KOTIPIZZA GROUP OYJ INTERIM REPORT 1 FEBRUARY 2017 – 31 OCTOBER 2017

COMPARABLE NET SALES GROWTH OF 21% AND 30% COMPARABLE EBITDA GROWTH IN THE THIRD QUARTER OF THE FINANCIAL YEAR

August–October 2017 (8–10/2016)

- Chain-based net sales grew 20.6% (16.4%).
- Comparable net sales were 20.7 MEUR (17.1). Growth was 20.6%.
- Comparable EBITDA was 2.44 MEUR (1.88). Growth was 29.5%.
- Net sales were 21.8 MEUR (18.0). Growth was 21.1%.
- EBIT was 1.69 MEUR (1.47). Growth was 14.7%.

February–October 2017 (2–10/2016)

- Chain-based net sales grew 18.5% (16.2%).
- Comparable net sales were 58.9 MEUR (49.1). Growth was 19.9%
- Comparable EBITDA was 6.47 MEUR (5.20). Growth was 24.5%
- Net sales were 62.2 MEUR (50.3). Growth was 23.6%.
- EBIT was 5.02 MEUR (4.15). Growth was 21.0%.
- Net gearing was 30.2 percent (27.3%).
- Equity ratio was 51.2 percent (51.8%).

KOTIPIZZA GROUP UPGRADES ITS OUTLOOK FOR THE FINANCIAL YEAR

New outlook for the financial year

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

Previous outlook released on 26 September 2017

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.

KEY FIGURES, TEUR

	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable figures					
Comparable net sales	20 666	17 132	58 853	49 079	66 580
Comparable EBITDA	2 438	1 883	6 468	5 196	6 726
Comparable EBITDA of net sales, %	11.8	11.0	11.0	10.6	10.1
Comparable EBIT	2 090	1 638	5 450	4 458	5 747
Chain-based net sales	27 564	22 852	78 274	66 056	89 893
Reported figures					
Reported net sales	21 846	18 038	62 194	50 329	68 737
Reported EBIT	1 686	1 470	5 018	4 148	5 246
Earnings per share	0.20	0.16	0.56	0.44	0.55
Net cash flows from operating activities			3 050	4 190	5 278
Net cash used in investment activities			-1 818	-179	-449
Net gearing, %			30.2	27.3	24.0
Equity ratio, %			51.2	51.8	52.1

Tommi Tervanen, CEO of Kotipizza Group

”Kotipizza's chain-based net sales continued their strong growth in the third 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 12.6% and the average purchase by 5.9%. We also continued to boost our online sales – during the review period, orders made through the online store amounted to roughly a tenth of net sales in brick-and-mortar restaurants. The chain-based net sales of Kotipizza restaurants grew by 20.6% in the third 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.

During the review period, the Kotipizza Group has invested in future growth by developing new fast casual concepts in line with the Group’s growth strategy. This work has mainly focused on the development of No Pizza, a restaurant concept aimed at international markets. The launch of No Pizza was announced after the review period. We believe that the concept differs from other restaurant chains operating, for instance, in the Nordics in terms of its distinct brand, products and customer experience, and that it has the potential to succeed when built on the master franchising collaboration model. After the review period, the Kotipizza Group acquired the majority of shares in Day After Day Oy, the company operating the Social Food Street Burgerjoint restaurant. Our goal is to build Social Burger into a nationwide burger chain.

During the review period, the Kotipizza chain and the Kotipizza Group continued to gain positive visibility in both editorial and social media. Furthermore, after the review period the Group received two significant recognitions. The company’s international profile rose to a new level in November when the company won first place in the category ‘Star of 2017’ for small and mid-sized listed companies that have invested in corporate responsibility in the European Small and Midcap Awards, held in Brussels, for listed companies. A week later, the Kotipizza Group was once again named the most attractive small listed company in the Private investor’s choice competition.

Comparable net sales of the Group grew 21% in the third quarter of the year and were 20.1 MEUR (17.1). Comparable EBITDA was 2.25 MEUR (1.72) in the third quarter, representing an increase of 31%. After the review period, we announced the launch of a new concept, No Pizza, aimed at international markets, as well as the acquisition of Social Burger. During the current financial year, the Group invests approximately one million euros in the acquisition of Social Burger and the development of new concepts. In the upcoming financial year starting on 1 February 2018, the Group will invest approximately one million euros in the development of new concepts.

We are still on pace with our strategic financial goals, both in terms of the development of chain-based sales and that of EBITDA. The Kotipizza Group’s mid-term financial goals include annual chain sales growth exceeding 5 percent and annual comparable EBITDA growth of 15–20 percent. The Group had a solid financial standing at the end of the quarter with net gearing at 30 percent and equity ratio of 51 percent.

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 for the full financial year that the chain-based net sales will grow by significantly over fifteen (15) percent as compared to previous year and that comparable EBITDA will increase significantly as compared to previous year."

GROUP NET SALES

August–October 2017
Chain-based net sales continued strong and grew 20.6% (16.4%) year on year in the third quarter of the financial year and were 27.6 MEUR (22.9). Average purchase grew 5.9% and the number of customers 12.6% compared to the same period 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.

One brick-and-mortar restaurant was opened, and 7 shop-in-shop restaurants closed, in August–October. 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. The number of restaurants in the Pizzataxi chain – operating 22 restaurants in the Helsinki region and Southern Finland – converted into Kotipizza restaurants fell short of estimations. The first Pizzataxi restaurant is planned to be converted into a Kotipizza restaurant in January 2018.

The third quarter of the financial year kicked off with an ad campaign in August promoting Special Opera, pizza that includes MSC-certified tuna. The campaign ran mainly on TV. As a forerunner in digital services, Kotipizza also launched in August the Kotibotti chatbot, used on Facebook Messenger. With the application, customers can order and buy Kotipizza products on-the-go across the country. In the beginning of September, Kotipizza celebrated Finnish entrepreneurs to mark Entrepreneur Day. We shared the stories of a number of Kotipizza franchisees on online TV. Towards the end of September, we advertised on TV Monster pizzas that came with an additional complimentary dip sauce. During the campaign, the sales of Monster pizzas increased by 24%. To highlight corporate responsibility, we talked about the employment effect of the production of Kotipizza's pizza cheese. In October, we reminded consumers of vegetarian pizzas around the Meat-free October theme. We continued to run franchisees' stories on online TV, which generated a significant amount of traffic in our online store. Record online sales were reached in several months. To celebrate Kotipizza's 30th anniversary, we organised in October a surprise concert at the Olympic Stadium in collaboration with Radio Suomipop for the winner of Kotipizza's competition and their entourage. During a four-week radio campaign, the marketing stunt reached 1.8 million Finns. In the third quarter of the financial year, there were 92 campaign days compared to the 50 in the previous year. Unlike previously, we ran multiple campaigns at the same time whilst emphasizing actions and content that support our branding.

Comparable net sales for the third quarter of the financial year were 20.1 MEUR (17.1) and they grew 20.6% compared to same period in the previous year. Reported net sales were 21.9 MEUR (18.0) and they grew 21.1% compared to same period in the previous year. The reported sales included 1.2 MEUR 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. 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 22.3% year on year in the third quarter of the financial year and were 16.8 MEUR (13.8). The Kotipizza segment's net sales increased 17.1% compared to the previous year and were 4.9 MEUR (4.2). The Chalupa segment's net sales in the third quarter of the financial year were EUR 84 thousand (EUR 65 thousand).

February–October 2017
Chain-based net sales grew 18.5% (16.2%) year on year in February–October and were 78.3 MEUR (66.1). Average purchase grew 3.0% and the number of customers 14.3% compared to the same period in the previous year. Eleven brick-and-mortar restaurants and 5 shop-in-shop restaurants were

opened, and 1 brick-and-mortar restaurant together with 12 shop-in-shop restaurants closed, during February–October.

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–October were 58.9 MEUR (49.1) and they grew 19.9% compared to same period in the previous year. Reported net sales were 62.2 MEUR (50.3). 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 22.1% year on year in the third quarter of the financial year. The Kotipizza segment's net sales increased 31.5% compared to the previous year and were 14.3 MEUR (10.9). The Chalupa segment's net sales in the February–October were 260 thousand euros (487 thousand).

GROUP EBIT

August–October 2017
Comparable EBIT of the Group was 2.09 MEUR (1.88) in the third quarter of the financial year. Reported EBIT was 1.69 MEUR (1.47). Reported EBIT included MEUR 0.40 of items affecting comparability. Development costs of a new concept aimed at international markets, No Pizza, have been treated as items affecting comparability as they have been booked as costs. Also, costs from Kotipizza's Autumn Seminar event have been treated as items affecting comparability, because the annual event was held in the last quarter of the year in the previous year. These cash costs affecting comparability totalled MEUR 0.22. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

The EBIT improved mainly due to volume improvement.

February–October 2017
Comparable EBIT of the Group was 5.45 MEUR (4.46) in February–October. Reported EBIT was 5.02 MEUR (4.15). Reported EBIT included MEUR 0.43 of items affecting comparability. Development costs of a new concept aimed at international markets, No Pizza, have been treated as items affecting comparability as they have been booked as costs. Also, costs from Kotipizza's Autumn Seminar event have been treated as items affecting comparability, because the annual event was held in the last quarter of the year in the previous year. These cash costs affecting comparability totalled MEUR 0.22. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

The EBIT improved mainly due to volume improvement, and also the sales margin improved slightly from the previous year. 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 1.83 (0.58).

SALES AND EBITDA OF THE SEGMENTS

KOTIPIZZA SEGMENT					
EUR THOUSAND	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	3 742	3 298	10 931	9 598	12 894
Net sales	4 922	4 204	14 272	10 849	15 051
Comparable gross margin / EBITDA	2 218	1 819	6 017	5 081	6 633
Depreciation and impairments	-224	-150	-658	-441	-589
Comparable EBIT	1 994	1 671	5 359	4 640	6 044
Reported gross margin / EBITDA	1 948	1 785	5 747	5 018	6 517
Reported EBIT	1 724	1 635	5 089	4 577	5 929

Heidi Stirkkinen, COO of Kotipizza Group

”Growth in the Kotipizza chain's sales has continued strong during the review period. At the end of the review period, the chain had 259 (255) restaurants in total. The proportional number of brick-and-mortar restaurants has continued to increase as there were 162 (151) brick-and-mortar restaurants and 97 (104) shop-in-shop restaurants at the end of the review period. During the review period, 1 new brick-and-mortar restaurant was opened and 7 shop-in-shop restaurants, as well as 1 brick-and-mortar restaurant, were closed.

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 71 (64) at the end of the review period.

During the review period, the Kotipizza chain conducted the annual franchisee satisfaction survey. The results showed that Kotipizza’s franchisees are increasingly satisfied with their position in almost all areas studied. A particularly significant finding was that 77 percent of franchisees who responded to the survey stated that they would recommend becoming a Kotipizza franchisee to an interested individual. This the highest rating for this metric in the history of the survey. Moreover, we have continued to develop the communication between franchisees and the chain management. During the review period, a completely modernised internal communications channel Pizzanetti was launched. It has been received well by the franchisees.

In February, Kotipizza acquired the Pizzataxi restaurant chain that operates 22 restaurants in the Helsinki region and Southern Finland, all offering home delivery. During the review period, the number of Pizzataxi restaurants converted into Kotipizza restaurants fell however short of estimations. The first Pizzataxi restaurant is planned to be converted into a Kotipizza restaurant in January 2018.”

August–October 2017
Comparable net sales of Kotipizza in the third quarter of the financial year were 3.74 MEUR (3.30) and they increased 13.5% compared to same period in the previous year. Net sales of Kotipizza in the third quarter of the financial year were 4.92 MEUR (4.20) and they increased 17.1% compared to the same period in the previous year. Franchising fees of the Pizzataxi chain, acquired in February, were EUR 58 thousand in the review period. The reported sales included MEUR 1.18 items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through the 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 (1.82) in the third quarter of the financial year and it grew 21.9% 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 1.95 MEUR (1.79) in the third quarter of the financial year. Reported EBITDA included MEUR 0.27 of items affecting comparability. Development costs of a new concept aimed at international markets, No Pizza, have been treated as items affecting comparability as they have been booked as costs. Also, costs from Kotipizza's Autumn Seminar event have been treated as items affecting comparability, because the annual event was held in the last quarter of the year in the previous year. These cash costs affecting comparability totalled MEUR 0.19. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

February–October 2017
Comparable net sales of Kotipizza for February–October were 10.93 MEUR (9.60) and they increased 13.9% compared to same period in the previous year. Net sales of Kotipizza for February–October were 14.27 MEUR (10.85) and they increased 31.5% compared to the same period in the previous year. Franchising fees of the Pizzataxi chain, acquired in February, were EUR 170 thousand during the review period. The reported sales included MEUR 3.34 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 5.94 MEUR (5.02) in February–October and it grew 18.3% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due favourable development in chain-based net sales of Kotipizza. Reported EBITDA was 5.75 MEUR (5.02) in February–October. Reported EBITDA included MEUR 0.27 of items affecting comparability. Development costs of a new concept aimed at international markets, No Pizza, have been treated as items affecting comparability as they have been booked as costs. Also, costs from Kotipizza's Autumn Seminar event have been treated as items affecting comparability, because the annual event was held in the last quarter of the year in the previous year. These cash costs affecting comparability totalled MEUR 0.19. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

FOODSTOCK SEGMENT

EUR THOUSAND	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	16 840	13 770	47 663	39 034	53 198
Net sales	16 840	13 770	47 663	39 034	53 198
Comparable gross margin / EBITDA	567	475	1 555	1 344	1 596
Depreciation and impairments	-47	-38	-132	-105	-143
Comparable EBIT	520	437	1 424	1 239	1 453
Reported gross margin / EBITDA	534	466	1 523	1 328	1 566
Reported EBIT	487	428	1 391	1 223	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."

August–October 2017
Comparable net sales of Foodstock in the third quarter of the financial year were 16.84 MEUR (13.77), equivalent to 22.3% compared to the same period in the previous year. Reported net sales of Foodstock in the third quarter of the financial year were 16.84 MEUR (13.77) and they grew 22.3% 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. Also, sales to the other customers of Foodstock developed favourably.

Foodstock's comparable EBITDA improved 19.4% from the previous year and was 0.57 MEUR (0.48) in the third 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 0.53 MEUR (0.47) in the third quarter of the financial year. Reported EBITDA included EUR 32 thousand of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

February–October 2017
Net sales of Foodstock in February–October were 47.66 MEUR (39.03) and they grew 22.1% compared to same period in the previous year. The growth in net sales was mainly due to favourable development of Kotipizza's chain-based net sales, which gave a positive boost to Foodstock's delivery volumes to the chain. Also, sales to the other customers of Foodstock developed favourably.

Foodstock's comparable EBITDA was 1.56 MEUR (1.34) in February–October and it grew 15.7% 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 1.52 MEUR (1.33) in February–October. Reported EBITDA included EUR 32 thousand of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

CHALUPA SEGMENT

EUR THOUSAND	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	84	65	260	447	487
Net sales	84	65	260	447	487
Comparable gross margin / EBITDA	-20	-54	-23	-148	-161
Depreciation and impairments	-2	-5	-5	-26	-27
Comparable EBIT	-22	-59	-28	-174	-188
Reported gross margin / EBITDA	-26	-56	-29	-152	-169
Reported EBIT	-28	-61	-34	-178	-196

Iman Gharagozlu, Creative Director of Chalupa

"During the review period, the Chalupa chain has grown and developed relying upon the franchising concept. Two new restaurants were opened in Helsinki. At the end of the review period, Chalupa's brick-and-mortar restaurants were operating in six 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."

August–October 2017
Chalupa's comparable net sales were EUR 84 thousand (EUR 65 thousand) in the third quarter of the financial year and comparable EBITDA was EUR -20 thousand (EUR -54 thousand). Chalupa's reported net sales were EUR 84 thousand (EUR 65 thousand) in the third quarter of the financial year and reported EBITDA was EUR -26 thousand (EUR -56 thousand). Increase in net sales compared to the previous year was due to opening new restaurants to the chain. Reported EBITDA included EUR 6 thousand of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

February–October 2017
Chalupa's net sales were EUR 260 thousand (447 thousand) in February–October and comparable EBITDA was EUR -23 thousand (-148 thousand). Chalupa's reported net sales were EUR 260 thousand (EUR 447 thousand) in February–October and reported EBITDA was EUR -29 thousand (EUR -152 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 included EUR 6 thousand of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

OTHERS SEGMENT

EUR THOUSAND	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	0	0	0	0	0
Net sales	0	0	0	0	0
Comparable gross margin / EBITDA	-326	-357	-1 082	-1 081	-1 342
Depreciation and impairments	-75	-53	-223	-166	-219
Comparable EBIT	-401	-410	-1 305	-1 247	-1 561
Reported gross margin / EBITDA	-422	-479	-1 206	-1 307	-1 690
Reported EBIT	-497	-532	-1 429	-1 473	-1 909

The ‘Others’ segment includes mainly the operations at Group headquarters.

August–October 2017
Comparable and reported net sales of the Others segment were 0.00 MEUR (0.00) in the third quarter of the financial year. Comparable EBITDA was -0.33 MEUR (-0.36). Reported EBITDA was -0.42 MEUR (-0.48). Reported EBITDA included MEUR 0.10 of items affecting comparability. Developing costs of a new concept aimed at international markets, No Pizza, have been treated as items affecting comparability as they have been booked as costs. Also, costs from Kotipizza’s Autumn Seminar event have been treated as items affecting comparability, because the annual event was held in the last quarter of the year in the previous year. These cash costs affecting comparability totalled EUR 26 thousand. In addition, calculational (non-cash) ifitems related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

February–October 2017
Net sales of the Others segment were 0.00 MEUR (0.00) in February–October. Comparable EBITDA was -1.08 MEUR (-1.08). Reported EBITDA was -1.21 MEUR (-1.31). Reported EBITDA included MEUR 0.12 of items affecting comparability. Development costs of a new concept aimed at international markets, No Pizza, have been treated as items affecting comparability as they have been booked as costs. Also, costs from Kotipizza’s Autumn Seminar event have been treated as items affecting comparability, because the annual event was held in the last quarter of the year in the previous year. These cash costs affecting comparability totalled EUR 54 thousand. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

FINANCIAL ITEMS AND RESULT

Finance costs in the third quarter of the year were MEUR 0.20 (0.22).

Group taxes were MEUR -0.23 (-0.25) in the third quarter.

The result of the period was MEUR 1.27 (1.01) in the third quarter.

Earnings per share were EUR 0.20 (0.16) in the third quarter.

THE GROUP’S FINANCIAL POSITION

Kotipizza Group’s balance sheet total as of 31 October 2017 was MEUR 60.6 (57.7). The Group’s non-current assets as of 31 October 2017 amounted to MEUR 42.3 (40.2), and current assets amounted to MEUR 18.2 (17.5).

The Group’s net cash flow from operating activities in the third quarter was MEUR 3.05 (4.19). Working capital was tied MEUR 2.29 (released 0.53).

The net cash flow from investment activities in the period was MEUR -1.82 (-0.18). 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 1.08 (0.58), and proceeds from sales of tangible assets were MEUR 0.00 (0.40).

The net cash flow from financing activities was MEUR -4.28 (-2.94).

The Group's equity ratio was 51.2% (51.8%).

Interest-bearing debt amounted to MEUR 16.1 (17.3), of which current debt accounted for MEUR 0.57 (0.35).

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 1.83 (0.58). Kotipizza Group acquired all business operations of Helsinki Pizzapalvelu Oy that operates 22 Pizzataxi restaurants in the Helsinki region and Southern Finland. The Company's investments to fixed assets, related mainly to IT systems, amounted to MEUR 1.08 (0.58).

Kotipizza Group announced on 30 November 2017 to have acquired a 51 per cent stake in Day After Day Oy. The company operates the Social Food Street Burgerjoint restaurant in the Sörnäinen district of Helsinki and a food truck operating under the name Social Food.

PERSONNEL

At the end of the review period, Kotipizza Group employed 48 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 five members at the end of the review period: Tommi Tervanen (CEO), Timo Pirskanen (Deputy to the CEO, CFO), Heidi Stirkkinen (Chief Operative 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 was at the end of the review period EUR 80,000.00 and it comprised 6,351,201 shares. At the beginning of the review period 1 February 2017, the number of shares was 6,351,201. At the end of the period, the Company had 2733 (902) 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 new restaurant concepts, both under the reported Chalupa segment and in the form of the Group's new fast casual chains. After the review period, the Kotipizza Group acquired the majority of shares in Day After Day Oy that operates the Social Food Street Burgerjoint restaurant and the Social Food food truck with the aim of building Social Burger into a nationwide burger restaurant chain. After the review period, the Group also launched No Pizza, a pizza restaurant concept aimed at international markets. The first No Pizza restaurant is planned to open in the Nordics during the year 2018. The chain will first expand its business in the Nordic countries and then to other international markets based on the master franchising business model.

Launching new business concepts has several risks related e.g. anticipation of consumer needs, habits, taste and behaviour in target markets. Additionally, there is the risk of not reaching an established position in the market and not gaining a well-established clientele. Potential failure in launching new concepts 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

Kotipizza Group announced on 13 December 2017 the launch of a new pizza restaurant concept aimed at international markets, No Pizza. The first No Pizza restaurant is planned to open in the Nordics during the year 2018. The chain will first expand its business in the Nordic countries and then to other international markets based on the master franchising business model.

Kotipizza Group announced on 30 November 2017 to have acquired a 51 per cent stake in Day After Day Oy. The company operates the Social Food Street Burgerjoint restaurant in the Sörnäinen district of Helsinki and a food truck operating under the name Social Food.

Kotipizza Group announced on 29 November 2017 that it has been elected as the most attractive company in the small cap series in the Private investor's choice competition. Private investors name Finland's most reliable and attractive listed companies in the competition.

Kotipizza Group announced on 23 November 2017 that it has won the Star of 2017 title in the European Small and Mid-Cap Awards, a competition for listed companies. In the category, companies that have reached exceptional financial performance in their industry, shown strong potential for growth and operated responsibly, are awarded.

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 chain-based net sales will grow by significantly over fifteen (15) percent as compared to previous year and that comparable EBITDA will increase significantly as compared to previous year.

ACCOUNTING POLICIES

Kotipizza Group's unaudited interim report for the nine-month period ending 31 October 2017, including the audited comparison figures for the nine-month period ending 31 October 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 Q4/2017 interim report and in the financial statements per 31 January 2018.

SUMMARY OF THE FINANCIAL STATEMENT AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
	000 €	000 €	000 €	000 €	000 €
Net sales	**21 846**	**18 038**	**62 194**	**50 329**	**68 737**
Other income	50	2	82	48	96
Change in inventory of raw materials and finished goods (+/–)	128	10	1 661	-439	-3
Raw materials and finished goods (–)	-16 905	-13 639	-49 196	-38 351	-52 872
Employee benefits/expenses (–)	-1 213	-1 110	-3 045	-2 749	-3 887
Depreciations (–)	-348	-245	-1 018	-738	-978
Impairments (–)	-	-	-	-	-
Other operating expenses (–)	-1 873	-1 585	-5 662	-3 952	-5 846
Operating profit	**1 686**	**1 470**	**5 018**	**4 148**	**5 246**
Finance income	10	8	35	23	35
Finance costs	-204	-216	-652	-607	-812
Loss / profit before taxes	**1 492**	**1 262**	**4 400**	**3 565**	**4 469**
Income taxes	-225	-248	-864	-766	-1 005
Loss / profit for the period	**1 267**	**1 014**	**3 536**	**2 798**	**3 464**
Earnings per share, EUR:					
Basic profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0,20	0,16	0,56	0,44	0,55
Basic profit for the period attributable to ordinary equity holders of the parent	0,20	0,16	0,56	0,44	0,55

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
	000 €	**000 €**	**000 €**	**000 €**	**000 €**
Profit (loss) for the period	**1 267**	**1 014**	**3 536**	**2 798**	**3 464**
Other comprehensive income: Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Cash flow hedges	-4	61	32	13	69
Taxes related to other comprehensive income	1	-12	-6	-2	-14
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-3**	**49**	**25**	**11**	**56**
Other comprehensive income for the period, net of tax	**-3**	**49**	**25**	**11**	**56**
Total comprehensive income for the period, net of tax	**1 264**	**1 063**	**3 561**	**2 809**	**3 520**
Attributable to:					
Owners of the company	1 273	1 086	3 576	2 867	3 597
Non-controlling interest	-9	-23	-15	-58	-77
	1 264	1 063	3 561	2 809	3 520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	31.10.2017 000 €	31.10.2016 000 €	31.1.2017 000 €
Non-current assets			
Property, plant and equipment	951	1 265	1 138
Goodwill	36 521	35 819	35 819
Intangible assets	3 220	2 182	2 321
Non-current financial assets	2	2	2
Non-current receivables	1 198	606	872
Deferred tax assets	450	284	488
	42 342	**40 159**	**40 641**
Current assets			
Inventories	5 105	3 103	3 087
Trade and other receivables	6 376	5 153	5 761
Current tax receivables	4	58	4
Cash and cash equivalents	6 714	9 170	9 650
	18 198	**17 484**	**18 502**
Assets classified as held for sale	13	13	13
Total assets	**60 554**	**57 657**	**59 156**

	31.10.2017 000 €	31.10.2016 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	6 597	2 258	2 989
Total equity attributable to equity holders of the parent company	31 096	29 933	30 664
Non-controlling interests	-106	-72	-91
Total equity	**30 989**	**29 861**	**30 573**
Non-current liabilities			
Interest bearing loans and borrowings	15 514	16 979	15 829
Financial liabilities at fair value through profit or loss	266	354	298
Other non-current liabilities	3 530	2 454	2 745
Deferred tax liabilities	77	56	66
	19 386	**19 843**	**18 938**
Current liabilities			
Interest bearing loans and borrowings	567	354	1 165
Trade and other payables	8 790	6 833	8 480
Provisions	-	9	-
Current tax liabilities	821	757	-
	10 178	**7 953**	**9 645**
Liabilities related to assets held for sale	**-**	**-**	**-**
Total liabilities	**29 565**	**27 796**	**28 583**
Total shareholders' equity and liabilities	**60 554**	**57 657**	**59 156**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR THOUSAND	Equity attributable to owners of the company					
	Share capital	Fund for invested unrestricted equity	Retai-ned earn-ings	Total	Non-control-ling interest	Total equity
1 February 2017	80	27 595	2 989	30 664	-91	30 573
Result for the period	-	-	3 551	3 551	-15	3 536
Other comprehensive income	-	-	25	25	-	25
Total incomprehensive income for the period	-	-	3 576	3 576	-15	3 561
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 October 2017	80	24 419	6 596	31 095	-106	30 989

EUR THOUSAND	Equity attributable to owners of the company					
	Share capital	Fund for invested unrestricted equity	Retai-ned earn-ings	Total	Non-control-ling interest	Total equity
1 February 2016	80	29 818	-624	29 274	-14	29 260
Result for the period	-	-	2 856	2 856	-58	2 798
Other comprehensive income	-	-	11	11	-	11
Total incomprehensive income for the period	-	-	2 867	2 867	-58	2 809
Transactions with owners						
Share issue	-	-	15	15	-	15
Dividends	-	-2 223	-	-2 223	-	-2 223
Transactions with owners total		-2 223	15	-2 208	-	-2 208
31 October 2016	80	27 595	2 258	29 933	-72	29 861

CONSOLIDATED STATEMENT OF CASH FLOWS

Operating activities	2-10/17 000 €	2-10/16 000 €
Profit before tax	4 400	3 565
Loss for discontinued operations	-	-
Adjustments to reconcile profit before tax to net cash flows		
Depreciation of property, plant and equipment	344	347
Depreciation and impairment of intangible assets	563	391
Other non-cash adjustments	47	-
Gain on disposal of property, plant and equipment	-8	-80
Finance income	-35	-23
Finance costs	652	607
Change in working capital		
Change in trade and other receivables (+/–)	-614	-3
Change in inventories (+/–)	-2 012	283
Change in trade and other payables (+/–)	335	-226
Change in provisions (+/–)	-	-81
Interest paid (–)	-657	-607
Interest received	35	23
Income tax paid (–)	-1	-6
Net cash flows from operating activities	**3 050**	**4 190**
Investing activities		
Acquisition of subsidiaries	-	-
Investments for tangible assets (–)	-33	-124
Investments for non-tangible assets (–)	-1 044	-455
Repayment for loan assets	-	-
Proceeds from sale of assets-held-for-sale	-	-
Acquisitions	-750	-
Sale of property, plant and equipment	8	400
Net cash flows used in investing activities	**-1 818**	**-179**
Financing activities		
Dividends	-3 176	-2 223
Loans withdrawal	-	-
Loans repayments (–)	-863	-563
Finance lease payments (+/–)	-239	-155
Net cash flow used in financing activities	**-4 277**	**-2 940**
Net change in cash and cash equivalents	-2 936	1 071
Cash and cash equivalents at 1 February	9 650	8 100
Cash and cash equivalents at 31 October 2017	**6 714**	**9 170**

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	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	3 742	3 298	10 931	9 598	12 894
Net sales	4 922	4 204	14 272	10 849	15 051
Comparable gross margin / EBITDA	2 218	1 819	6 017	5 081	6 633
Depreciation and impairments	-224	-150	-658	-441	-589
Comparable EBIT	1 994	1 671	5 359	4 640	6 044
Reported gross margin / EBITDA	1 948	1 785	5 747	5 018	6 517
Reported EBIT	1 724	1 635	5 089	4 577	5 929

FOODSTOCK SEGMENT

EUR THOUSAND	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	16 840	13 770	47 663	39 034	53 198
Net sales	16 840	13 770	47 663	39 034	53 198
Comparable gross margin / EBITDA	567	475	1 555	1 344	1 596
Depreciation and impairments	-47	-38	-132	-105	-143
Comparable EBIT	520	437	1 424	1 239	1 453
Reported gross margin / EBITDA	534	466	1 523	1 328	1 566
Reported EBIT	487	428	1 391	1 223	1 423

CHALUPA SEGMENT

EUR THOUSAND	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	84	65	260	447	487
Net sales	84	65	260	447	487
Comparable gross margin / EBITDA	-20	-54	-23	-148	-161
Depreciation and impairments	-2	-5	-5	-26	-27
Comparable EBIT	-22	-59	-28	-174	-188
Reported gross margin / EBITDA	-26	-56	-29	-152	-169
Reported EBIT	-28	-61	-34	-178	-196

OTHERS SEGMENT

EUR THOUSAND	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	0	0	0	0	0
Net sales	0	0	0	0	0
Comparable gross margin / EBITDA	-326	-357	-1 082	-1 081	-1 342
Depreciation and impairments	-75	-53	-223	-166	-219
Comparable EBIT	-401	-410	-1 305	-1 247	-1 561
Reported gross margin / EBITDA	-422	-479	-1 206	-1 307	-1 690
Reported EBIT	-497	-532	-1 429	-1 473	-1 909

ALL SEGMENTS TOGETHER

EUR THOUSAND	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Comparable net sales	20 666	17 132	58 853	49 079	66 580
Net sales	21 846	18 038	62 194	50 329	68 737
Comparable gross margin / EBITDA	2 438	1 883	6 468	5 196	6 726
Depreciation and impairments	-348	-245	-1 018	-738	-978
Comparable EBIT	2 090	1 638	5 450	4 458	5 747
Reported gross margin / EBITDA	2 034	1 715	6 035	4 886	6 225
Reported EBIT	1 686	1 470	5 018	4 148	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 the 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:

	31/10/2017	31/10/2016
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
2/17-10/17	000 €	000 €	000 €	000 €	000 €
Key management of the group	-	-	-	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	122	0	-	-
2/16-10/16					
Key management of the group	2	248	35	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	167	10	-	-

NOTE 4. EMPLOYEE BENEFITS EXPENSE

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

	2-10/17	2-10/16
	000 €	000 €
Wages and salaries	2 367	2 223
Social security costs	67	100
Pension costs (defined contribution plans)	423	426
Total employee benefits expense	**2 857**	**2 749**

NOTE 5. CONTINGENT LIABILITIES

Commitments	**31/10/2017**	**31/10/2016**
	000 €	000 €
Leasing commitments	207	89
Secondary commitments	0	0
Rental guarantees	977	685
Bank guarantees	420	420
Rental commitments for premises	3 332	3 871
Loans from financial institutions	15 100	16 250
Guarantees for other than Group companies	3	6
Guarantees		
Pledged deposits	146	146
Business mortgages	17 500	17 500
Guarantees	12	32
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	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
Net sales	21 846	18 038	62 194	50 329	68 738
Items affecting comparability	1 180	906	3 341	1 251	2 157
Comparable net sales	20 666	17 132	58 853	49 079	66 581

Items affecting comparability in 8-10/17,8-10/16, 2-10/17, 2-10/16 and 2/16–1/17 all 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.

COMPARABLE EBIT:

EBIT items affecting comparability:

EUR thousand	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
EBIT	1 686	1 470	5 018	4 148	5 245
Items affecting comparability	404	168	432	310	501
Comparable EBIT	2 090	1 638	5 450	4 458	5 746

Development costs of a new concept aimed at international markets, No Pizza, have been treated in 8-10/17, 8-10/16, 2-10/17, 2-10/16 and 2/16–1/17 as items affecting comparability as they have been booked as costs. Also, costs from Kotipizza's Autumn Seminar event have been treated as items affecting comparability, because the annual event was held in the last quarter of the year in the previous year. These cash costs affecting comparability totalled MEUR 0.22. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 have been treated as items affecting comparability.

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	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
EBIT	1 686	1 470	5 018	4 148	5 245
Depreciation and impairments	348	245	1 018	738	978
EBITDA	2 034	1 715	6 035	4 886	6 224

COMPARABLE EBITDA

EUR thousand	8-10/17	8-10/16	2-10/17	2-10/16	2/16-1/17
EBIT	1 686	1 470	5 018	4 148	5 245
Depreciation and impairments	348	245	1 018	738	978
Items affecting comparability	404	168	432	310	501
Comparable EBITDA	2 438	1 883	6 468	5 196	6 725

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	31.10.2017	31.10.2016	31.1.2017
Long term interest bearing debt	15 514	16 979	15 829
Short term interest bearing debt	567	354	1 165
Cash and cash equivalents	-6 714	-9 170	-9 650
Net debt	9 366	8 163	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 20 December 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