b>	<b>452</b>	<b>564</b>
Income taxes	145	-6	-124	-181
<b>Loss / profit for the period from continuing operations</b>	<b>809</b>	<b>-166</b>	<b>328</b>	<b>383</b>
<b>Discontinued operations</b>				
Loss after tax for the period from discontinued operations	0	-734	-113	-918
<b>Loss / profit for the period</b>	<b>809</b>	<b>-900</b>	<b>215</b>	<b>-535</b>
Earnings per share, EUR:				
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0,13	0,00	0,05	-0,43
Earnings per share for continuing operations, EUR:				
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0,13	0,00	0,08	0,31

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
	000 €	000 €	000 €	000 €
<b>Profit (loss) for the period)</b>	<b>809</b>	<b>-900</b>	<b>215</b>	<b>-535</b>
<b>Other comprehensive income:</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Cash flow hedges			-367	0
Exchange differences on translation of foreign operations	0	1	0	-9
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-71</b>	<b>1</b>	<b>-367</b>	<b>-9</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-57</b>	<b>1</b>	<b>-294</b>	<b>-9</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>752</b>	<b>-899</b>	<b>-79</b>	<b>-544</b>
<b>Attributable to:</b>				
Owners of the company	756	-899	-45	-544
Non-controlling interest	-4	0	-34	0
	752	-899	-79	-544

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.1.2016	31.1.2015
	000 €	000 €
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 002	808
Goodwill	35 819	35 819
Intangible assets	2 118	1 229
Non-current financial assets	2	2
Non-current receivables	783	574
Deferred tax assets	289	90
	<b>40 013</b>	<b>38 522</b>
<b>Current assets</b>		
Inventories	3 385	2 938
Trade and other receivables	4 945	5 449
Current tax receivables	58	230
Prepayments	0	0
Cash and cash equivalents	8 099	5 201
	<b>16 487</b>	<b>13 818</b>
<b>Assets classified as held for sale</b>	<b>19</b>	<b>82</b>
<b>Total Assets</b>	<b>56 519</b>	<b>52 422</b>
	<b>31.1.2016</b>	<b>31.1.2015</b>
	<b>000 €</b>	<b>000 €</b>
<b>Equity and liabilities</b>		
Share capital	80	80
Translation differences	0	0
Fund for invested unrestricted equity	29 818	5 362
Retained earnings	-624	-579
Non-controlling interests	-14	0
<b>Total equity</b>	<b>29 260</b>	<b>4 863</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	16 363	35 860
Financial liabilities at fair value through profit or loss	367	179
Other non-current liabilities	2 462	3 850
Deferred tax liabilities	54	85
	<b>19 246</b>	<b>39 974</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	1 041	183
Trade and other payables	6 882	7 307
Provisions	90	0
Current tax liabilities	0	10
	<b>8 013</b>	<b>7 500</b>
<b>Liabilities related to assets held for sale</b>	<b>0</b>	<b>85</b>
<b>Total liabilities</b>	<b>27 259</b>	<b>47 559</b>
<b>Total shareholders' equity and liabilities</b>	<b>56 519</b>	<b>52 422</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Equity attributable to owners of the company

EUR THOUSAND	Share capital	Fund for invested unrestricted equity	Retained earnings	Translation differences	Non-controlling interest	Total equity
<b>1 February 2015</b>	80	5 362	-579	0	0	4 863
Result for the period	0	0	249	0	-34	215
Other comprehensive income	0	0	-294	0	0	-294
Total incomprehensive income for the period	0	0	-45	0	-34	-79
Share issue	0	25 501	0	0	20	25 521
Initial public offering costs		-1 045	0	0	0	-1 045
Other change	0	0	0	0	0	0
Dividends	0	0	0	0	0	0
<b>31 January 2016</b>	<b>80</b>	<b>29 818</b>	<b>-624</b>	<b>0</b>	<b>-14</b>	<b>29 260</b>

### Equity attributable to owners of the company

EUR THOUSAND	Share capital	Fund for invested unrestricted equity	Retained earnings	Translation differences	Non-controlling interest	Total equity
<b>1 February 2014</b>	80	5 362	-55	16	0	5 403
Result for the period	0	0	-535	0	0	-535
Other comprehensive income	0	0	0	-9	0	-9
Total incomprehensive income for the period	0	0	-535	-9	0	-544
Dividends	0	0	0	0	0	0
Other change	0	0	11	-7	0	4
<b>31 January 2015</b>	<b>80</b>	<b>5 362</b>	<b>-579</b>	<b>0</b>	<b>0</b>	<b>4 863</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>2/15-1/16</u>	<u>2/14-1/15</u>
	<b>000 €</b>	<b>000 €</b>
<b>Operating activities</b>		
Profit before tax	452	564
Loss for discontinued operations	-140	-1039
<b>Adjustments to reconcile profit before tax to net cash flows</b>		
Depreciation of property, plant and equipment	278	190
Depreciation and impairment of intangible assets	474	288
Depreciation and write-downs of discontinued operations	0	478
Contingent considerations	0	0
Gain on disposal of property, plant and equipment	-50	0
Finance income	-28	-35
Finance costs	3011	3265
<b>Change in working capital</b>		
Change in trade and other receivables (+/-)	578	835
Change in inventories (+/-)	-428	325
Change in trade and other payables (+/-)	-50	728
Change in provisions (+/-)	90	-31
Interest paid (-)	-5 058	-2640
Interest received	28	35
Income tax paid (-)	172	-30
<b>Net cash flows from operating activities</b>	<b>-671</b>	<b>2933</b>
<b>Investing activities</b>		
Acquisition of subsidiaries	20	0
Investments for tangible assets (-)	-611	-592
Investments for non-tangible assets (-)	-1364	-638
Repayment for loan assets	0	0
Proceeds from sale of assets-held-for-sale	0	0
Sale of property, plant and equipment	185	146
<b>Net cash flows used in investing activities</b>	<b>-1770</b>	<b>-1084</b>
<b>Financing activities</b>		
Funds received from the share issue	24194	0
Loans withdrawal	17000	0
Loans repayments (-)	-36074	0
Finance lease payments (+/-)	219	97
<b>Net cash flow used in financing activities</b>	<b>5339</b>	<b>97</b>
Net change in cash and cash equivalents	2898	1946
Cash and cash equivalents at 1 February	5201	3255
<b>Cash and cash equivalents at 31 October</b>	<b>8099</b>	<b>5201</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SEGMENT INFORMATION

Reported segment information of the Group has been changed due to establishing the new Chalupa segment. Franchising and Kotipizza segments in the previous audited financial statements have been combined to the Kotipizza segment and Wholesale segment is now reported as the Foodstock segment. In addition to these operational segments a new operational Chalupa segment has been established. Business administration segment in the previous audited financial statements is now reported as Others segment.

#### KOTIPIZZA-SEGMENT

EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	3 035	3 096	11 784	12 251
Comparable gross margin/EBITDA	1 379	1 260	5 465	4 170
Internal eliminations related to discontinued operations	0	0	0	94
Depreciation and impairments	-269	-106	-584	-340
Comparable EBIT	1 110	1 154	4 881	3 830
Reported gross margin/EBITDA	1 379	1 148	5 196	4 152
Reported EBIT	1 110	1 042	4 612	3 812

#### FOODSTOCK-SEGMENT

EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	11 396	9 794	44 096	39 954
Comparable gross margin/EBITDA	218	-144	964	657
Internal eliminations related to discontinued operations	0	8	0	136
Depreciation and impairments	-28	-50	-113	-114
Comparable EBIT	190	-194	851	543
Reported gross margin/EBITDA	218	-136	849	793
Reported EBIT	190	-186	736	679

#### CHALUPA-SEGMENT

EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	165	0	443	0
Comparable gross margin/EBITDA	1	0	-66	0
Internal eliminations related to discontinued operations	0	0	0	0
Depreciation and impairments	-9	0	-18	0
Comparable EBIT	-8	0	-84	0
Reported gross margin/EBITDA	1	0	-66	0
Reported EBIT	-8	0	-84	0

**OTHERS SEGMENT**

EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	9	9	47	21
Comparable gross margin/EBITDA	-433	-165	-1 337	-631
Internal eliminations related to discontinued operations	0	-25	0	-42
Depreciation and impairments	-13	-6	-37	-24
Comparable EBIT	-446	-171	-1 374	-655
Reported gross margin/EBITDA	-433	-190	-1 792	-673
Reported EBIT	-446	-196	-1 829	-697

**ALL SEGMENTS TOGETHER**

EUR THOUSAND	11/15-1/16	11/14-1/15	2/15-1/16	2/14-1/15
Net sales	14 605	12 899	56 370	52 226
Comparable gross margin/EBITDA	1 165	951	5 026	4 196
Internal eliminations related to discontinued operations	0	-17	0	188
Depreciation and impairments	-319	-162	-752	-478
Comparable EBIT	846	789	4 274	3 718
Reported gross margin/EBITDA	1 165	822	4 187	4 272
Reported EBIT	846	660	3 435	3 794

## NOTE 2. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The non-current assets held for sale and discontinued operations relate to Kotipizza Segment's Russian operations, Domi-pizzapalat, sale of Franchising segment's 55 Burger, Cola, Fries concept and divestment of the Financial management services segment. Selling price of the both divested businesses, Financial management services and 55 Burger, Cola, Fries concept, was 1 euro. Liquidation of the Russian company was completed on 29 October 2014.

	<b>31/01/16</b>	<b>31/01/15</b>
	<b>2016</b>	<b>2015</b>
	<b>000 €</b>	<b>000 €</b>
Net sales	32	824
Other operating income	0	16
Depreciation	0	-57
Expenses	-144	-1240
<b>Operating loss (EBIT)</b>	<b>-112</b>	<b>-457</b>
Finance costs	0	-8
Capital loss related to discontinued operations	-28	-574
Loss for the period from a discontinued operation before tax	-140	-1039
Tax impact	27	121
<b>Loss for the period from the discontinued operations</b>	<b>-113</b>	<b>-918</b>
Earnings per share for discontinued operations, EUR:		
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)		
	-0,0271	-0,7337

The major classes of assets and liabilities related to discontinued operations:

	<b>31/01/16</b>	<b>31/01/15</b>
	<b>2016</b>	<b>2015</b>
	<b>000 €</b>	<b>000 €</b>
<b>Assets</b>		
Inventories	0	19
Trade receivable and other receivables	19	63
<b>Assets related to discontinued operations</b>	<b>19</b>	<b>82</b>
<b>Liabilities</b>		
Received collaterals	0	15
Other liabilities	0	11
Accrued expenses	0	59
<b>Liabilities related to discontinued operations</b>	<b>0</b>	<b>85</b>

Cash flows related to discontinued operations are not reported separately, and due to this, the information cannot be accurately reported.

### NOTE 3. RELATED PARTY TRANSACTIONS

Parties are considered to be related when a party has control or significant influence over the other party relating to decision-making in connection to its finances and business. The Group's related parties include the parent company, subsidiaries, members of the board of directors and management board, managing director and their family members. The key management comprises the members of the management board. The table below sets forth the total amounts of related party transactions carried out during the period. The terms and conditions of the related party transactions correspond terms and conditions applied to transactions between independent parties.

	Interest paid	Amounts owed to related parties	Purchases from related parties	Outstanding trade payables	Sales to related parties	Outstanding trade receivables
	000 €	000 €	000 €	000 €	000 €	000 €
Key management of the group						
2/15-1/16			94	3		
2/14-1/15			41	0		
Other related parties						
2/15-1/16	0		614	30	228	8
2/14-1/15	120		392	90	217	63
Controlling entities						
2/15-1/16	156					
2/14-1/15	292					
Companies controlled by the members of the Board						
2/15-1/16			3	0		
2/14-1/15			102	0		

	2/15-1/16		2/14-1/15	
	Salaries	Pension expenses	Salaries	Pension expenses
	000 €	000 €	000 €	000 €
Management and key personnel of the Group:	710	135	1033	186

The salaries of the Group's management and key personnel include car and telephone benefits, and there are no other benefits. No benefits are applied after service, and the Group has not paid any share-based payments. Key management personnel have not been granted a loan, and the Group has not guaranteed loans to the management personnel.

Managing director and board members:	2/15-1/16		2/14-1/15	
	Salaries	Pension expenses	Salaries	Pension expenses
	000 €	000 €	000 €	000 €
Tommi Tervanen, CEO	218	41	205	36
Johan Wentzel, Chairman of the Board	7	0	6	0
Rabbe Grönbom, Board member until 10 September 2014	0	0	4	0
Kim Hanslin, Board member	24	0	8	0
Olli Väätäinen, Board member until 23 January 2015	0	0	8	0
Minna Nissinen, Board member from 1 January 2015	24	0	2	0
Petri Parvinen, Board member from 1 January 2015	24	0	2	0
Kalle Ruuskanen, Board member from 1 January 2015	24	0	2	0
Mikael Autio, Board member from 1 February 2015	7	0	0	0

#### NOTE 4. EMPLOYEE BENEFITS EXPENSE

All employee benefits expenses are included in administrative (fixed) expenses.

	2/15-1/16	2/14-1/15
	000 €	000 €
Wages and salaries	2 981	2 265
Social security costs	103	103
Pension costs (defined contribution plans)	521	419
<b>Total employee benefits expense</b>	<b>3 605</b>	<b>2 787</b>

#### NOTE 5. CONTINGENT LIABILITIES

<u>Commitments</u>	31/01/16	31/01/15
	000 €	000 €
Leasing commitments	158	353
Secondary commitments	0	6
Rental guarantees	644	604
Bank guarantees	420	800
Rental commitments for premises	3 073	3 236
Loans from financial institutions	16 813	17 000
Guarantees for other than Group companies	422	432
<u>Guarantees</u>		
Pledged deposits	352	352
Business mortgages	17 500	18 500
Guarantees	20	520
Pledged shares, book value	29 637	25 391
General guarantee for other Group companies	unlimited	

In Helsinki on 23 March 2016

Kotipizza Group Oyj's Board of Directors

Further information: CEO Tommi Tervanen, tel. +358 207 716, and CFO Timo Pirskanen, tel. +358 207 716 747

## CALCULATION OF KEY FIGURES

Adjusted operating profit	Operating profit adjusted with non-recurring sales profit and loss and with expenses from restructuring of the Company's operations and personnel reductions
Adjusted operating profit %	Adjusted operating profit / Net sales * 100
Operating profit	Reported operating profit from the continuing operations
Operating profit, %	Operating profit / Net sales * 100
Return on equity	Net result / Equity * 100
Equity ratio	Equity / Total assets * 100
Earning per share	Loss / profit for the period / Number of shares
Net gearing	(Interest-bearing debt – liquid assets) / Own assets * 100 where Own assets = Equity in the balance sheet + Voluntary provisions + Equity's subordinated loans
Adjusted EBITDA	EBITDA adjusted with non-recurring sales profit and loss and with expenses from restructuring of the Company's operations and personnel reductions
Adjusted EBITDA %	Adjusted EBITDA / Net sales * 100
EBITDA	Net sales + Other income +/- Change in inventory of raw materials and finished goods - Raw materials and finished goods - Employee benefits/expenses - Other operating expenses
EBITDA %	EBITDA / Net sales * 1000