

**FINANCIAL YEAR ENDED WITH STRONG FOURTH QUARTER, BOARD OF DIRECTORS PROPOSES 0.65 EUROS PER SHARE DISTRIBUTION FROM FUND FOR INVESTED UNRESTRICTED EQUITY**

**November 2017 – January 2018 (11/17-1/18)**

- Chain-based net sales grew 17.5% (16.6%).
- Comparable net sales were 21.0 MEUR (17.5). Growth was 20.3%.
- Comparable EBITDA was 2.06 MEUR (1.53). Growth was 34.3%.
- Net sales were 21.9 MEUR (18.4). Growth was 18.9%.
- EBIT was 1.40 MEUR (1.10). Growth was 27.7%.

**February 2017 – January 2018 (2/17-1/18)**

- Chain-based net sales grew 18.2% (16.3%).
- Comparable net sales were 79.9 MEUR (66.6). Growth was 19.9%
- Comparable EBITDA was 8.52 MEUR (6.73). Growth was 26.7%.
- Net sales were 84.1 MEUR (68.7). Growth was 22.3%.
- EBIT was 6.42 MEUR (5.25). Growth was 22.4%.
- Net gearing was 24.4 % (24.0%).
- Equity ratio was 51.9 % (52.1%).

**Outlook for the financial year 2019**

The Group estimates for the full financial year started 1 February 2018 that the total chain sales of its restaurant concepts will be approximately 120 MEUR and that comparable EBITDA will increase as compared to previous year.

**Board of directors' proposal for distribution from fund for invested unrestricted equity**

The board of directors proposes 0.65 euros per share distribution from fund for invested unrestricted equity for the financial year of 1 February 2017 – 31 January 2018.

**KEY FIGURES, TEUR**

	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
<b>Comparable figures</b>				
Comparable net sales	21 005	17 452	79 858	66 580
Comparable EBITDA	2 055	1 530	8 523	6 726
Comparable EBITDA of net sales, %	9.8	8.8	10.7	10.1
Comparable EBIT	1 713	1 290	7 163	5 747
Chain-based net sales*	28 007	23 838	106 281	89 893
<b>Reported figures</b>				
Net sales	21 894	18 408	84 089	68 737
EBIT	1 403	1 098	6 421	5 246
Earnings per share	0.15	0.10	0.71	0.55
Net cash flows from operating activities			5 179	5 278
Net cash used in investment activities			-1 351	-449
Net gearing, %			24.4	24.0
Equity ratio, %			51.9	51.7

\*In this table, the figures for chain-based net sales include solely the chain-based net sales of the Kotipizza chain.

## **Tommi Tervanen, CEO of Kotipizza Group**

"Kotipizza's chain-based net sales continued their strong growth in the last 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 8.5% and the average purchase by 7.8%. We also continued to boost our online sales – during the review period, orders made through the online store amounted to roughly a tenth of net sales in brick-and-mortar restaurants. The chain-based net sales of Kotipizza restaurants grew by 17.5% in the last 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 invested in future growth and new fast casual concepts by acquiring the majority of shares in Day After Day Oy which operates the Social Food Street Burgerjoint restaurant. The company will continue operations as part of the Kotipizza Group under the name The Social Burger Joint Oy. Our aim is to build Social Burger into the first nationwide premium hamburger chain. We believe that a fast casual hamburger chain that emphasises high-quality ingredients and a unique customer experience can disrupt Finland's hamburger market and be successful across the country.

After the review period, the Kotipizza Group Oyj's board of directors approved a new strategy and financial goals for the next three years for the Group. The Group's strategy is to manage a portfolio of brands. This means that the company will develop and operate various restaurant concepts and markets, building on the fast casual phenomenon, franchising business model and high-quality customer experience. Key mega trends influencing the company's operations include urbanisation, digitalisation and the rising popularity of home delivery. In the last quarter of the financial year, the work to redesign the chain's home delivery concept continued and new home delivery vehicles were introduced. They are equipped with special heat box technology which ensures that the pizza is delivered hot.

After the review period, the Kotipizza Group's new lunch restaurant concept Tasty Market was announced in tandem with the company's new strategy. Tasty Market is a lunch restaurant concept in which the consumer can pick and choose their lunch from the selection offered by several fast casual brands. In the kick-off phase, Tasty Market will have products on its menu from at least Kotipizza and Chalupa. The Kotipizza Group is looking for partners for the Tasty Market lunch restaurant concept with whom to open restaurants in, for instance, business parks, office buildings and institutions of education. In the financial year started on 1 February 2018, the total of approximately one million euros will be invested in the development of the new No Pizza concept, aimed at international markets and launched in the previous quarter, and the acquired Social Burger concept as well as other new concepts.

Comparable net sales of the Group grew 20% in the last quarter of the year and were 21.0 MEUR (17.5). Comparable EBITDA was 2.06 MEUR (1.53) in the last quarter, representing an increase of 34%. The Group had a solid financial standing at the end of the quarter with net gearing at 24 percent and equity ratio of 52 percent.

According to the Finnish Hospitality Association MaRa, the growth of sales in the restaurant sector will remain favourable in 2018, supported by the growth of the Finnish national economy and increased consumer confidence. Development will be particularly strong in the fast food sector, as fast food restaurants account for a considerable proportion of restaurant dining. Finnish consumers still spend a smaller proportion of their income on restaurant dining than consumers in most of the countries of comparison. Thus, we have reason to believe that the growth of restaurant dining will continue in the coming years.

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

We estimate for the full financial year started 1 February 2018 that the total chain sales of our restaurant concepts will be approximately 120 MEUR and that comparable EBITDA will increase as compared to previous year.”

## **GROUP NET SALES**

### **November 2017 – January 2018**

Chain-based net sales of the Kotipizza chain continued strong in the last quarter of the financial year. Chain-based net sales grew 17.5% (16.6%) year on year and were 28.0 MEUR (23.8). Average purchase in the brick-and-mortar restaurants grew 7.8% and the number of customers 8.5% 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.

In the last quarter, 7 brick-and-mortar restaurants were opened, and 2 brick-and-mortar restaurants as well as 2 shop-in-shop restaurants were closed. During the review period, the first Pizzataxi restaurant converted into a Kotipizza restaurant was opened. The chain sales of the Pizzataxi chain, acquired in February, are not included in the chain-based net sales except for the first converted restaurant, opened during the review period. The number of restaurants in the Pizzataxi chain converted into Kotipizza restaurants has fallen short of estimations. However, more conversions are expected to be carried out after the review period.

In the last quarter, we employed the same marketing tactics as in the same period in the previous financial year. There were 58 campaign days compared to the 56 in the previous year. In November, we shared our franchisees’ stories in digital channels and offered discount vouchers to customers. In December, we boosted sales with the Meat Master pizza campaign which helped us achieve a new record for monthly sales in December. In January, we advertised again using the traditional vouchers. In the same month, we released a documentary called *Two homelands* that tells the story of Kotipizza franchisee Ibrahim Khalil. Khalil, originally from Bangladesh, owns four Kotipizza restaurants in the Finnish capital region. With the profits from his restaurant business, he has founded in his native village an elementary school that follows the Finnish curriculum and principles of teaching. In addition, Khalil is currently building a dairy farm in the village which will provide employment for local women and thereby helps them escape social exclusion. With his actions, Khalil is making the world a better place and brings to life the Kotipizza Group’s values.

Comparable net sales for the last quarter of the financial year were 21.0 MEUR (17.5) and they grew 20.3% compared to same period in the previous year. Net sales were 21.9 MEUR (18.4) and they grew 18.9% compared to same period in the previous year. The sales included 0.90 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 16.6% year on year in the last quarter of the financial year and were 16.5 MEUR (14.2). The Kotipizza segment’s net sales increased 20.5% compared to the previous year and were 5.1 MEUR (4.2). The Chalupa segment’s net sales in the last quarter of the financial year were EUR 115 thousand (EUR 41 thousand).

### **February 2017 – January 2018**

Chain-based net sales grew 18.2% (16.3%) year on year and were 106.3 MEUR (89.9). Average purchase in brick-and-mortar restaurants grew 4.2% and the number of customers 10.2% compared to the same period in the previous year. During the financial year, 18 brick-and-mortar restaurants and 7 shop-in-shop restaurants were opened, and 3 brick-and-mortar restaurants together with 14 shop-in-shop restaurants were closed.

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 in the financial year were 79.9 MEUR (66.6) and they grew 19.9% compared to the same period in the previous year. Net sales were 84.1 MEUR (68.7). 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 20.7% year on year in the last quarter of the financial year. The Kotipizza segment's net sales increased 28.5% compared to the same period in the previous year and were 19.3 MEUR (15.1). The Chalupa segment's net sales in the financial year were 375 thousand euros (487 thousand).

Beginning from the first interim report in the financial year started on 1 February 2018, the company will report the figures of all its restaurant concepts that have ongoing business operations as independent segments. For each of these operative segments, key IFRS figures such as net sales and EBIT, as well as alternative indicators including comparable net sales, EBITDA and comparable EBITDA, will be reported. The alternative indicators and the reasoning for their use have been explained in detail in Note 6. In addition, the monthly chain-based net sales of the restaurant concepts that have ongoing business operations are reported in monthly press releases from 1 February 2018 onwards.

## **GROUP EBIT**

### **November 2017 – January 2018**

Comparable EBIT of the Group was 1.71 MEUR (1.29) in the last quarter of the financial year. EBIT was 1.40 MEUR (1.10). EBIT included MEUR 0.31 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 now held in the third quarter of the financial year whereas in the year of comparison they were held in the last quarter. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

The EBIT improved mainly due to improved net sales.

### **February 2017 – January 2018**

Comparable EBIT of the Group was 7.16 MEUR (5.75) in the financial year. EBIT was 6.42 MEUR (5.25). EBIT included MEUR 0.74 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. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

The EBIT improved mainly due to improved net sales. 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 3.54 (0.45).

## SALES AND EBITDA OF THE SEGMENTS

### KOTIPIZZA SEGMENT

EUR THOUSAND	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	4 174	3 247	15 105	12 894
Net sales	5 063	4 202	19 335	15 051
Comparable gross margin / EBITDA	2 007	1 551	8 024	6 633
Depreciation and impairments	-206	-148	-865	-589
Comparable EBIT	1 801	1 405	7 160	6 044
Gross margin / EBITDA	2 178	1 499	7 925	6 517
EBIT	1 971	1 351	7 060	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 266 (258) restaurants in total. The proportional number of brick-and-mortar restaurants has continued to increase as there were 169 (153) brick-and-mortar restaurants and 97 (105) shop-in-shop restaurants at the end of the review period. In the last quarter, 7 new brick-and-mortar restaurant and 2 shop-in-shop restaurants were opened, and 2 brick-and-mortar restaurants as well as 2 shop in shop restaurants, 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 76 (66) at the end of the review period.

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 short of estimations, but the first Pizzataxi restaurant converted into a Kotipizza restaurant was opened. More conversions are expected to be carried out after the review period."

### November 2017 – January 2018

Comparable net sales of Kotipizza in the last quarter of the financial year were 4.17 MEUR (3.35) and they increased 28.5% compared to same period in the previous year. Net sales of Kotipizza in the last quarter of the financial year were 5.06 MEUR (4.20) and they increased 20.5% compared to the same period in the previous year. Franchising fees of the Pizzataxi chain, acquired in February, were EUR 45 thousand in the review period. The net sales included MEUR 0.90 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 2.01 MEUR (1.55) in the last quarter of the financial year and it grew 29.4% 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. EBITDA was 2.18 MEUR (1.50) in the last quarter of the financial year. EBITDA included MEUR -0.17 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 now held in the third quarter of the financial year whereas in the previous year it was held in the last quarter. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company staff have been treated as items affecting comparability.

### February 2017 – January 2018

Comparable net sales of Kotipizza for the financial year were 15.11 MEUR (12.89) and they increased 17.1% compared to same period in the previous year. Net sales of Kotipizza for the financial year were 19.34 MEUR (15.05) and they increased 28.5% compared to the same period in the previous year. Franchising fees of the Pizzataxi chain, acquired in February, were EUR 233 thousand during the review period. The sales included MEUR 4.23 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 8.02 MEUR (6.63) in the financial year and it grew 21.0% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due favourable development in chain-based net sales of Kotipizza. EBITDA was 7.93 MEUR (6.52) in the financial year. EBITDA included MEUR 0.10 of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

### FOODSTOCK SEGMENT

EUR THOUSAND	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	16 523	14 165	64 185	53 198
Net sales	16 523	14 165	64 185	53 198
Comparable gross margin / EBITDA	425	252	1 980	1 596
Depreciation and impairments	-44	-38	-176	-143
Comparable EBIT	381	213	1 804	1 453
Gross margin / EBITDA	413	238	1 936	1 566
EBIT	369	200	1 760	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."

### November 2017 – January 2018

Comparable net sales of Foodstock in the last quarter of the financial year were 16.52 MEUR (14.17) and they grew 16.6% compared to the same period in the previous year. Net sales of Foodstock in the last quarter of the financial year were 16.52 MEUR (14.17) and they grew 16.6% 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 68.7% from the previous year and was 0.43 MEUR (0.25) in the last 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 EBITDA was 0.38 MEUR (0.21) in the last quarter of the financial year. EBITDA included EUR 12 thousand of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

### February 2017 – January 2018

Net sales of Foodstock in the financial year were 64.19 MEUR (53.20) and they grew 20.7 % 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 1.98 MEUR (1.60) in the financial year and it grew 24.1% 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 EBITDA was 1.94 MEUR (1.57) in the financial year. EBITDA included EUR 44 thousand of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

#### **CHALUPA SEGMENT**

EUR THOUSAND	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	115	41	375	487
Net sales	115	41	375	487
Comparable gross margin / EBITDA	8	-13	-15	-161
Depreciation and impairments	-1	-1	-6	-27
Comparable EBIT	7	-14	-21	-188
Gross margin / EBITDA	6	-17	-23	-169
EBIT	5	-18	-29	-196

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

"During the review period, the Chalupa chain has developed its operations by launching a new menu. At the same time, the chain has grown relying upon the franchising concept. One new restaurant was opened in Helsinki during the review period. At the end of the review period, Chalupa had seven brick-and-mortar restaurants operating in Helsinki as well as restaurants operating in Vantaa, Kauniainen, Lahti, Espoo, Tampere and Jyväskylä, one in each city. In addition, Chalupa's products were available in one Kotipizza lunch restaurant."

#### **November 2017 – January 2018**

Chalupa's comparable net sales were EUR 115 thousand (EUR 41 thousand) in the last quarter of the financial year and comparable EBITDA was EUR 8 thousand (EUR -13 thousand). Chalupa's net sales were EUR 115 thousand (EUR 41 thousand) in the last quarter of the financial year and EBITDA was EUR 6 thousand (EUR -17 thousand). Increase in net sales compared to the previous year was due to opening new restaurants to the chain. EBITDA included EUR 2 thousand of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

#### **February 2017 – January 2018**

Chalupa's comparable net sales were EUR 375 thousand (487 thousand) in the financial year and comparable EBITDA was EUR -15 thousand (-161 thousand). Chalupa's net sales were EUR 375 thousand (EUR 487 thousand) in the financial year and EBITDA was EUR -23 thousand (EUR -169 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. EBITDA included EUR 8 thousand of items affecting comparability. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

## OTHERS SEGMENT

EUR THOUSAND	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	194	0	194	0
Net sales	194	0	194	0
Comparable gross margin / EBITDA	-385	-261	-1 467	-1 342
Depreciation and impairments	-91	-53	-314	-219
Comparable EBIT	-476	-314	-1 780	-1 561
Gross margin / EBITDA	-851	-383	-2 057	-1 690
EBIT	-941	-436	-2 370	-1 909

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

### November 2017 – January 2018

Comparable net sales of the Others segment were 0.19 MEUR (0.00) and net sales were 0.19 MEUR (0.00) in the last quarter of the financial year. Net sales of The Social Burger Joint Oy were included in the net sales. Comparable EBITDA was -0.39 MEUR (-0.26) and EBITDA was -0.85 MEUR (-0.38). The EBITDA included MEUR 0.47 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. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

### February 2017 – January 2018

Comparable net sales of the Others segment were 0.19 MEUR (0.00) and net sales were 0.19 MEUR (0.00) in the financial year. Comparable EBITDA was -1.47 MEUR (-1.34). EBITDA was -2.06 MEUR (-1.69). EBITDA included MEUR 0.59 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. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have been treated as items affecting comparability.

## FINANCIAL ITEMS AND RESULT

Group finance costs in the last quarter of the financial year were MEUR -0.09 (-0.20) and MEUR -0.74 (-0.81) for the financial year. The calculational (non-cash) unrealised gain in valuation of derivatives of MEUR 0.19 in total has been calculated in the Group's finance costs in the last quarter of the financial year.

Group taxes were MEUR -0.39 (-0.24) in the last quarter of the financial year and MEUR -1.25 (-1.01) for the financial year.

The result for the financial year was MEUR 4.48 (3.46).

Earnings per share were EUR 0.71 (0.55) in the financial year.

## THE GROUP'S FINANCIAL POSITION

Kotipizza Group's balance sheet total was MEUR 61.5 (59.2) at the end of the financial year. The Group's non-current assets amounted to MEUR 42.7 (40.6) in total, and the current assets amounted to MEUR 18.8 (18.5) in total.

The Group's net cash flow from operating activities in the last quarter was MEUR 5.18 (5.28). Of working capital MEUR 0.16 was released (released 1.19).

The net cash flow from investment activities in the period was MEUR -1.35 (-0.45). During the review period, Kotipizza Oyj acquired all business operations of Helsinki Pizzapalvelu Oy, operating 22 Pizzataxi restaurants in the Helsinki region and Southern Finland. The Kotipizza Group acquired the majority of shares in the Social Food Street Burgerjoint in November 2017. In the acquisition, the company acquired a 51 percent stake in Day After Day Oy which operates the Social Food Street Burgerjoint restaurant, situated in the Sörnäinen district of Helsinki, and the Social Food food truck. Investments in tangible and intangible assets for the period amounted to MEUR 0.63 (0.85) and proceeds from sales of tangible assets were MEUR 0.01 (0.40).

The net cash flow from financing activities was MEUR -4.62 (-3.28).

The Group's equity ratio was 51.9% (51.7%).

Interest-bearing debt amounted to MEUR 15.8 (17.0), of which current debt accounted for MEUR 1.49 (1.17).

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 3.54 (0.45). Kotipizza Oyj acquired all business operations of Helsinki Pizzapalvelu Oy that operates 22 Pizzataxi restaurants in the Helsinki region and Southern Finland. The Kotipizza Group acquired the majority of shares in the Social Food Street Burgerjoint in November 2017. In the acquisition, the company acquired a 51 percent stake in Day After Day Oy which operates the Social Food Street Burgerjoint restaurant, situated in the Sörnäinen district of Helsinki, and the Social Food food truck. The company's investments in fixed assets, related mainly to IT systems, amounted to MEUR 0.63 (0.85).

## **PERSONNEL**

At the end of the review period, Kotipizza Group employed 63 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.

During the review period, the Kotipizza Group acquired a 51 percent stake in Day After Day Oy which operates the Social Food Street Burgerjoint restaurant, situated in the Sörnäinen district of Helsinki, and the Social Food food truck.

## **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 3091 (1615) 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](http://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.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Danske Bank A/S on 24 January 2018, 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 24 January 2018: The shares managed by Danske Bank A/S totaled 302.539 shares representing 4.76% 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 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 hamburger 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 summer 2018 in Helsinki, Finland. The chain will first expand its business to the Nordic countries and then to other international markets based on the master franchising business model. The Group has also announced that it has developed and plans to launch a new Tasty Market lunch restaurant concept in which the consumer can pick and choose their lunch from the selection offered by several fast casual brands.

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 Oyj announced on 5 February 2018 it updated strategy and financial goals for the next three years, as well as the new Tasty Market lunch restaurant concept. The Group's strategy is to manage a portfolio of brands. This means that the company will develop and operate various restaurant concepts and markets, building on the fast casual phenomenon, franchising business model and high-quality customer experience. Key mega trends influencing the company's operations include urbanisation, digitalisation and the increasing popularity of home delivery. The company's new mission is to 'make the world a better place, one bite at a time'. 'Love what you do', 'desire to experiment, will to succeed' and 'together' remain as company values. In the Roadmap to 2020 document, released alongside the new strategy, the company has defined the critical factors for success and must-win battles for its different restaurant chains. Furthermore, the company has set targets for chain sales and the number of restaurant units for the next three financial years.

Kotipizza	Number of units	Chain sales (in euro millions)
2018	275	120
2019	290	140
2020	300	160

  

Chalupa	Number of units	Chain sales (in euro millions)
2018	20	3,5
2019	30	5,5
2020	40	8

  

Social Burgerjoint	Number of units	Chain sales (in euro millions)
2018	4	2
2019	12	7
2020	20	13

  

Total chain-bases net sales (in euro millions)	
2018	126
2019	153
2020	181

Launched in tandem with the new strategy, the company also announced the Tasty Market lunch restaurant concept in which the consumer can pick and choose their lunch from the selection offered by several fast casual brands in a cosy environment. In the kick-off phase, Tasty Market will have products on its menu from at least Kotipizza and Chalupa. The interior design of Tasty Market is made up of separate elements, thanks to which the concept can be modified depending on the surroundings and brands involved. The Kotipizza Group is looking for partners for the Tasty Market lunch restaurant project with whom to open restaurants in, for instance, business parks, office buildings and institutions of education. The concept is estimated not to have a significant impact on the Kotipizza Group's earnings in 2018.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Financière de l'Echiquier on 6 February 2018, 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 6 February 2018: The shares managed by Financière de l'Echiquier totaled 284.629 shares representing 4.48% of total share capital and total voting rights.

## OUTLOOK FOR THE FINANCIAL YEAR 2019

According to the Finnish Hospitality Association MaRa, tourism and restaurant businesses saw strong net sales growth in 2017. The total net sales of tourism and restaurant businesses is estimated to have grown by nearly six per cent, and it is thought that the net sales growth of tourism businesses was slightly higher than that of restaurant operators. In spite of the positive development seen during this period of economic recovery, it is worth noting that the hospitality industry is only now returning to the level of service demand seen before the financial crisis.

The rate of development has been even faster in the fast food market. The nine large fast food chains that participated in MaRa's survey saw a combined net sales growth of 8.2 per cent in 2017. In these chains, the number of branches grew by 4.8 per cent and the average net sales per branch increased by 3.3 per cent. MaRa estimates that the total value of the fast food market is 700 million euros.

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

The growth of sales in the Kotipizza chain has continuously outperformed the growth of both 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, the growth of sales in the restaurant sector will remain favourable in 2018, supported by the growth of the Finnish national economy and increased consumer confidence. Development will be particularly strong in the fast food sector, as fast food restaurants account for a considerable proportion of restaurant dining.

Finnish consumers still spend a smaller proportion of their income on restaurant dining than consumers in most of the countries of comparison. Thus, we have reason to believe that the growth of restaurant dining will continue in the coming years.

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

The company estimates for the full financial year started 1 February 2018 that the total chain sales of its restaurant concepts will be approximately 120 MEUR and that comparable EBITDA will increase as compared to previous year.

## **ACCOUNTING POLICIES**

Kotipizza Group's unaudited interim report for the twelve-month period ending 31 January 2018, including the audited comparison figures for the twelve-month period ending 31 January 2017, 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.

IASB has issued new and revised standards and interpretations. The Group adopts them as they become effective, or if the effective date differs from the reporting date, starting from the first financial year after the effective date. The Group does not expect that the new or revised standards have a significant effect on the Group's financial results, comprehensive income or the presentation of the financial statements.

FRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after 1 January 2018). The new standard provides exhaustive 5-step guidance on revenue recognition and specifies the principles according to which information about the nature, quantity and uncertainty of sales revenue based on customer agreements, as well as cash flows relating to sales revenue, is disclosed in financial statements. According to IFRS 15, sales revenue is recognised when the customer receives control of the goods or service and is, therefore, able to use it and enjoy its benefits. The standard supersedes IAS 18 "Revenue" and IAS 11 "Construction Contracts" and the related interpretations. The Group will apply the standard 1 February 2018 and will apply the standard fully retroactively.

According to the existing revenue guidance, revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it acts as the principal in all of its revenue arrangements, since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods. Revenue

from rendering of services is recognised in the accounting periods in which the services are rendered. Royalties from franchisees will be charged each month, based on monthly sales, and recognised in revenues for the month concerned.

The Group has started to assess its contracts with customers to identify the impacts of the new standard in the financial year ended 31 January 2017 and continued the work during the financial year just ended. The Group will continue with the assessment during the current financial year, which was commenced 1 February 2018. According to preliminary assessments, the Group does not expect the new standard to have any material impact on the Group's financial result. The standard will, however, increase the number of notes presented in the financial statements.

According to IFRS 16, lessees must recognise a lease liability for the lease payments to be paid in the future and a right-of-use asset on its balance sheet for almost all leases. IFRS 16 is effective from 1 January 2019. The new IFRS 16 standard will supersede the current IAS 17 standard. The European Union has not yet approved the standard.

IFRS 9 Financial Instruments and amendments to it (effective for financial years beginning on or after 1 January 2018). The new financial instruments standard replaces the existing guidance in IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments and includes a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and measurement of financial liabilities from IAS 39. In terms of hedge accounting, the standard still presents three different options for hedge accounting, more risk positions than previously can be taken over under hedge accounting and principles of the hedge accounting have been streamlined with risk management.

The Group is currently assessing the potential impacts of the new standard. Kotipizza Group Oyj is currently estimating the effects of the application of the new and revised standards. Other issued but not yet effective IFRS standards or IFRIC interpretations are not estimated to have material impacts on the consolidated financial statements. IFRS 16 will slightly increase the Group's gearing, primarily due to the recognition of leases on properties.

## SUMMARY OF THE FINANCIAL STATEMENT AND NOTES

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<u>11/17-1/18</u>	<u>11/16-1/17</u>	<u>2/17-1/18</u>	<u>2/16-1/17</u>
	000 €	000 €	000 €	000 €
<b>Net sales</b>	<b>21 894</b>	<b>18 408</b>	<b>84 089</b>	<b>68 737</b>
Other income	131	48	214	96
Change in inventory of raw materials and finished goods (+/-)	-648	436	1 014	-3
Raw materials and finished goods (-)	-15 993	-14 521	-65 188	-52 872
Employee benefits/expenses (-)	-1 445	-1 138	-4 489	-3 887
Depreciations (-)	-342	-240	-1 360	-978
Impairments (-)	-	-	-	-
Other operating expenses (-)	-2 195	-1 894	-7 857	-5 846
<b>Operating profit</b>	<b>1 403</b>	<b>1 098</b>	<b>6 421</b>	<b>5 246</b>
Finance income	13	12	47	35
Finance costs	-85	-205	-738	-812
<b>Loss / profit before taxes</b>	<b>1 331</b>	<b>904</b>	<b>5 731</b>	<b>4 469</b>
Income taxes	-387	-239	-1 252	-1 005
<b>Loss / profit for the period</b>	<b>943</b>	<b>666</b>	<b>4 479</b>	<b>3 464</b>

Earnings per share, EUR:

Basic profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)

0.15	0.10	0.71	0.55
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Basic profit for the period attributable to ordinary equity holders of the parent

0.15	0.10	0.71	0.55
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## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
	000 €	000 €	000 €	000 €
<b>Profit (loss) for the period</b>	<b>943</b>	<b>666</b>	<b>4 479</b>	<b>3 464</b>
<b>Other comprehensive income:</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Cash flow hedges	-32	56		69
Taxes related to other comprehensive income	6	-12		-14
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-25</b>	<b>45</b>	<b>-</b>	<b>56</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>-25</b>	<b>45</b>	<b>-</b>	<b>56</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>918</b>	<b>711</b>	<b>4 479</b>	<b>3 520</b>
<b>Attributable to:</b>				
Owners of the company	928	730	4 504	3 597
Non-controlling interest	-10	-19	-26	-77
	918	711	4 479	3 520

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31.1.2018	31.1.2017
	000 €	000 €
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	939	1 138
Goodwill	37 299	35 819
Intangible assets	3 113	2 321
Non-current financial assets	2	2
Non-current receivables	1 316	872
Deferred tax assets	76	488
	<b>42 744</b>	<b>40 641</b>
<b>Current assets</b>		
Inventories	4 088	3 087
Trade and other receivables	6 707	5 761
Current tax receivables	4	4
Cash and cash equivalents	7 982	9 650
	<b>18 781</b>	<b>18 502</b>
<b>Assets classified as held for sale</b>	13	13
<b>Total assets</b>	<b>61 538</b>	<b>59 156</b>
	<b>31.1.2018</b>	<b>31.1.2017</b>
	000 €	000 €
<b>Equity and liabilities</b>		
Share capital	80	80
Fund for invested unrestricted equity	24 419	27 595
Retained earnings	7 554	2 989
Total equity attributable to equity holders of the parent company	32 054	30 664
Non-controlling interests	-117	-91
<b>Total equity</b>	<b>31 937</b>	<b>30 573</b>
<b>Non-current liabilities</b>		
Interest bearing loans and borrowings	14 289	15 829
Financial liabilities at fair value through profit or loss		298
Other non-current liabilities	3 907	2 745
Deferred tax liabilities	171	66
	<b>18 368</b>	<b>18 938</b>
<b>Current liabilities</b>		
Interest bearing loans and borrowings	1 492	1 165
Trade and other payables	9 046	8 480
Provisions	-	-
Current tax liabilities	696	-
	<b>11 234</b>	<b>9 645</b>
Liabilities related to assets held for sale	-	-
<b>Total liabilities</b>	<b>29 602</b>	<b>28 583</b>
<b>Total shareholders' equity and liabilities</b>	<b>61 538</b>	<b>59 156</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR THOUSAND	Equity attributable to owners of the company					
	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	-	-	4 504	4 504	-26	4 479
Other comprehensive income	-	-	-	-	-	-
Total incomprehensive income for the period	-	-	4 504	4 504	-	4 479
Transactions with owners						
Management incentive scheme	-	-	61	61	-	61
Dividends	-	-3 176	-	-3 176	-	-3 176
Transactions with owners total	-	-3 176	61	-3 114	-	-3 114
31 January 2018	80	24 419	7 554	32 054	-117	31 937

EUR THOUSAND	Equity attributable to owners of the company					
	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	-	-	3 541	3 541	-77	3 464
Other comprehensive income	-	-	56	56	-	56
Total incomprehensive income for the period	-	-	3 597	3 597	-77	3 520
Transactions with owners						
Share issue	-	-	16	16	-	16
Dividends	-	-2 223	-	-2 223	-	-2 223
Transactions with owners total	-	-2 223	16	-2 207	-	-2 207
31 January 2017	80	27 595	2 989	30 664	-91	30 573

## CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>2/17-1/18</u>	<u>2/16-1/17</u>
	000 €	000 €
<b>Operating activities</b>		
Profit before tax	5 432	4 469
Loss for discontinued operations	-	-
<b>Adjustments to reconcile profit before tax to net cash flows</b>		
Depreciation of property, plant and equipment	636	453
Depreciation and impairment of intangible assets	724	525
Other non-cash adjustments	61	16
Gain on disposal of property, plant and equipment	-11	-70
Finance income	-47	-35
Finance costs	738	812
<b>Change in working capital</b>		
Change in trade and other receivables (+/-)	-936	-557
Change in inventories (+/-)	-995	299
Change in trade and other payables (+/-)	1 769	1 443
Change in provisions (+/-)	-	-90
Interest paid (-)	-1 035	-816
Interest received	47	35
Income tax paid (-)	-1 203	-1 206
<b>Net cash flows from operating activities</b>	<b>5 179</b>	<b>5 278</b>
<b>Investing activities</b>		
Acquisition of subsidiaries	-	-
Investments for tangible assets (-)	-37	-121
Investments for non-tangible assets (-)	-590	-728
Repayment for loan assets	-4	-
Proceeds from sale of assets-held-for-sale	-	-
Acquisitions	-731	-
Sale of property, plant and equipment	11	400
<b>Net cash flows used in investing activities</b>	<b>-1 351</b>	<b>-448</b>
<b>Financing activities</b>		
Dividends	-3 176	-2 223
Loans withdrawal	-	-
Loans repayments (-)	-1 150	-850
Finance lease payments (+/-)	-294	-207
<b>Net cash flow used in financing activities</b>	<b>-4 620</b>	<b>-3 280</b>
Net change in cash and cash equivalents	-1 668	1 550
Cash and cash equivalents at 1 February	9 650	8 099
<b>Cash and cash equivalents 31 January 2018</b>	<b>7 982</b>	<b>9 650</b>

## 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	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	4 174	3 247	15 105	12 894
Net sales	5 063	4 202	19 335	15 051
Comparable gross margin / EBITDA	2 007	1 551	8 024	6 633
Depreciation and impairments	-206	-148	-865	-589
Comparable EBIT	1 801	1 405	7 160	6 044
Gross margin / EBITDA	2 178	1 499	7 925	6 517
EBIT	1 971	1 351	7 060	5 929

#### FOODSTOCK SEGMENT

EUR THOUSAND	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	16 523	14 165	64 185	53 198
Net sales	16 523	14 165	64 185	53 198
Comparable gross margin / EBITDA	425	252	1 980	1 596
Depreciation and impairments	-44	-38	-176	-143
Comparable EBIT	381	213	1 804	1 453
Gross margin / EBITDA	413	238	1 936	1 566
EBIT	369	200	1 760	1 423

#### CHALUPA SEGMENT

EUR THOUSAND	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	115	41	375	487
Net sales	115	41	375	487
Comparable gross margin / EBITDA	8	-13	-15	-161
Depreciation and impairments	-1	-1	-6	-27
Comparable EBIT	7	-14	-21	-188
Gross margin / EBITDA	6	-17	-23	-169
EBIT	5	-18	-29	-196

**OTHERS SEGMENT**

EUR THOUSAND	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	194	0	194	0
Net sales	194	0	194	0
Comparable gross margin / EBITDA	-385	-261	-1 467	-1 342
Depreciation and impairments	-91	-53	-314	-219
Comparable EBIT	-476	-314	-1 780	-1 561
Gross margin / EBITDA	-851	-383	-2 057	-1 690
EBIT	-941	-436	-2 370	-1 909

**ALL SEGMENTS TOGETHER**

EUR THOUSAND	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Comparable net sales	21 005	17 452	79 858	66 580
Net sales	21 894	18 407	84 089	68 737
Comparable gross margin / EBITDA	2 055	1 530	8 523	6 726
Depreciation and impairments	-342	-240	-1 360	-978
Comparable EBIT	1 713	1 290	7 163	5 747
Gross margin / EBITDA	1 745	1 338	7 781	6 225
EBIT	1 403	1 098	6 421	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 franchising fees of the Pizzataxi restaurant chain were EUR 233 thousand for the financial year. 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.

Kotipizza Group Oyj acquired on 30 November 2017 a 51 percent stake in Day After Day Oy. The company operates the Social Food Street Burgerjoint restaurant, situated in the Sörnäinen district of Helsinki, and the Social Food food truck. The company will continue operations as part of the Kotipizza Group under the name of The Social Burger Joint Oy. Upfront acquisition price was MEUR 0.59 and the transaction included the agreement that Kotipizza Group Oyj has the right, but no obligation, to acquire the remaining 49 percent of the company's shares after 31 January 2023. The non-current and current assets as well as liabilities of the company did not include any significant items that would bear a material impact upon the Group's financial position. The company intends to build Social Burger into a nationwide hamburger chain. We believe that a fast casual hamburger chain that emphasises high-quality ingredients and a unique customer experience can disrupt Finland's hamburger market and be successful across the country.

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:

	<u>31/1/2018</u>	<u>31/1/2017</u>
	000 €	000 €
<b>Assets</b>		
Inventories	-	-
Trade receivable and other receivables	13	13
<b>Assets related to discontinued operations</b>	<b>13</b>	<b>13</b>
<b>Liabilities</b>		
Received collaterals	-	-
Other liabilities	-	-
Accrued expenses	-	-
<b>Liabilities related to discontinued operations</b>	<b>-</b>	<b>-</b>

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

### NOTE 3. RELATED PARTY TRANSACTIONS

Parties are considered to be related when a party has control or significant influence over the other party relating to decision-making in connection to its finances and business. The Group's related parties include the parent company, subsidiaries, members of the board of directors and management board, managing director and their family members. The key management comprises the members of the management board. The table below 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.

	<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Outstanding trade payables</b>	<b>Outstanding trade receivables</b>	<b>Paid interests</b>
<b>2/17-1/18</b>	000 €	000 €	000 €	000 €	000 €
Key management of the group	-	-	-	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	179	10	-	-
<b>2/16-1/17</b>					
Key management of the group	2	334	58	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	134	15	-	-

### NOTE 4. EMPLOYEE BENEFITS EXPENSE

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

	2/2017-1/18	2/16-1/17
	000 €	000 €
Wages and salaries	3 724	3 173
Social security costs	97	132
Pension costs (defined contribution plans)	668	582
<b>Total employee benefits expense</b>	<b>4 489</b>	<b>3 887</b>

## NOTE 5. CONTINGENT LIABILITIES

<b><u>Commitments</u></b>	<b>31/01/2018</b>	<b>31/01/2017</b>
	000 €	000 €
Leasing commitments	187	238
Secondary commitments	0	0
Rental guarantees	972	760
Bank guarantees	420	420
Rental commitments for premises	3 518	3 633
Loans from financial institutions	14 813	15 963
Guarantees for other than Group companies	3	3
<b><u>Guarantees</u></b>		
Pledged deposits	146	146
Business mortgages	17 500	17 500
Guarantees	12	12
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	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
Net sales	21 894	18 407	84 089	68 737
Items affecting comparability	-889	-955	-4 230	-2 157
Comparable net sales	21 005	17 452	79 858	66 580

Items affecting comparability in 11/17-1/18, 11/16-1/17, 2/17-1/18 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	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
EUR thousand	1 403	1 098	6 421	5 246
EBIT	310	192	742	501
Items affecting comparability	1 713	1 290	7 163	5 747

Development costs of a new concept aimed at international markets, No Pizza, have been treated in 11/17-1/18, 11/16-1/17, 2/17-1/18 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 now held in the third quarter of the financial year whereas in the year of comparison they were held in the last quarter. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff 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	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
EBIT	1 403	1 098	6 421	5 246
Depreciation and impairments	342	240	1 360	978
EBITDA	1 745	1 338	7 781	6 224

## COMPARABLE EBITDA

EUR thousand	11/17-1/18	11/16-1/17	2/17-1/18	2/16-1/17
EBIT	1 403	1 098	6 421	5 246
Depreciation and impairments	342	240	1 360	978
Items affecting comparability	310	192	742	501
Comparable EBITDA	2 055	1 530	8 523	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	31.1.2018	31.1.2017
Long term interest bearing debt	14 289	15 829
Short term interest bearing debt	1 492	1 165
Cash and cash equivalents	-7 982	-9 650
Net debt	7 799	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 21 March 2018

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