Kotipizza Group Oyj

Interim report – Q1 2015

CEO Comments – Q1 2015

Kotipizza stores network

Net sales of Finnish fast food market totalled EUR 113.6 million in the first quarter of 2015 representing a growth of 3.6% compared to previous year. Consumer confidence in Finland has gradually built up from October 2014 towards the end of the quarter with March at 11.2 points, February at 10.6 points and January at 6.0 points. Long-time average consumer confidence in Finland stands at 11.8 points.

Kotipizza stores network's same store sales maintained its good pace during the whole Q1 2015. Our first quarter was positive in both, same store sales and customer traffic.

Kotipizza's Mission "Make the world a better place one pizza at a time" has started to create a greater focus on our marketing, product development and the whole chain as such. We view especially the increased customer traffic as a result of the reshaped mission and related marketing strategy.

We kicked off the first quarter of the year by bringing a nationwide distribution of value coupons during January. Same stores sales reacted immediately being positive at 6.5% in January.

In February we made our statement visible and concrete using the majority of the most important nationwide newspapers' front page. TV and online activities supported the statement. We re-introduced our "Plankpizzas", this time for the first time on TV together with Coca-Cola. Our same store sales continued positively showing a 5.3% growth in February.

In March we returned with our classics theme and our March TV headlining campaign was built around Tropicana pizza with aggressive price point at EUR 5.90 a piece. Our March same store sales showed a growth of 0.7%.

We opened new stores towards the end of the first quarter in Tapiola (Espoo), Myllypuro (Vantaa), Joensuu and Vaasa. New shop-in-shop stores were opened in Vääksy, Posio and Peura. As new stores were opened at the end of the quarter, no financial impact in a form of increased franchising fees, Helsinki Foodtock's increased sales and volume based supplier fees were not yet visible in the reported Q1/15 numbers. We have already scheduled six additional store openings for the second quarter of the year and plan to open additional six before the end of the financial year.

We managed to close down old and unprofitable stores in Lappeenranta and Lahti during the quarter. Shop-in-shop stores in Huittinen, Tampere and Helsinki were closed down as well.

At the end of first quarter 2015 the number of Kotipizza stores was 265 (265).

Strengthened Board, new management team and closing of the Vaasa office
In January we announced both a strengthened Board of Directors and a new management team. The Board of Directors brings together broad experience and is well positioned to support the Group in its strategy going forward. The management team was reshaped in order to better support the chosen multi-brand strategy.

For some time more and more functions of the Group have been concentrated to the Helsinki office. This is also were the whole of the new management team resides. As a result its was decided in March to close down the Group's Vaasa office. The closing of the Vaasa office enables the Group to eliminate certain inefficiencies connected with a two-office structure. The estimated monthly cost saving commencing in June 2015 is approximately EUR 50,000.

Group sales and EBITDA-R

Group net sales was EUR 12.9m in the first quarter of the year corresponding a 2.8% growth to the same period year earlier. Growth came mainly from lover margin Helsinki Foodstock's increased deliveries to the Subway restaurants chain. Group's EBITDA-R in the first quarter came in at EUR 0.7million (EUR 1.0 million). Main reason for the decline in Y/Y was a timing difference in a received volume related EUR 0.2million supplier fee, which came in this year in April instead of March like last year. There were also accumulated inventory write-downs amounting to a total of EUR 0.1million in Helsinki Foodstock. These accumulated write downs had built up during 6-8 months as a result of employee dishonesty. The employee in question is no longer employed by the Group. If taking into account the timing difference of the supplier fee and the write down, the Q1/2015 EBITDA-R came in according to our expectations.

Operational cash flow

Operational cash flow for the first quarter of the year came at EUR-0.9m (1.8m). Decline in operational cash flow Y/Y was mainly due to decline in reported EBITDA and normalised change in accounts receivable. During the corresponding period in the previous year there was EUR2.1m cash released from the accounts receivable, which related to Helsinki Foodstock's ERP-system renewal. The actual payment date of account payables and receivables may result in relatively large variations in the operational cash flow between quarters.

Covenants

The EUR30m bond, issued by Kotipizza Group Oyj, include maintenance covenants. The covenants based on the first quarter 2015 figures of Kotipizza Group Oyj were:

- Net Interest Bearing Debt to EBITDA (as defined in the bond terms): 5.48:1 (shall not exceed 5.50:1)
- Interest Coverage Ratio (as defined in the bond terms): 1.78:1 (shall exceed 1.75:1)
- Cash (as defined in the bond terms): EUR5.06 million (shall exceed EUR2m)

Thus, Kotipizza Group was in compliance with all the maintenance covenants at the end of Q1 2015.

Tommi Tervanen
CEO Kotipizza Group Oyj

FINANCIAL OVERVIEW JANUARY – MARCH

Net sales: tEUR 12, 848 (12,503 LY)
Gross margin in %: 19.0 (24.7)
EBITDA-R: tEUR 701 (1, 044 LY)
EBIT: tEUR -629 (251 LY)
Net working capital: tEUR -446
Net debt: tEUR 25, 270

FINANCIAL OVERVIEW MARCH YTD

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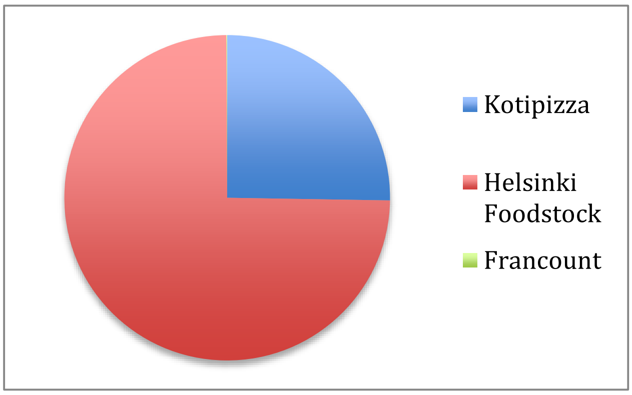
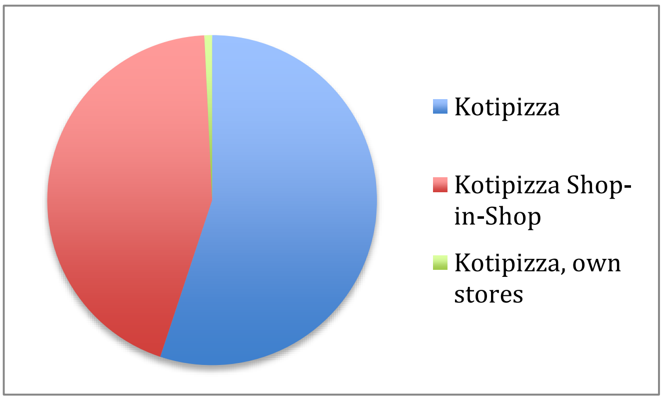
Kotipizza Group sales split 1-3/2015*



Kotipizza Group store split 3/2015



*Excluding intra-group eliminations

Accounting Principles
This Q1 interim report has been prepared in accordance with Finnish GAAP. This report has not been reviewed by the company´s auditors.

Parent Company
Kotipizza Group Oyj is the parent company in the group and was established in 2011. The parent company financials are presented on page 8-10 in this report.

Group Income Statement

Consilidated Income Statement	Quarter		Accumulated (YTD)	
Q1 2015	**A**	**PY**	**A**	**PY**
EUR thousands				
Total Sales	**12 848**	**12 503**	**12 848**	**12 503**
Gross Profit	**2 446**	**3 085**	**2 446**	**3 085**
Gross margin	19,0 %	24,7 %	19,0 %	24,7 %
Operating fixed costs	-1 745	-2 041	-1 745	-2 041
EBITDA - R	**701**	**1 044**	**701**	**1 044**
EBITDA-R margin	5,5 %	8,3 %	5,5 %	8,3 %
Restructuring costs	-386	-173	-386	-173
EBITDA	**315**	**871**	**315**	**871**
EBITDA margin	2,5 %	7,0 %	2,5 %	7,0 %
Depreciation	-261	-107	-261	-107
Amortisation of goodwill	-683	-513	-683	-513
EBIT	**-629**	**251**	**-629**	**251**
Financial net	-805	-942	-805	-942
Extraordinary net	0	0	0	0
EBT	**-1 434**	**-691**	**-1 434**	**-691**
Income Tax	122	270	122	270
EAT	**-1 312**	**-421**	**-1 312**	**-421**

Group Balance Sheet

Consilidated Balance Sheet		
31 March 2015	**A**	**PY**
EUR thousands		
Intangible assets	32 232	34 500
Tangible assets	786	629
Investments	2	2
Non-current assets	**33 020**	**35 131**
Inventory	3 498	3 635
Long term receivables	1	10
Short term receivables	5 710	6 142
Cash	5 060	5 129
Current assets	**14 269**	**14 916**
ASSETS	**47 289**	**50 047**
EQUITY	**-306**	**2 217**
Provisions	**0**	**31**
Long term int.bear. liabilities	30 000	30 000
Adv.payments long term	1 929	1 759
Other long term liabilities	7 940	7 649
Short term intr.bear. liabilities	0	0
Adv.payments short term	0	0
Accounts payables	4 860	5 233
Other short term liabilities	2 866	3 158
Liabilities	**47 595**	**47 799**
EQUITY & LIABILITIES	**47 289**	**50 047**

Group Cashflow Statement

Consilidated Cashflow Statement	**Quarter**		**Accumulated (YTD)**	
Q1 2015	**A**	**PY**	**A**	**PY**
EUR thousands				
EBITDA	**315**	**871**	**315**	**871**
Extraordinary items	-43		-43	
Inventory, change	-366	-281	-366	-281
Accounts receivables, change	132	2 101	132	2 101
Non-int.bear. Liabilities, change	-968	-866	-968	-866
Provisions, change	0	-32	0	-32
Operational Cash Flow	**-930**	**1 793**	**-930**	**1 793**
Group contribution	0	0	0	0
Capex	-158	-657	-158	-657
Interest payments, net	-831	-708	-831	-708
Income Tax	180	-49	180	-49
Cash flow before financing	**-1 739**	**379**	**-1 739**	**379**
Loans receivable	0	0	0	0
Long term loans, change	-141	47	-141	47
Short term loans, change	120	60	120	60
Debt to other related parties., chg	0	-220	0	-220
Debt to group comp., chg	102	52	102	52
Other financing, net	614	590	614	590
Net Cash flow	**-1 044**	**908**	**-1 044**	**908**
Opening Cash	6 104	4 221	6 104	4 221
Closing Cash	**5 060**	**5 129**	**5 060**	**5 129**

Kotipizza Group Oyj - Income Statement

Income Statement	Quarter		Accumulated (YTD)	
Q1 2015	**A**	**PY**	**A**	**PY**
EUR thousands				
Total Sales	**246**	**210**	**247**	**210**
Gross Profit	**247**	**210**	**247**	**210**
Gross margin	100,4 %	100,0 %	100,0 %	100,0 %
Operating fixed costs	-559	-374	-559	-374
EBITDA - R	**-312**	**-164**	**-312**	**-164**
EBITDA-R margin	-126,8 %	-78,1 %	-126,3 %	-78,1 %
Restructuring costs	-37	0	-37	0
EBITDA	**-349**	**-164**	**-349**	**-164**
EBITDA margin	-141,9 %	-78,1 %	-141,3 %	-78,1 %
Depreciation	-6	-8	-6	-8
EBIT	**-355**	**-172**	**-355**	**-172**
Financial net	-964	-928	-964	-928
Extraordinary net	3 433	4 302	3 433	4 302
EBT	**2 114**	**3 202**	**2 114**	**3 202**
Income Tax	-43	-22	-43	-22
EAT	**2 071**	**3 180**	**2 071**	**3 180**

Kotipizza Group Oyj - Balance Sheet

Balance Sheet	Quarter	
31 March 2015	A	PY
EUR thousands		
Intangible assets	11	12
Tangible assets	71	76
Investments	30 517	30 772
Non-current assets	**30 599**	**30 860**
Inventory	0	0
Long term receivables	0	0
Short term receivables	11 080	10 643
Cash	1 334	1 316
Current assets	**12 414**	**11 959**
ASSETS	**43 013**	**42 819**
EQUITY	**3 506**	**3 884**
Provisions	**0**	**0**
Long term int.bear. liabilities	30 000	30 000
Adv.payments long term	0	0
Other long term liabilities	7 737	7 442
Short term intr.bear. liabilities	0	0
Adv.payments short term	0	0
Accounts payables	310	105
Other short term liabilities	1 460	1 388
Liabilities	**39 507**	**38 935**
EQUITY & LIABILITIES	**43 013**	**42 819**

Kotipizza Group Oyj - Cashflow Statement

Cashflow Statement	Quarter		Accumulated (YTD)	
Q1 2014	**A**	**PY**	**A**	**PY**
EUR thousands				
EBITDA	**-349**	**-164**	**-349**	**-164**
Inventory, change	0	0	0	0
Accounts receivables, change	-16	75	-16	75
Non-int.bear. Liabilities, change	121	41	121	41
Provisions, change	0	-48	0	-48
Operational Cash Flow	**-244**	**-96**	**-244**	**-96**
Group contribution	3 433	4 301	3 433	4 301
Capex	-14	-42	-14	-42
Interest payments, net	-734	-927	-734	-927
Income Tax	-55	-97	-55	-97
Cash flow before financing	**2 386**	**3 139**	**2 386**	**3 139**
Loans receivable	-1 801	-2 082	-1 801	-2 082
Long term loans, change	-34	-41	-34	-41
Short term loans, change	25	-478	25	-478
Debt to other related parties., chg	0	-220	0	-220
Debt to group comp., chg	101	52	101	52
Other financing, net	600	831	600	831
Net Cash flow	**1 277**	**1 201**	**1 277**	**1 201**
Opening Cash	57	115	57	115
Closing Cash	**1 334**	**1 316**	**1 334**	**1 316**

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