KOTIPIZZA GROUP OYJ HALF-YEAR FINANCIAL REPORT 1 FEBRUARY 2017–31 JULY 2017

STRONG FIRST HALF YEAR, GROUP UPGRADES ITS OUTLOOK FOR THE FINANCIAL YEAR

May–July 2017 (5–7/2016)
- Chain-based net sales grew 16.4% (14.2%).
- Comparable net sales were 20.1 MEUR (16.6). Growth was 21.1%.
- Comparable EBITDA was 2.52 MEUR (2.03). EBITDA growth was 24.3%.
- Net sales were 21.1 MEUR (16.9). Growth was 25%.
- EBIT was 2.06 MEUR (1.63). Growth was 26.3%.

February–July 2017 (2–7/2016)
- Chain-based net sales grew 17.4% (16.1%).
- Comparable net sales were 38.3 MEUR (31.9). Growth was 20.0%
- Comparable EBITDA was 4.17 MEUR (3.31). EBITDA growth was 26.0%
- Net sales were 40.3 MEUR (32.3). Growth was 25%.
- EBIT was 3.33 MEUR (2.68). Growth was 24.4%.
- Net gearing was 39.4 percent (31.7%).
- Equity ratio was 50.7 percent (50.4%).

KOTIPIZZA GROUP UPGRADES ITS OUTLOOK FOR THE FINANCIAL YEAR

New outlook for the financial year 2018
The Group estimates for the full financial year that the chain-based net sales will grow by approximately fifteen (15) percent as compared to previous year and that comparable EBITDA will increase as compared to previous year.

Previous outlook, released on 21 March 2017, upgraded on 6 June 2017 and reiterated on 20 June 2017
The Group estimates for the full financial year that the chain-based net sales will grow by over ten (10) percent as compared to previous year and that comparable EBITDA will increase as compared to previous year.

KEY FIGURES, TEUR

	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable figures					
Comparable net sales	20 053	16 559	38 335	31 947	66 580
Comparable EBITDA	2 519	2 027	4 173	3 313	6 726
Comparable EBITDA of net sales, %	12.6	12.2	10.9	10.4	10.1
Comparable EBIT	2 145	1 775	3 503	2 820	5 747
Chain-based net sales	26 525	22 789	50 710	43 204	89 893
Reported figures					
Reported net sales	21 123	16 904	40 348	32 291	68 737
Reported EBITDA	2 436	1 885	4 001	3 171	6 225
Reported EBITDA of net sales, %	12.1	11.4	10.4	9.9	9.3
Reported EBIT	2 062	1 633	3 331	2 678	5 246
Earnings per share	0.23	0.18	0.36	0.28	0.55
Net cash flows from operating activities			588	3 117	5 278
Net cash used in investment activities			-1 589	-56	-449
Net gearing, %			39.4	31.7	24
Equity ratio, %			50.7	50.4	52.1

Tommi Tervanen, CEO of Kotipizza Group

”Kotipizza's chain-based net sales continued their strong growth in the second quarter of the financial year. The chain's net sales presented excellent development in terms of both same-store sales and the number of customers. In brick-and-mortar restaurants, the number of customers increased by 15.5% and the average purchase by 2.8%. We also continued to boost our online sales – during the review period, orders made through the online store amounted to roughly a tenth of the net sales in brick-and-mortar restaurants. The chain-based net sales of Kotipizza restaurants grew by 16.4% in the second quarter, exceeding by a significant margin the average growth of the Finnish fast food market. We expect the chain-based net sales to continue to develop favourably. Achieving similar relative growth figures will, however, become more challenging month by month as we draw comparisons to months of very strong growth in the previous year.

There are several factors behind the strong growth in the chain-based net sales. One of the main reasons is Kotipizza's brand and concept reform that was launched in earnest in the beginning of 2015 and has now been carried out in full. The Group has consistently advanced the Kotipizza chain's operations in the spirit of the fast casual phenomenon, emphasizing the freshness, authenticity and sustainability of our food, as well as actively following the developments in food trends and consumer preferences. The chain has invested in offering vegetarian options, which has been appreciated by consumers and the media.

During the review period, the Kotipizza chain and the Kotipizza Group continued to gain positive visibility in both editorial and social media. After the review period, the Kotipizza Group received a significant recognition when the company was named one the finalists in the 'Star of 2017' category in the European Small and Mid-Cap Awards 2017 for listed companies.

Comparable net sales of the Group grew 21% in the second quarter of the year and were 20.1 MEUR (16.6). Comparable EBITDA was 2.52 MEUR (2.03) in the second quarter, representing an increase of 24%. Our recent investments in future growth in terms of e.g. research & development, concept and market studies translated into increased fixed costs. For instance, we developed the new Kotipizza Go pizza slice products that were launched after the review period and are sold in Avecra's restaurant carriages on trains as well as at Neste K service stations. However, we are still on pace with our strategic financial goals, both in terms of the development of chain-based sales as well as that of EBITDA. The Group had a solid financial standing at the end of the quarter with net gearing at 39 percent and equity ratio of 51 percent. The Group distributed MEUR 3.2 funds from fund for invested unrestricted equity to its shareholders during the period.

There are no material changes in the market environment since the close of the previous financial year in the end of January. According to the estimate of the Finnish Hospitality Association MaRa, the growth of sales in the restaurant sector will continue in 2017 at nearly the previous year's level, along with the growth of the Finnish national economy and increased consumer confidence. The development will be particularly positive in the fast food sector, as fast food restaurants account for a considerable proportion of restaurant dining.

The growth of sales in the Kotipizza chain has continuously outperformed the growth of the entire restaurant market and the fast food market. It can even be estimated that the strong growth of the Kotipizza chain has contributed to the more positive development of the fast food market compared with the rest of the restaurant market. We believe that the financial development of the restaurant business and consumer trends support Kotipizza Group's investment in the fast casual concept, that is, restaurants that offer casual, fresh and responsibly produced food in a restaurant environment.

We estimate that the group's chain-based net sales will, during the present financial year, grow by approximately fifteen (15) percent as compared to the previous financial year, and that the comparable gross margin / EBITDA will grow as compared to the previous financial year.”

GROUP NET SALES

May–July 2017
Chain-based net sales continued strong and grew 16.4% (14.2%) year on year in the second quarter of the financial year and were 26.5 MEUR (22.8). Average purchase grew 2.8% and the number of customers 15.5% compared to the same period in the previous year. The strong performance in chain-based net sales results from the concept and brand reform, successful marketing and efforts made to develop our online store and digital presence. 3 brick-and-mortar restaurants and 3 shop-in-shop restaurants were opened, and 3 shop-in-shop restaurants closed, in May–July. Chain sales of the Pizzataxi chain, which was acquired in February, are not included in chain-based net sales as none of the Pizzataxi restaurants were converted into Kotipizza restaurants during the review period.

In the second quarter, we introduced on Facebook our own wheel of fortune, the Pizza wheel, which turned out to be a success. It was spun half a million times by 46 thousand unique users. We gained strong TV visibility for our vegetarian pizzas, The Mozzarella and Goat Cheese Falafel, in May, which was reflected in the 55% increase in their sales compared to the previous month. At the beginning of June, a coupon campaign was launched, and after midsummer we began a TV campaign for our own innovation, pizza dough made of rye. The campaign paved way for the subsequent Kotzone campaign, which ran throughout July. Kotzone is Kotipizza's way to eat salad and the sales for the whole product category increased by 28% compared to the previous year. The campaign did not promote discount prices – rather, we drove interest by emphasising the high-quality ingredients and showing mouth-watering pictures. We also redesigned our posters. Kotipizza had 121 (72) campaign days in the second quarter. As a change to previous practice, we might now run multiple campaigns simultaneously.

Comparable net sales for the second quarter of the financial year were 20.1 MEUR (16.6) and they grew 21.1% compared to same period in the previous year. Reported net sales were 21.1 MEUR (16.9) and they grew 25.0% compared to same period in the previous year. The reported sales included 1.1 MEUR items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through Kotipizza-division's P&L without result effect. Comparable net sales growth was mainly based on Foodstock's increased sales volume to Kotipizza underpinned by the good restaurant chain sales development. Helsinki Foodstock's other third-party customers also increased net sales. The net sales of Foodstock grew 22.7% year on year in the second quarter of the financial year and were 16.1 MEUR (13.2). The Kotipizza segment's net sales increased 37.6% compared to the previous year and were 4.9 MEUR (3.5). The Chalupa segment's net sales in the second quarter of the financial year were EUR 99 thousand (EUR 202 thousand).

February–July 2017
Chain-based net sales grew 17.4% (16.1%) year on year in February–July and were 50.7 MEUR (43.2). The chain-based net sales growth resulted from both the increase in the average purchase and increase in the number of customers. The comprehensive menu renewal started out in the summer of 2014, successful new products together with targeted and influential marketing that highlights sustainability have had a positive effect on consumers' brand experience of Kotipizza. This has been seen as an increase in the number of customers. 8 brick-and-mortar restaurants and 5 shop-in-shop restaurants were opened, and 5 shop-in-shop restaurants closed, during February–July.

The chain-based net sales are 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.

Group comparable net sales for February–July were 38.3 MEUR (31.9) and they grew 20.0% compared to same period in the previous year. Reported net sales were 40.3 MEUR (32.3). Sales growth was mainly based on Foodstock's increased sales volume to Kotipizza, underpinned by the good chain-based sales development. Foodstock's other, third-party customers also boosted net sales. The net sales of Foodstock grew 22.0% year on year in the second quarter of the financial year. The Kotipizza segment's net sales increased 40.7% compared to the previous year and were 7.3 MEUR (6.3). The Chalupa segment's net sales in the February–July were 175 thousand euros (382 thousand).

GROUP EBIT

May–July 2017
Comparable EBIT of the Group was 2.15 MEUR (1.78) in the second quarter of the financial year. Reported EBIT was 2.06 MEUR (1.63). Reported EBIT included MEUR 0.08 of items affecting comparability (calculatory, non-cash), which were related to the incentive plan introduced on 6 May 2016 and other incentive plans within the group. The reported EBIT in the previous year included MEUR 0.14 of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans in the group.

The EBIT improved mainly due to volume improvement, but sales margin also improved slightly from the previous year.

February–July 2017
Comparable EBIT of the Group was 3.50 MEUR (2.82) in February–July. Reported EBIT was 3.33 MEUR (2.68). Reported EBIT included MEUR 0.17 of items affecting comparability (calculatory, non-cash), which were related to the incentive plan introduced on 6 May 2016 and other incentive plans in the group. The reported EBIT of the previous year included MEUR 0.14 of items affecting comparability (calculatory, non-cash), which were related to the incentive plan introduced on 6 May 2016 and other incentive plans in the group.

The EBIT improved mainly due to volume improvement, but the sales margin also improved slightly from the previous year. Also, the growth in fixed costs was below the volume growth. Clearly higher depreciations compared to the previous year (non-cash items) had a negative impact on the EBIT. The gross investments for the period amounted to MEUR 1.59 (0.46).

SALES AND EBITDA OF THE SEGMENTS

KOTIPIZZA SEGMENT

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	3 816	3 205	7 337	6 301	12 894
Net sales	4 885	3 549	9 350	6 645	15 051
Comparable gross margin / EBITDA	2 220	1 783	3 800	3 261	6 633
Depreciation and impairments	-244	-145	-434	-292	-589
Comparable EBIT	1 976	1 639	3 365	2 970	6 044
Reported gross margin / EBITDA	2 220	1 755	3 800	3 233	6 517
Reported EBIT	1 976	1 610	3 365	2 942	5 929

Markus Kaatranen, Deputy COO of Kotipizza

”Growth in the Kotipizza chain’s sales has continued strong during the review period. The brand and concept reform of the restaurant chain now finalized, also the total number of restaurants has continued to rise. At the end of the review period, the chain had 267 (255) restaurants in total. Most of the new restaurants are brick-and-mortar restaurants that realise, on average, significantly higher monthly sales than shop in shop restaurants. At the end of the review period, the number of brick-and-mortar restaurants was 162 (152) and that of shop-in-shop restaurants 105 (103).

Orders made through the online store amounted to roughly a tenth of the net sales in brick-and-mortar restaurants during the period. Online sales were particularly high in brick-and-mortar restaurants that provide a delivery service. At the same time, the number of restaurants offering delivery services has continued to increase, being 70 (64) at the end of the review period.

As part of the development of digital services and the online store, the Kotibotti service was launched during the review period. Kotibotti makes it possible for consumers to order and buy Kotipizza products through social media. In February, Kotipizza acquired the Pizzataxi restaurant chain, which comprises 22 restaurants operating in the Helsinki region and Southern Finland, all of which offer home delivery. During the review period, the number of Pizzataxi restaurants converted into Kotipizza restaurants fell short of estimations.”

May–July 2017
Comparable net sales of Kotipizza in the second quarter of the financial year were 3.82 MEUR (3.21) and they increased 19.1% compared to same period in the previous year. Net sales of Kotipizza in the second quarter of the financial year were 4.89 MEUR (3.55) and they increased 37.6% compared to the same period in the previous year. Franchising fees of the Pizzataxi chain acquired in February were EUR 61 thousand in the review period. The reported sales included MEUR 1.07 items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through the Kotipizza segment’s P&L without result effect. The remaining sales increase was based on growth in chain-based net sales and, consequently, all franchising contract-based net sales increased.

Kotipizza’s comparable EBITDA was 2.22 MEUR (1.78) in the second quarter of the financial year and it grew 24.5% compared to the same period in the previous year. Improvement in comparable EBITDA was mainly due to favourable development of chain-based net sales in Kotipizza. Reported EBITDA was 2.22 MEUR (1.76) in the second quarter of the financial year. Reported EBITDA did not include items affecting comparability. The reported EBITDA of the previous year included EUR 28 thousand of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans within the group.

February–July 2017
Comparable net sales of Kotipizza for February–July were 7.34 MEUR (6.30) and they increased 16.4% compared to same period in the previous year. Net sales of Kotipizza for February–July were 9.35 MEUR (6.65) and they increased 40.7% compared to the same period in the previous year. Franchising fees of the Pizzataxi chain, acquired in February, were EUR 131 thousand during the review period. The reported sales included MEUR 2.01 of items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through the Kotipizza segment’s P&L without result effect. The remaining sales increase was based on growth in chain-based net sales and, consequently, all franchising contract-based net sales increased.

Kotipizza’s comparable EBITDA was 3.80 MEUR (3.26) in February–July and it grew 16.5% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due to restructuring measures implemented in the segment’s operations and favourable development in chain-based net sales of Kotipizza. Reported EBITDA was 3.80 MEUR (3.23) in February–July. Reported EBITDA did not include items affecting comparability. The reported EBITDA of the previous year included EUR 28 thousand of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans within the group.

FOODSTOCK SEGMENT

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	16 139	13 152	30 823	25 264	53 198
Net sales	16 139	13 152	30 823	25 264	53 198
Comparable gross margin / EBITDA	620	535	988	869	1 596
Depreciation and impairments	-50	-36	-84	-67	-143
Comparable EBIT	571	499	904	802	1 453
Reported gross margin / EBITDA	620	528	988	862	1 566
Reported EBIT	571	492	904	795	1 423

Anssi Koivula, CEO of Foodstock

”The strong sales growth in the Kotipizza chain has also impacted on Foodstock’s operations during the review period. Despite strong growth, we have succeeded in ensuring the reliability of our deliveries and the quality of our customer service, thanks to which customer satisfaction has remained high within the Kotipizza chain as well as among our other clients.”

May–July 2017
Comparable net sales of Foodstock in the second quarter of the financial year were 16.14 MEUR (13.15), equivalent to 22.7% compared to the same period in the previous year. Reported net sales of Foodstock in the second quarter of the financial year were 16.14 MEUR (13.15) and they grew 22.7% compared to same period in the previous year. The growth in net sales was mainly due to favourable development in Kotipizza's chain-based net sales, which gave a positive boost to Foodstock's delivery volumes for the chain. A positive volume effect of Foodstock's new customers gained in the previous year was also visible in the reported numbers.

Foodstock's comparable EBITDA improved 15,9% from the previous year and was 0.62 MEUR (0.54) in the second quarter of the financial year. Improvement in the comparable EBITDA was due to operational gearing related to increase in sales volume and to favourable sales mix. Foodstock's reported EBITDA was 0.62 MEUR (0.53) in the second quarter of the financial year. Reported EBITDA did not include items affecting comparability. The reported EBITDA of the previous year included EUR 9 thousand of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans in the group.

February–July 2017
Net sales of Foodstock in the first half of the financial year were 30.82 MEUR (25.26) and they grew 22.0% compared to same period in the previous year. The growth in net sales was mainly due to favourable development in Kotipizza's chain-based net sales, which gave a positive boost to Foodstock's delivery volumes to the chain. A positive volume effect of Foodstock's new customers gained in the previous year was also visible in the reported numbers.

Foodstock's comparable EBITDA was 0.99 MEUR (0.87) in February–July and it grew 13.7% compared to the same period in the previous year. Improvement in the comparable EBITDA was due to operational gearing related to the increase in sales volume. Foodstock's reported EBITDA was 0.99 MEUR (0.86) in the first half of the financial year. Reported EBITDA did not include items affecting comparability. The reported EBITDA of the previous year included EUR 9 thousand of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans in the group.

CHALUPA SEGMENT

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	99	202	175	382	487
Net sales	99	202	175	382	487
Comparable gross margin / EBITDA	1	-22	-3	-94	-161
Depreciation and impairments	-2	-9	-3	-21	-27
Comparable EBIT	-1	-31	-6	-115	-188
Reported gross margin / EBITDA	1	-24	-3	-96	-169
Reported EBIT	-1	-33	-6	-117	-196

Iman Gharagozlu, Creative Director of Chalupa

"During the review period, the Chalupa chain continued to grow and strengthen its position relying upon the franchising concept. A new restaurant was opened in Vantaa and, in the summer season, the chain's food truck toured various events. At the end of the review period, Chalupa's brick-and-mortar restaurants were operating in four locations in Helsinki, as well as in Vantaa, Kauniainen, Lahti, Espoo, Tampere and Jyväskylä, one in each city. In addition, Chalupa products were available in one Kotipizza lunch restaurant. After the review period, another restaurant was opened in Helsinki."

May–July 2017
Chalupa's comparable net sales were EUR 99 thousand (EUR 202 thousand) in the second quarter of the financial year and comparable EBITDA was EUR 1 thousand (EUR -22 thousand). Chalupa's reported net sales were EUR 99 thousand (EUR 202 thousand) in the second quarter of the financial year and reported EBITDA was EUR 1 thousand (EUR -24 thousand). Decline in net sales compared

to the previous year was due to all Chalupa restaurants having been owned by Chalupa franchisees in the beginning of the review period. Chalupa's revenue recognition is now reported in accordance with the reporting principles used in franchising. Reported EBITDA did not include items affecting comparability. The reported EBITDA of the previous year included EUR 2 thousand of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans within the group.

February–July 2017
Chalupa's net sales were EUR 175 thousand (382 thousand) in February–July and comparable EBITDA was EUR -3 thousand (-94 thousand). Chalupa's reported net sales were EUR 175 thousand (EUR 382 thousand) in the second quarter of the financial year and reported EBITDA was EUR -22 thousand (EUR -96 thousand). Reported EBITDA did not include items affecting comparability. The reported EBITDA of the previous year included EUR 2 thousand of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans in the group.

OTHERS SEGMENT

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	0	0	0	0	0
Net sales	0	0	0	0	0
Comparable gross margin / EBITDA	-322	-270	-612	-724	-1 342
Depreciation and impairments	-78	-63	-148	-114	-219
Comparable EBIT	-401	-332	-760	-837	-1 561
Reported gross margin/ EBITDA	-405	-374	-784	-828	-1 690
Reported EBIT	-484	-437	-932	-942	-1 909

The 'Others' segment includes mainly the operations at the Group headquarters.

May–July 2017
Comparable and reported net sales of the Others segment were 0.00 MEUR (0.00) in the second quarter of the financial year. Comparable EBITDA was -0.32 MEUR (-0.27). Reported EBITDA was -0.41 MEUR (-0.37). Reported EBITDA included EUR 83 thousand of items affecting comparability (calculatory, non-cash), which were related to the incentive plan introduced on 6 May 2016 and other incentive plans within the group. The reported EBITDA of the previous year included EUR 43 thousand of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans in the group.

February–July 2017
Net sales of the Others segment were 0.00 MEUR (0.00) in February–July. Comparable EBITDA was -0.61 MEUR (-0.72). Reported EBITDA was -0.78 MEUR (-0.83). Reported EBITDA included EUR 172 thousand of items affecting comparability (calculatory, non-cash), which were related to the incentive plan introduced on 6 May 2016 and other incentive plans in the group. The reported EBITDA of the previous year included EUR 104 thousand of items affecting comparability, which were related to the incentive plan introduced on 6 May 2016 and other incentive plans within the group.

FINANCIAL ITEMS AND RESULT

Finance costs in the second quarter of the year were MEUR 0.25 (0.19).

Group taxes were MEUR -0.39 (-0.32) in the second quarter.

The result of the period was MEUR 1.43 (1.13) in the second quarter.

Earnings per share were EUR 0.23 (0.18) in the second quarter.

THE GROUP'S FINANCIAL POSITION

Kotipizza Group's balance sheet total as of 31 July 2017 was MEUR 58.7 (57.1). The Group's non-current assets as at 31 July 2017 amounted to MEUR 42.2 (40.2), and current assets amounted to MEUR 16.4 (16.8).

The Group's net cash flow from operating activities in the second quarter was MEUR 0.58 (3.11). Working capital was tied MEUR 2.59 (released 0.48).

The net cash flow from investment activities in the period was MEUR -1.59 (-0.56). Kotipizza Oyj acquired all business operations of Helsinki Pizzapalvelu Oy, operating 22 Pizzataxi restaurants in the Helsinki region and Southern Finland during the review period. Investments in tangible and intangible assets for the period amounted to MEUR 0.81 (0.37), and proceeds from sales of tangible assets were MEUR 0.00 (0.40).

The net cash flow from financing activities was MEUR -3.87 (-2.70).

The Group's equity ratio was 50.7% (50.4%).

Interest-bearing debt amounted to MEUR 16.5 (17.6), of which current debt accounted for MEUR 0.91 (0.60).

Further information on Kotipizza Group's financial risks is presented in the financial statements released on 31 January 2017.

INVESTMENTS

The gross investments for the period amounted to MEUR 1.59 (0.46). The Company's investments to fixed assets, related mainly to IT systems, amounted to MEUR 0.84 (0.46).

PERSONNEL

At the end of the review period, Kotipizza Group employed 49 people, all of whom worked in Finland. At the end of the previous financial year on 31 January 2017, the Company employed 47 people, all of whom worked in Finland.

BUSINESS ARRANGEMENTS

During the review period, the Kotipizza Group acquired all business operations of Helsinki Pizzapalvelu Oy that operated 22 Pizzataxi restaurants in the Helsinki region and Southern Finland.

CHANGES IN THE MANAGEMENT

Group's Chief Operating Officer and member of the Management Board Olli Väätäinen resigned from his position on 17 February 2017 and Heidi Stirkkinen was appointed as his successor on 4 April 2017. Stirkkinen has previously worked as Country Manager for Groupe SEB Finland that represents the brands OBH Nordica and Tefal, as well as the Iittala Group's Retail Concept and Operative Director. Stirkkinen started in her new position on 1 September 2017.

MANAGEMENT BOARD

Kotipizza Group's Management Board comprised four members at the end of the review period: Tommi Tervanen (CEO), Timo Pirskanen (Deputy to the CEO, CFO), Anssi Koivula (Chief Procurement Officer) and Antti Isokangas (Chief Corporate Responsibility and Communications Officer). Chief Operative Officer Heidi Stirkkinen joined the Management Board on 1 September 2017.

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 2017 the number of the shares was 6,351,201. At the end of the period, the Company had 2398 (658) shareholders. The Company does not hold any treasury shares.

The Board of Directors of Kotipizza Group Oyj resolved on 6 May 2016 upon a long-term share-based incentive program intended for the executive board. The program covers three three-year earning periods. Based on the plan, the company may give performance shares in the earning period of 1 February 2016 – 31 January 2019. For the earning periods of 1 February 2017 – 31 January 2020 and 1 February 2018 – 31 January 2021, the company may give also discretionary matching shares based on the key employees' shareholding in addition to the performance shares. Based on the earning period of 1 February 2016 – 31 January 2019, at maximum 47 204 performance shares can be given as reward, which includes a cash payment portion of the reward. Based on the earning period of 1 February 2017 – 31 January 2020, at maximum 30 742 performance shares can be given as reward, which includes a cash payment portion of the reward. The potential reward is to be paid as a combination of shares (50%) and cash payment (50%). The cash payment portion is aimed to cover taxes and tax-like charges to be paid by the key employee.

Information about the company's shareholder structure by sector and size of holding, as well as the largest shareholders can be viewed on the company's website at www.kotipizzagroup.com.

FLAGGING NOTICES

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Sentica Buyout III GP Oy and Sentica Buyout III Ky on 9 February 2017. According to the notification, Sentica Buyout III Ky and Sentica Buyout III Co-Investment Ky (together referred to as the "Funds") had sold a total number of 4,020,618 shares. In connection with the completion of the share sale, Sentica Buyout III Ky's direct ownership of the shares and voting rights in Kotipizza fell below the 5 per cent threshold. According to the notification, in the same connection Sentica Buyout III GP Oy's indirect ownership through the Funds fell below the 5 per cent threshold of all the shares and voting rights in Kotipizza. As a result of the share Sale, Sentica Buyout III Ky and Sentica Buyout III Co-investment Ky no longer own any shares or votes in Kotipizza.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Elementa Management AB on 9 February 2017, per which its holding in Kotipizza Group Oyj was above (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of February 9, 2017: The shares managed by Elementa Management AB totaled 323.065 shares representing 5.09% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Evli Pankki Oyj on 10 February 2017, per which its holding in Kotipizza Group Oyj was above (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of February 10, 2017: The shares managed by Evli Pankki Oyj totaled 320.000 shares representing 5.04% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Danske Bank A/S on 10 February 2017, per which its holding in Kotipizza Group Oyj was above (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of February 10, 2017: The shares managed by Danske Bank A/S totaled 421.539 shares representing 6.64% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Keskinäinen Työeläkevakuutusyhtiö Elo on 10 February 2017, per which its holding in Kotipizza Group Oyj was above (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of February 10, 2017: The shares managed by Keskinäinen Työeläkevakuutusyhtiö Elo totaled 513.200 shares representing 8.08% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Swedbank Robur AB totaled on 10 February 2017, per which its holding in Kotipizza Group Oyj was above (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of February 10, 2017: The shares managed by Swedbank Robur AB totaled 488.974 shares representing 7.70% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Financière de l'Echiquier on 10 February 2017, per which its holding in Kotipizza Group Oyj was above (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of February 10, 2017: The shares managed by Financière de l'Echiquier totaled 346.041 shares representing 5.45% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Elementa Management AB on 16 May 2017, per which its holding in Kotipizza Group Oyj had gone below the threshold of (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of 16 May 2017: The shares managed by Elementa Management AB totaled 265.406 shares representing 4.17% of total share capital and total voting rights.

RESOLUTIONS OF THE GENERAL MEETINGS

Kotipizza Group's Annual General Meeting held on 17 May 2017 resolved that no dividend is paid for the financial period ending 31 January 2017, but EUR 0,50 per share was decided to be paid from the fund for invested unrestricted equity.

The AGM confirmed the financial statements for the financial year ending 31 January 2017 and discharged the members of the Board of Directors and CEO from liability for the financial year ending 31 January 2017.

The AGM resolved the number of Board members to be six. The current members of the Board of Directors Minna Nissinen, Petri Parvinen, Kim Hanslin and Kalle Ruuskanen were re-elected as members of the Board of Directors, and Virpi Holmqvist as well as Dan Castillo were elected as new members of the Board of Directors for the term continuing until the end of the next Annual General Meeting. Furthermore, the Board of Directors elected Kalle Ruuskanen as Chairman of the Board of Directors.

The AGM resolved that the members of the Board will be paid as follows: Chairman EUR 3 500 per month (EUR 42 000 per year) and members EUR 2 000 per month (EUR 24 000 per year). Separate meeting remuneration is not paid for meetings of the Board of Directors, but EUR 400 is to be paid to each chairman of the committees of the Board of Directors for each committee meeting and EUR 200 be paid to each member of the committees of the Board of Directors for each committee meeting.

The AGM resolved that the remuneration for the auditor be paid according to invoice approved by the company. The AGM resolved to re-elect audit firm Ernst & Young Oy as the company's auditor for a term that ends at the closing of the next AGM.

The AGM resolved to authorize the Board of Directors to decide on a share issue on following terms:

1. The authorization may be used in full or in part by issuing shares in Kotipizza Group Oyj in one or more issues so that the maximum number of shares issued is 635 000 shares.
2. The Board of Directors may also decide on a directed share issue in deviation from the shareholders' pre-emptive rights in case there is a weighty financial reason to do so, such as in order to finance or carry out acquisitions or other business transactions, develop the company's capital structure, or in order to use the shares for an incentive scheme. The Board of Directors would be authorized to decide to whom and in which order the shares will be issued. In the share issues shares may be issued for subscription against payment or without charge.
3. Based on the authorization, the Board of Directors is also authorized to decide on a share issue without payment directed to the company itself, provided that the number of shares held by the company after the issue would be a maximum of 10 per cent of all shares in the company. This amount includes shares held by the company and its subsidiaries in the manner provided for in Chapter 15, section 11 (1) of the Companies Act.
4. This authorization includes the right for the Board of Directors to decide on the terms and conditions of the share issues and measures related to the share issues in accordance with the

Companies Act, including the right to decide whether the subscription price will be recognized in full or in part in the invested unrestricted equity reserve or as an increase to the share capital.
5. The authorization is valid until 31 July 2018.
6. The authorization will supersede the authorization to decide upon share issues given to the company's Board of Directors on 11 May 2016.

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 the company’s franchising and rent 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 under the Chalupa segment. Launching a new business concept has several risks related e.g. anticipation of consumer needs, habits, taste and behaviour. Additionally, it runs the risk of not reaching an established position at the market and not having a well-established clientele. Potential failure in launching a new concept generates costs to the company and has a significantly adverse impact on the company’s brand, financial position and financial result.

EVENTS AFTER THE REPORT PERIOD

No material events occurred after the report period.

OUTLOOK FOR THE FINANCIAL YEAR 2018

The Finnish Hospitality Association MaRa forecasts that the total sales of the restaurant business in Finland will increase by 6–8 percent during the second half of 2017.

The total value of the Finnish restaurant market is approximately five billion euros. The most important factors influencing the development of the sector include the general economic development, consumers’ disposable income, taxation and government regulation. Consumer preferences and, increasingly, food trends influence financial development within the sector.

Finns are dining at restaurants more and more often, which is a key driver of growth in the business. According to the trend survey published by MaRa in December 2016, altogether 77 per cent of the respondents had dined at a restaurant during the previous two weeks. The figure was 67 per cent in 2014 and only about 40 per cent at the turn of the millennium.

The growth of sales in the Kotipizza chain has continuously outperformed the growth of the entire restaurant market and the fast food market. It can even be estimated that the strong growth of the Kotipizza chain has contributed to the more positive development of the fast food market compared with the rest of the restaurant market.

According to MaRa’s estimate, the growth of sales in the restaurant sector will continue in 2017 at nearly the previous year’s level, along with the growth of the Finnish national economy and the increased consumer confidence. The development will be particularly positive in the fast food sector, as fast food restaurants account for a considerable proportion of restaurant dining. In the fast food sector, the influence of taxation and government regulation on financial development is not as strong compared with the rest of the restaurant business, particularly restaurants licensed to serve alcohol.

Finnish consumers are still spending a considerably smaller proportion of their income on restaurant dining than consumers in most of the countries of comparison. Thus, we have reason to believe that dining at restaurants will increase in the next few years. MaRa has estimated that fast food restaurants will be well-positioned for growth, particularly with regard to staff restaurants, in which the growth of sales is forecast to slow down or even turn negative.

According to MaRa's restaurant industry trend survey, rising phenomena in the restaurant business include fast dining, leisure time dining, hamburgers and pizza, as well as the increased importance of the quality of food. The survey shows that hamburgers and pizza, previously classified as 'fast food', have an increasingly important role also when it comes to both dinner and lunch-time dining.

We believe that the financial development of the restaurant business and consumer trends support Kotipizza Group's investment in the fast casual concept, that is, restaurants that offer casual, fresh, and responsibly produced food in a restaurant environment.

The Group estimates for the full financial year that the restaurant chain sales will grow by approximately fifteen (15) percent as compared to the previous financial year and that comparable EBITDA will grow as compared to the previous year.

ACCOUNTING POLICIES

Kotipizza Group's unaudited interim report for the six-month period ending 31 July 2017, including the audited comparison figures for the six-month period ending 31 July 2016, have been prepared according to IAS 34. The same accounting principles that were used in the previous audited full year financial statements have been applied.

The Kotipizza Group has continued to evaluate the impact of implementing the IFRS 15 standard in its reporting. The standard will be applied from 1 January 2018 onwards or in subsequent review periods. Introducing the new standard in reporting is not expected to have any significant impact on the criteria for sales recognition. The Kotipizza Group will continue to assess customer contracts. The final outcome and possible quantitative effects on sales recognition will be reported in the upcoming Q3/2017 interim report and in the financial statements released on 31 January 2018.

SUMMARY OF THE FINANCIAL STATEMENT AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
	000 €	**000 €**	**000 €**	**000 €**	**000 €**
Net sales	**21 123**	**16 904**	**40 348**	**32 291**	**68 737**
Other income	32	-2	33	46	96
Change in inventory of raw materials and finished goods (+/-)	1 692	46	1 533	-449	-3
Raw materials and finished goods (-)	-17 753	-13 080	-32 290	-24 711	-52 872
Employee benefits/expenses (-)	-848	-810	-1 832	-1 638	-3 887
Depreciations (-)	-374	-252	-670	-493	-978
Impairments (-)	-	-	-	-	-
Other operating expenses (-)	-1 809	-1 172	-3 790	-2 367	-5 846
Operating profit	**2 062**	**1 633**	**3 331**	**2 678**	**5 246**
Finance income	7	5	25	15	35
Finance costs	-247	-191	-449	-391	-812
Loss / profit before taxes	**1 822**	**1 447**	**2 908**	**2 302**	**4 469**
Income taxes	-392	-318	-639	-518	-1 005
Loss / profit for the period	**1 430**	**1 129**	**2 268**	**1 784**	**3 464**
Earnings per share, EUR:					
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0.23	0.18	0.36	0.28	0.55
Basic, profit for the period attributable to ordinary equity holders of the parent	0.23	0.18	0.36	0.28	0.55

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
	000 €	000 €	000 €	000 €	000 €
Profit (loss) for the period	**1 430**	**1 129**	**2 268**	**1 784**	**3 464**
Other comprehensive income: Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Cash flow hedges	21	-57	36	-48	69
Taxes related to other comprehensive income	-4	11	-7	10	-14
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**17**	**-46**	**29**	**-38**	**56**
Other comprehensive income for the period, net of tax	**17**	**-46**	**29**	**-38**	**56**
Total comprehensive income for the period, net of tax	**1 447**	**1 083**	**2 297**	**1 746**	**3 520**
Attributable to:					
Owners of the company	1 447	1 084	2 303	1 781	3 597
Non-controlling interest	-1	-1	-6	-35	-77
	1 447	1 083	2 297	1 746	3 520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	**31.7.2017 000 €**	**31.7.2016 000 €**	**31.1.2017 000 €**
Non-current assets			
Property, plant and equipment	1 099	1 342	1 138
Goodwill	36 521	35 819	35 819
Intangible assets	3 194	2 229	2 321
Non-current financial assets	2	2	2
Non-current receivables	1 027	547	872
Deferred tax assets	401	305	488
	42 245	**40 243**	**40 641**
Current assets			
Inventories	5 227	3 093	3 087
Trade and other receivables	6 392	5 224	5 761
Current tax receivables	4	58	4
Cash and cash equivalents	4 774	8 463	9 650
	16 397	**16 838**	**18 502**
Assets classified as held for sale	**13**	13	13
Total assets	**58 656**	**57 095**	**59 156**

	31.7.2017 000 €	**31.7.2016 000 €**	**31.1.2017 000 €**
Equity and liabilities			
Share capital	80	80	80
Fund for invested unrestricted equity	24 419	27 595	27 595
Retained earnings	5 323	1 165	2 989
Total equity attributable to equity holders of the parent company	29 822	28 840	30 664
Non-controlling interests	-97	-49	-91
Total equity	**29 725**	**28 791**	**30 573**
Non-current liabilities			
Interest bearing loans and borrowings	15 587	16 979	15 829
Financial liabilities at fair value through profit or loss	262	415	298
Other non-current liabilities	3 437	2 407	2 745
Deferred tax liabilities	73	55	66
	19 359	**19 856**	**18 938**
Current liabilities			
Interest bearing loans and borrowings	911	596	1 165
Trade and other payables	8 109	7 308	8 480
Provisions	-	23	-
Current tax liabilities	552	520	-
	9 572	**8 448**	**9 645**
Liabilities related to assets held for sale	**-**	**-**	**-**
Total liabilities	**28 931**	**28 304**	**28 583**
Total shareholders' equity and liabilities	**58 656**	**57 095**	**59 156**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the company					
EUR THOUSAND	Share capital	Fund for invested unrestricted equity	Retained earnings	Total	Non-controlling interest	Total equity
1 February 2017	80	27 595	2 989	30 664	-91	30 573
Result for the period	-	-	2 275	2 275	-6	2 268
Other comprehensive income	-	-	29	29	-	29
Total incomprehensive income for the period	-	-	2 303	2 303	-6	2 297
Transactions with owners						
Management incentive scheme	-	-	31	31	-	31
Dividends	-	-3 176	-	-3 176	-	-3 176
Transactions with owners total	-	-3 176	31	-3 145		-3 145
31 July 2017	80	24 419	5 323	29 822	-97	29 725

	Equity attributable to owners of the company					
EUR THOUSAND	Share capital	Fund for invested unrestricted equity	Retained earnings	Total	Non-controlling interest	Total equity
1 February 2016	80	29 818	-624	29 274	-14	29 260
Result for the period	-	-	1 781	1 781	-35	1 746
Other comprehensive income	-	-	-	-	-	-
Total incomprehensive income for the period	-	-	1 781	1 781	-35	1 746
Transactions with owners						
Share issue	-	-	8	8	-	8
Dividends	-	-2 223	-	-2 223	-	-2 223
Transactions with owners total		-2 223	8	-2 215	-	-2 215
31 July 2016	80	27 595	1 165	28 840	-49	28 791

CONSOLIDATED STATEMENT OF CASH FLOWS

	2-7/17	2-7/16
Operating activities	**000 €**	**000 €**
Profit before tax	2 908	2 302
Loss for discontinued operations	-	-
Adjustments to reconcile profit before tax to net cash flows		
Depreciation of property, plant and equipment	304	236
Depreciation and impairment of intangible assets	366	256
Gain on disposal of property, plant and equipment	-47	-80
Finance income	-25	-15
Finance costs	449	391
Change in working capital		
Change in trade and other receivables (+/-)	-631	-74
Change in inventories (+/-)	-2 134	292
Change in trade and other payables (+/-)	-175	266
Change in provisions (+/-)	-	-67
Interest paid (-)	-451	-402
Interest received	25	15
Income tax paid (-)	-1	-4
Net cash flows from operating activities	**588**	**3 117**
Investing activities		
Acquisition of subsidiaries	-	-
Investments for tangible assets (-)	-32	-89
Investments for non-tangible assets (-)	-807	-367
Repayment for loan assets	-	-
Proceeds from sale of assets-held-for-sale	-	-
Acquisitions	-750	-
Sale of property, plant and equipment	-	400
Net cash flows used in investing activities	**-1 589**	**-56**
Financing activities		
Funds received from the share issue	-3 176	-2 223
Loans withdrawal	-	-
Loans repayments (-)	-575	-375
Finance lease payments (+/-)	-124	-100
Net cash flow used in financing activities	**-3 874**	**-2 698**
Net change in cash and cash equivalents	-4 876	363
Cash and cash equivalents at 1 February	9 650	8 100
Cash and cash equivalents at 31 July	**4 774**	**8 463**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SEGMENT INFORMATION

The segment information presented below is in accordance with the segment information presented in the previous financial statements.

KOTIPIZZA SEGMENT

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	3 816	3 205	7 337	6 301	12 894
Net sales	4 885	3 549	9 350	6 645	15 051
Comparable gross margin / EBITDA	2 220	1 783	3 800	3 261	6 633
Depreciation and impairments	-244	-145	-434	-292	-589
Comparable EBIT	1 976	1 639	3 365	2 970	6 044
Reported gross margin / EBITDA	2 220	1 755	3 800	3 233	6 517
Reported EBIT	1 976	1 610	3 365	2 942	5 929

FOODSTOCK SEGMENT

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	16 139	13 152	30 823	25 264	53 198
Net sales	16 139	13 152	30 823	25 264	53 198
Comparable gross margin / EBITDA	620	535	988	869	1 596
Depreciation and impairments	-50	-36	-84	-67	-143
Comparable EBIT	571	499	904	802	1 453
Reported gross margin / EBITDA	620	528	988	862	1 566
Reported EBIT	571	492	904	795	1 423

CHALUPA SEGMENT

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	99	202	175	382	487
Net sales	99	202	175	382	487
Comparable gross margin / EBITDA	1	-22	-3	-94	-161
Depreciation and impairments	-2	-9	-3	-21	-27
Comparable EBIT	-1	-31	-6	-115	-188
Reported gross margin / EBITDA	1	-24	-3	-96	-169
Reported EBIT	-1	-33	-6	-117	-196

OTHERS SEGMENT

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	0	0	0	0	0
Net sales	0	0	0	0	0
Comparable gross margin / EBITDA	-322	-270	-612	-724	-1 342
Depreciation and impairments	-78	-63	-148	-114	-219
Comparable EBIT	-401	-332	-760	-837	-1 561
Reported gross margin / EBITDA	-405	-374	-784	-828	-1 690
Reported EBIT	-484	-437	-932	-942	-1 909

ALL SEGMENTS TOGETHER

EUR THOUSAND	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Comparable net sales	20 053	16 559	38 335	31 947	66 580
Net sales	21 123	16 904	40 348	32 291	68 737
Comparable gross margin / EBITDA	2 519	2 027	4 173	3 313	6 726
Depreciation and impairments	-374	-252	-670	-493	-978
Comparable EBIT	2 145	1 775	3 503	2 820	5 747
Reported gross margin / EBITDA	2 436	1 885	4 001	3 171	6 225
Reported EBIT	2 062	1 633	3 332	2 678	5 246

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

On 1 February 2017, Kotipizza Group acquired all business operations of Helsinki Pizzapalvelu Oy. Upfront acquisition price was MEUR 0.75 and the transaction also included an earn-out element. The company operates the Pizzataxi restaurant chain that comprises 22 restaurants operating in the Helsinki region and Southern Finland. These restaurants will be merged into the Kotipizza chain's operations. The transaction strengthens Kotipizza's home delivery service offering in the capital region. The scope of the transaction included intangible rights such as the ordering system, trademarks, domain names, company names, auxiliary company names, client registers and separately defined franchise, leasing and other contracts.

The transaction did not include any of the following items related to business operations:
- financial assets
- trade payables or other other liabilities
- liabilities generated prior to transaction
- personnel.

The non-current assets held for sale were related to Kotipizza segment's operations in Sweden. They did not have any effect on the profit and loss account during the review period nor in the same period in the previous year.

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

	31/07/2017	31/07/2016
Assets	**000 €**	**000 €**
Inventories	-	-
Trade receivable and other receivables	13	13
Assets related to discontinued operations	**13**	**13**
Liabilities		
Received collaterals	-	-
Other liabilities	-	-
Accrued expenses	-	-
Liabilities related to discontinued operations	**-**	**-**

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 presents the total amounts of related party transactions carried out during the period. The terms and conditions of the related party transactions correspond to the terms and conditions applied to transactions between independent parties.

	Sales to related parties	**Purchases from related parties**	**Outstanding trade payables**	**Outstanding trade receivables**	**Paid interests**
2/17-7/17	000 €	000 €	000 €	000 €	000 €
Key management of the group	-	-	-	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	90	10	-	-
2/16-7/16					
Key management of the group	2	154	27	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	137	10	-	-

NOTE 4. EMPLOYEE BENEFITS EXPENSE

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

	2-7/17	2-7/16
	000 €	000 €
Wages and salaries	1224	1 339
Social security costs	14	45
Pension costs (defined contribution plans)	248	255
Total employee benefits expense	**1 486**	**1 638**

NOTE 5. CONTINGENT LIABILITIES

Commitments	31/07/2017	31/07/2016
	000 €	000 €
Leasing commitments	304	99
Secondary commitments	-	-
Rental guarantees	913	667
Bank guarantees	420	420
Rental commitments for premises	3 256	4 024
Loans from financial institutions	15 388	16 438
Guarantees for other than Group companies	3	410
Guarantees		
Pledged deposits	146	146
Business mortgages	17 500	17 500
Guarantees	12	20
Pledged shares, book value	44 236	19 984
General guarantee for other Group companies	unlimited	unlimited

NOTE 6: ALTERNATIVE PERFORMANCE MEASURES (APMs)

The Kotipizza Group presents APMs to describe the underlying business performance and to enhance comparability between financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. APMs used by the Kotipizza Group are listed and defined in this note.

CHAIN-BASED NET SALES

Chain-based net sales is the total combined net sales of the company's franchisees, based on which the company's franchising fees are invoiced monthly.

COMPARABLE NET SALES:

Net sales items affecting comparability

EUR thousand	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
Net sales	21 123	16 904	40 348	32 291	68 737
Items affecting comparability	1 069	345	2 013	344	2 157
Comparable net sales	20 053	16 559	38 335	31 947	66 580

Items affecting comparability in 5–7/17, 5–7/16, 2–7/17, 2–7/16 and 2/16–1/17 all related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through Kotipizza division's P&L without result effect.

COMPARABLE EBIT:

EBIT items affecting comparability

EUR thousand	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
EBIT	2 062	1 633	3 332	2 678	5 246
Items affecting comparability	83	142	172	142	501
Comparable EBIT	2 145	1 775	3 503	2 820	5 747

Reported EBIT in 5–7/17, 5–7/16, 2–7/17, 2–7/16 and 2/16–1/17 included items affecting comparability, which all were related to the incentive plan introduced on 6 May 2016 and other incentive plans within the group.

Items affecting comparability are material items or transactions, which are relevant for understanding the financial performance of the Kotipizza Group when comparing profit of the current period with previous periods. These items can include, but are not limited to, capital gains and losses, significant write-downs, provisions for planned restructuring and other items that are not related to normal business operations from the Kotipizza Group's management viewpoint. Such items are always listed in euros in the Kotipizza Group's interim, half-year and full-year financial reports for the whole Group and for the operating segments.

EBITDA

EBIT, depreciation and impairments

EUR thousand	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
EBIT	2 062	1 633	3 332	2 678	5 246
Depreciation and impairments	374	252	670	493	978
EBITDA	2 436	1 885	4 001	3 171	6 225

COMPARABLE EBITDA

EUR thousand	5-7/17	5-7/16	2-7/17	2-7/16	2/16-1/17
EBIT	2 062	1 633	3 332	2 678	5 246
Depreciation and impairments	374	252	670	493	978
Items affecting comparability	83	142	172	142	501
Comparable EBITDA	2 519	2 027	4 173	3 313	6 726

Items affecting comparability have been detailed earlier in this Note in the section COMPARABLE EBIT**.**

COMPARABLE EBITDA OF NET SALES, %

$$\frac{\text{Comparable EBITDA}}{\text{Net sales}} * 100$$

NET DEBT

Long-term ja short-term interest bearing debt – cash and cash equivalents

EUR thousand	31.7.2017	31.7.2016	31.1.2017
Long term interest bearing debt	15 587	16 979	15 829
Short term interest bearing debt	911	596	1 165
Cash and cash equivalents	-4 774	-8 463	-9 650
Net debt	11 723	9 113	7 344

NET GEARING, %

$$\frac{\text{Net debt}}{\text{Total equity}} * 100$$

EQUITY RATIO, %

$$\frac{\text{Total equity}}{\text{Total assets}} * 100$$

In Helsinki on 26 September 2017

Kotipizza Group Oyj's Board of Directors

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