KOTIPIZZA GROUP OYJ INTERIM REPORT 1 FEBRUARY 2017–30 APRIL 2017

STRONG DEVELOPMENT CONTINUES, COMPARABLE NET SALES AND EBITDA GROW 19% AND 26%, RESPECTIVELY, COMPARED TO PREVIOUS YEAR

February–April 2017 (2-4/2017)

- Chain-based net sales grew 18.5% (18.3%)
- Comparable net sales were 18.3 MEUR (15.4). Growth was 18.8%
- Comparable EBITDA was 1.62 MEUR (1.29). EBITDA growth was 25.7%
- Comparable EBIT was 1.32 MEUR (1.05)

- Net gearing was 23.1 percent (29.2%)
- Equity ratio was 51.4 percent (52.1%)

Outlook for the financial year 2018 according to the upgrade given on 6 June 2017

The Group estimates for the full financial year that the chain-based net sales will grow by over ten (10) percent as compared to the previous year and that comparable EBITDA will grow as compared to the previous year.

KEY FIGURES, TEUR

	2-4/17	2-4/16	2/16-1/17
Comparable figures			
Comparable net sales	18 281	15 387	66 580
Comparable EBITDA	1 617	1 286	6 726
Comparable EBITDA of net sales, %	8.8%	8.4%	10.1%
Comparable EBIT	1 321	1 045	5 747
Reported figures			
Chain-based net sales	24 185	20 415	89 893
Reported net sales	19 225	15 387	68 737
Reported EBITDA	1 565	1 286	6 225
Reported EBITDA of net sales, %	8.6%	8.4%	9.3%
Reported EBIT	1 269	1 045	5 246
Earnings per share	0.13	0.10	0.55
Net cash flows from operating activities	1 348	1 442	5 278
Net cash used in investment activities	-1 276	-117	-449
Net gearing, %	23.1	29.2	24.0
Equity ratio, %	51.4	52.1	52.1

Tommi Tervanen, CEO of Kotipizza Group

"Kotipizza's chain-based net sales continued their strong growth in the first quarter of the financial year. The chain's net sales continued their excellent development both in terms of same-store sales and the number of customers. In brick-and-mortar restaurants, the number of customers increased by 13.3% and the average purchase by 3.3%. We also continued to make progress in our online sales – during the review period, orders made through the online store amounted to roughly a tenth of the net sales in brick-and-mortar restaurants. The chain-based net sales growth was 18.5% in the first quarter, exceeding the average growth in the Finnish fast food market. We expect the chain-based net sales to continue to develop favorably. Achieving similar relative growth figures will, however, become more challenging month by month as we draw comparisons to months of very strong growth in the previous year.

There are several factors behind the strong growth in chain-based net sales. One of the main reasons is Kotipizza's brand and concept reform that was launched at full speed in the beginning of 2015 and which has now been mostly finalized. The Group has consistently developed the Kotipizza chain 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. A good example of our achievements is the MSC ecolabel awarded to the Kotipizza chain during the review period, proving that all fish and seafood products we use come from sustainable sources and responsible fisheries. Kotipizza is the first pizza chain in the world to merit the MSC label. The MSC ecolabel has been well received among consumers, and by securing the label Kotipizza has materially gained positive media attention in Finland and abroad. The chain's newly introduced vegetarian products have also been well received by consumers and the media.

In accordance with the strong sales growth, we have not forgotten to invest in future growth and in the future of the Kotipizza chain. Our new creative director Risto Mikkola, responsible for the menu and developing new food concepts, together with development director Riikka Ahtiainen, responsible for new restaurant and service concepts, joined us during the review period. Amid recent growth, we have also invested in the well-being of our personnel by starting a programme which focuses on both physical and social well-being of our people.

Comparable net sales of the Group grew 19% in the first quarter of the year and were 18.3 MEUR (15.4). Comparable EBITDA was 1.62 MEUR (1.29) in the first quarter, representing a growth of 26%. Our recent investments to future growth in terms of e.g. recruitments and market studies were visible as growth in our fixed costs, but we are still on pace with our medium-term financial goals, both in terms of the development of chain-based sales as well as that of EBITDA. The Group had a solid financial standing at the end of the quarter with net gearing at 23 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 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.

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

We estimate that the group's chain-based net sales will, during the present financial year, grow by more than ten (10) percent as compared to the previous financial year, and that the comparable gross margin / EBITDA will grow as compared to the previous financial year."

GROUP NET SALES

February–April 2017
Chain-based net sales continued strong and grew 18.5% (18.3%) year on year in the first quarter of the financial year and were 24.2 MEUR (20.4). Average purchase grew 3.3% and the number of customers 13.3% compared to the same period in the previous year. The strong performance is based on renewed concept, brand, successful marketing, and the emphasis placed on our online store and digital presence. Chain sales of the Pizzataxi chain, which was acquired in February, is not included in the chain-based net sales as none of the Pizzataxi restaurants have thus far been converted into Kotipizza restaurants during the review period.

Kotipizza received strong visibility with its cooperation with very popular tv-format Putous, which kept the brand especially in the mind of families with kids on six Saturdays from the beginning of February until mid-March. Also, as the Kotipizza chain was awarded the MSC ecolabel in the beginning of February, proving that all fish and seafood products we use come from sustainable sources and responsible fisheries, we launched a tv ad around our Special Opera pizza that also promoted the MSC ecolabel. In March, a campaign directed to elderly people reminding them of the benefits of Kotipizza’s rye dough was launched on tv. A coupon campaign was also launched, targeting younger consumers. In April, we ran tv advertising that focused on Kotipizza’s pineapple as well as a strong online campaign around our new vegetarian product Härkis. Kotipizza had altogether 69 campaign days during the first quarter of this year compared to 60 in the previous year. Kotipizza’s online sales also continued to grow. According to a recent market study, Kotipizza has made significant progress in reaching new customers as the amount of consumer who “Don’t go to Kotipizza at all” has decreased from 40 percent in last autumn to the current rate of 17 percent.

Comparable net sales for the first quarter of the financial year were 18.3 MEUR (15.4) and they grew 18.8% compared to same period in the previous year. Reported net sales were 19.2 MEUR (15.4) and they grew 24.9% compared to same period in the previous year. The reported sales included 0.9 MEUR items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through Kotipizza-division’s P&L without result effect. Comparable net sales growth was mainly based on Foodstock’s increased sales volume to Kotipizza underpinned by the good restaurant chain sales development. Helsinki Foodstock’s other third-party customers also increased net sales. The net sales of Foodstock grew 21.2% year on year in the first quarter of the financial year and were 14.7 MEUR (12.1). The Kotipizza segment’s net sales increased 44.2% compared to the previous year and were 4.5 MEUR (3.1). The Chalupa segment’s net sales in the first quarter of the financial year were EUR 76 thousand (EUR 180 thousand). Decline in net sales compared to the previous year was due to all Chalupa restaurants were owned by Chalupa franchisees. Chalupa’s revenue recognition is now reported in accordance with the reporting principles used in franchising. In the previous year, only two out of five Chalupa restaurants were owned by franchisees and the remaining three were still fully consolidated to the Chalupa segment’s numbers.

The 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.

GROUP EBIT

February–April 2017
Comparable EBIT of the Group was 1.32 MEUR (1.05) in the first quarter of the financial year. Reported EBIT was 1.27 MEUR (1.05). Reported EBIT included MEUR 0.05 of items affecting comparability (calculatory, non-cash), which were related to incentive plan introduced on 6 May 2016 and other incentive plans in the group. The reported EBIT of the previous year did not include items affecting comparability.

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

SALES AND EBITDA OF THE SEGMENTS

KOTIPIZZA SEGMENT

EUR THOUSAND	2-4/17	2-4/16	2/16-1/17
Comparable net sales	3 521	3 096	12 894
Net sales	4 465	3 096	15 051
Comparable gross margin / EBITDA	1 580	1 478	6 633
Depreciation and impairments	-190	-147	-589
Comparable EBIT	1 390	1 331	6 044
Reported gross margin / EBITDA	1 580	1 478	6 517
Reported EBIT	1 390	1 331	5 929

Markus Kaatranen, Deputy COO of Kotipizza

“Growth in sales in the Kotipizza chain has continued strong during the review period. It should be noted that in addition to the rollout of the restaurant design facelift, the reform of the restaurant network has been finalized. At the beginning of the review period, the number of restaurants stood at 257 (257), after which the number has once again started to rise through the opening of new brick-and-mortar restaurants. At the end of the review period, the number of restaurants stood at 265 (254). During the review period, Kotipizza also continued to develop its online store. 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 significant in brick-and-mortar restaurants offering a delivery service. At the same time the number of restaurants offering delivery services has started to gradually increase and it was 68 (63) at the end of the review period. In addition, in February we acquired the Pizzataxi restaurant chain, which comprises 22 restaurants operating in the Helsinki region and Southern Finland, all of which offer delivery services.”

February–April 2017
Comparable net sales of Kotipizza for the first quarter of the financial year were 3.52 MEUR (3.10) and they increased 13.7% compared to same period in the previous year. Net sales of Kotipizza for the first quarter of the financial year were 4.47 MEUR (3.10) and they increased 44.2% compared to the same period in the previous year. The franchising fees of the Pizzataxi chain, acquired in February, were EUR 71 thousand in the review period. The reported sales included MEUR 0.94 items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through Kotipizza-division’s P&L without result effect. The remaining sales increase was based on growth in chain-based net sales and, in consequence, all franchising contract-based net sales increased.

Kotipizza’s comparable EBITDA of was 1.58 MEUR (1.48) in the first quarter of the financial year and it grew 6.9% 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 1.58 MEUR (1.48) in the first quarter of the financial year. Reported EBITDA did not include items affecting comparability.

FOODSTOCK SEGMENT

EUR THOUSAND	2-4/17	2-4/16	2/16-1/17
Comparable net sales	14 684	12 112	53 198
Net sales	14 684	12 112	53 198
Comparable gross margin / EBITDA	377	334	1 596
Depreciation and impairments	-35	-31	-143
Comparable EBIT	342	303	1 453
Reported gross margin / EBITDA	368	334	1 566
Reported EBIT	333	303	1 423

Anssi Koivula, CEO of Foodstock

“The strong sales growth in the Kotipizza chain has also been reflected in Foodstock’s operations during the review period. Despite the strong growth, we have managed to ensure the reliability of our deliveries and the quality of our customer service, thanks to which our customer satisfaction has remained high. Foodstock’s operations have also been affected by the Kotipizza chain’s growing emphasis on sustainability and sourcing responsibly produced ingredients. The MSC ecolabel awarded to Kotipizza during the review period is a direct result of our long-standing commitment to sustainable fishing and using responsibly produced fish and seafood products.”

February–April 2017
Comparable net sales of Foodstock for the first quarter of the financial year were 14.68 MEUR (12.11) and they grew 21.2% compared to the same period in the previous year. Reported net sales of Foodstock for the first quarter of the financial year were 14.68 MEUR (12.11) and they grew 21.2% compared to same period in the previous year. The growth in net sales was mainly due to favourable development of Kotipizza chain-based net sales, which gave a positive boost to Foodstock’s delivery volumes for the chain. Positive volume effect of Foodstock’s new customers gained in the previous year were also visible in the reported numbers.

Foodstock’s comparable EBITDA improved 12,9% from the previous year and was 0.38 MEUR (0.33) in the first 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 0.37 MEUR (0.33) in the first quarter of the financial year. Reported EBITDA included EUR 9 thousand of items affecting comparability (calculatory, non-cash), which were related to incentive plan introduced on 6 May 2016 and other incentive plans in the group.

CHALUPA SEGMENT

EUR THOUSAND	2-4/17	2-4/16	2/16-1/17
Comparable net sales	76	180	487
Net sales	76	180	487
Comparable gross margin / EBITDA	-4	-72	-161
Depreciation and impairments	-2	-12	-27
Comparable EBIT	-6	-84	-188
Reported gross margin / EBITDA	-4	-72	-169
Reported EBIT	-6	-84	-196

Iman Gharagozlu, Creative Director of Chalupa

“During the review period, the Chalupa chain continued to strengthen its position on a franchising basis. At the same time, the work of refining, testing and documenting the Chalupa concept continued, and the responsibility for sourcing of ingredients was transferred to Foodstock. A significant input for the concept was opening up a new restaurant in Helsinki, which will serve also as a R&D centre for the chain. At the end of the review period, Chalupa restaurants were operating in three locations in Helsinki as well as in Kauniainen, Espoo, Lahti, Tampere, and Jyväskylä, one in each. In addition, Chalupa products were available in one Kotipizza lunch restaurant.”

February–April 2017
Chalupa’s comparable net sales were EUR 76 thousand (EUR 180 thousand) in the first quarter of the financial year and comparable EBITDA was EUR -4 thousand (EUR -72 thousand). Chalupa’s reported net sales were EUR 76 thousand (EUR 180 thousand) in the first quarter of the financial year and reported EBITDA was EUR -4 thousand (EUR -72 thousand). Decline in net sales compared to the previous year was due to all Chalupa restaurants having been wnedo 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. In the previous year only two out of five Chalupa restaurants were managed by franchisees and the remaining three were still fully consolidated to the Chalupa segment’s numbers. Reported EBITDA did not include items affecting comparability.

OTHERS SEGMENT

EUR THOUSAND	2-4/17	2-4/16	2/16-1/17
Comparable net sales	0	0	0
Net sales	0	0	0
Comparable gross margin / EBITDA	-336	-454	-1 342
Depreciation and impairments	-69	-51	-219
Comparable EBIT	-405	-505	-1 561
Reported gross margin/ EBITDA	-379	-454	-1 690
Reported EBIT	-448	-505	-1 909

The 'Others' segment includes mainly operations of the group headquarters.

February–April 2017
Comparable and reported net sales of the Others segment were 0.00 MEUR (0.00) in the first quarter of the financial year. Comparable EBITDA was -0.34 MEUR (-0.45). Reported EBITDA was -0.38 MEUR (-0.45). Reported EBITDA included EUR 43 thousand of items affecting comparability (calculatory, non-cash), which were related to incentive plan introduced on 6 May 2016 and other incentive plans in the group.

FINANCIAL ITEMS AND RESULT

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

Group taxes were MEUR -0.25 (-0.20) in the first quarter.

The result of the period was MEUR 0.84 (0.66) in the first quarter.

Earnings per share were EUR 0.13 (0.10) in the first quarter.

THE GROUP'S FINANCIAL POSITION

Kotipizza Group's balance sheet total as of 30 April 2017 was MEUR 61.2 (57.4). The Group's non-current assets as at 30 April 2017 amounted to MEUR 42.1 (40.5), and current assets amounted to MEUR 19.1 (16.9).

The Group's net cash flow from operating activities for the first quarter was MEUR 1.35 (1.44). Working capital was practically at the same level than at the end of January 2017 (tied 0.38).

The net cash flow from investment activities for the period was MEUR -1.28 (-0.12). Kotipizza Oyj acquired all business operations of Helsinki Pizzapalvelu Oy with 22 Pizzataxi restaurants operating in the Helsinki region and Southern Finland during the review period. Investments in tangible and intangible assets for the period amounted to MEUR 0.53 (0.38), and proceeds from sales of tangible assets were MEUR 0.00 (0.26).

The net cash flow from financing activities was MEUR -0.34 (-0.37).

The Group's equity ratio was 51.4% (52.1%).

Interest-bearing debt amounted to MEUR 16.7 (17.8), of which current debt accounted for MEUR 1.12 (0.84).

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 1.28 (0.38). The Company’s investments to fixed assets, related mainly to IT systems, amounted to MEUR 0.53 (0.38).

PERSONNEL

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

BUSINESS ARRANGEMENTS

Kotipizza Group acquired all business operations of Helsinki Pizzapalvelu Oy in the review period with 22 Pizzataxi restaurants operating 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 will start in her new position on 1 September 2017.

MANAGEMENT BOARD

Kotipizza Group’s Management Board comprised four members at the end of the review period: Tommi Tervanen (CEO), Timo Pirskanen (Deputy to the CEO, CFO), Anssi Koivula (Chief Procurement Officer) and Antti Isokangas (Chief Corporate Responsibility and Communications Officer).

SHARES AND SHARE CAPITAL

Kotipizza Group Oyj’s share capital at the end of the review period was EUR 80,000.00 and it comprised 6,351,201 shares. At the beginning of the review period 1 February 2017 the number of the shares was 6,351,201. At the end of the period, the Company had 2036 (600) shareholders. The Company does not hold any treasury shares.

Information about the company’s shareholder structure by sector and size of holding, the largest shareholders 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.

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 reserves for invested unrestricted equity.

The AMG adopted the financial statements for 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 a term continuing until the end of the next Annual General Meeting. Furthermore, the Board of Directors elected Kalle Ruuskanen as Chairman of the Board of Directors.

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

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

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

1. The authorization may be used in full or in part by issuing shares in Kotipizza Group Oyj in one or more issues so that the maximum number of shares issued is 635 000 shares.
2. The Board of Directors may also decide on a directed share issue in deviation from the shareholders' pre-emptive rights in case there is a weighty financial reason to do so, such as in order to finance or carry out acquisitions or other business transactions, develop the company's capital structure, or in order to use the shares for an incentive scheme. The Board of Directors would be authorized to decide to whom and in which order the shares will be issued. In the share issues shares may be issued for subscription against payment or without charge.
3. Based on the authorization, the Board of Directors is also authorized to decide on a share issue without payment directed to the company itself, provided that the number of shares held by the company after the issue would be a maximum of 10 per cent of all shares in the company. This amount includes shares held by the company and its subsidiaries in the manner provided for in Chapter 15, section 11 (1) of the Companies Act.
4. This authorization includes the right for the Board of Directors to decide on the terms and conditions of the share issues and measures related to the share issues in accordance with the Companies Act, including the right to decide whether the subscription price will be recognized in full or in part in the invested unrestricted equity reserve or as an increase to the share capital.
5. The authorization is valid until 31 July 2018.
6. The authorization will supersede the authorization to decide upon share issues given to the company's Board of Directors on 11 May 2016.

RISKS AND UNCERTAINTIES

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

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

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

EVENTS AFTER THE REPORT PERIOD

S-Pankki Oy announced that it had terminated the market making agreement with Kotipizza Group Oyj and will cease to deliver liquidity providing services to Kotipizza Group Oyj on 31 May 2017. The agreement between S-Pankki Oy and Kotipizza Group Oyj was signed on 3 July 2015 and came into force on 7 July 2015, which was also the first day of trading in the company's shares the main list of the Helsinki Stock Exchange. The company evaluates that the Kotipizza Group's share has sufficient liquidity without market making operations.

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.

OUTLOOK FOR THE FINANCIAL YEAR 2018

Finnish Hospitality Association MaRa forecasts that the total sales of the restaurant business in Finland will increase by 6-8 percent during the first 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. Consumers' 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 dinner as well as lunch 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 in a restaurant environment.

The Group estimates for the full financial year that the restaurant chain sales will grow by over ten (10) percent as compared to the previous financial year and that comparable EBITDA will grow as compared to the previous year.

ACCOUNTING POLICIES

Kotipizza Group's unaudited interim report for the three-month period ending 30 April 2017, including the audited comparison figures for the nine-month period ending 30 April 2016, have been prepared according to IAS 34 and applying the same accounting principles that were used in the previous audited full year financial statements.

SUMMARY OF THE FINANCIAL STATEMENT AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2-4/17	2-4/16	2/16-1/17
	000 €	**000 €**	**000 €**
Net sales	**19 225**	**15 387**	**68 737**
Other income	1	48	96
Change in inventory of raw materials and finished goods (+/–)	-159	-495	-3
Raw materials and finished goods (–)	-14 538	-11 631	-52 872
Employee benefits/expenses (–)	-984	-828	-3 887
Depreciations (–)	-296	-241	-978
Impairments (–)	-	-	-
Other operating expenses (–)	-1 981	-1 195	-5 846
Operating profit	**1 269**	**1 045**	**5 246**
Finance income	19	10	35
Finance costs	-202	-200	-812
Loss / profit before taxes	**1 086**	**855**	**4 469**
Income taxes	-247	-200	-1 005
Loss / profit for the period	**839**	**655**	**3 464**
Earnings per share, EUR:			
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0.13	0.10	0.55
Earnings per share for continuing operations, EUR:			
Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0.13	0.10	0.55

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	2-4/17	2-4/16	2/16-1/17
	000 €	**000 €**	**000 €**
Profit (loss) for the period)	**839**	**655**	**3 464**
Other comprehensive income: Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges	14	10	69
Taxes related to other comprehensive income	-3	-	-14
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**11**	**10**	**56**
Other comprehensive income for the period, net of tax	**11**	**10**	**56**
Total comprehensive income for the period, net of tax	**850**	**665**	**3 520**
Attributable to:			
Owners of the company	856	697	3 597
Non-controlling interest	-6	-34	-77
	850	663	3 520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	30.4.2017 000 €	30.4.2016 000 €	31.1.2017 000 €
Non-current assets			
Property, plant and equipment	1 035	1 449	1 138
Goodwill	36 508	35 819	35 819
Intangible assets	3 134	2 332	2 321
Non-current financial assets	2	2	2
Non-current receivables	984	560	872
Deferred tax assets	389	288	488
	42 051	**40 450**	**40 641**
Current assets			
Inventories	3 745	2 867	3 087
Trade and other receivables	5 964	4 941	5 761
Current tax receivables	4	58	4
Cash and cash equivalents	9 384	9 050	9 650
	19 098	**16 916**	**18 502**
Assets classified as held for sale	**13**	15	13
Total Assets	**61 162**	**57 381**	**59 156**

	30.4.2017 000 €	30.4.2016 000 €	31.1.2017 000 €
Equity and liabilities			
Share capital	80	80	80
Translation differences	27 595	29 818	27 595
Fund for invested unrestricted equity	3 859	73	2 989
Retained earnings	31 534	29 971	30 664
Non-controlling interests	-97	-48	-91
Total equity	**31 437**	**29 923**	**30 573**
Non-current liabilities			
Interest bearing loans and borrowings	15 532	16 939	15 829
Financial liabilities at fair value through profit or loss	283	357	298
Other non-current liabilities	3 346	2 449	2 745
Deferred tax liabilities	70	54	66
	19 231	**19 799**	**18 938**
Current liabilities			
Interest bearing loans and borrowings	1 115	841	1 165
Trade and other payables	9 233	6 562	8 480
Provisions	-	57	-
Current tax liabilities	147	199	-
	10 494	**7 659**	**9 645**
Liabilities related to assets held for sale	**-**	**-**	**-**
Total liabilities	**29 725**	**27 458**	**28 583**
Total shareholders' equity and liabilities	**61 162**	**57 381**	**59 156**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the company					
EUR THOUSAND	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	-	-	844	844	-6	839
Other comprehensive income	-	-	11	11	-	11
Total incomprehensive income for the period	-	-	856	856	-6	850
Transactions with owners						
Management incentive scheme	-	-	14	14	-	14
Dividends	-	-	-	-	-	-
Transactions with owners total	-	-	14	14		14
30 April 2017	80	27 595	3 859	31 534	-97	31 437

	Equity attributable to owners of the company					
EUR THOUSAND	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	-	-	697	697	-34	663
Other comprehensive income	-	-	-	-	-	-
Total incomprehensive income for the period	-	-	697	697	-34	663
Transactions with owners						
Share issue	-	-	-	-	-	-
Initial public offering costs		-	-	-	-	-
Transactions with owners total		-	-	-	-	-
30 April 2016	80	29 818	73	29 971	-48	29 923

CONSOLIDATED STATEMENT OF CASH FLOWS

	2-4/17	2-4/16	2/16-1/17
Operating activities	**000 €**	**000 €**	**000 €**
Profit before tax	1 086	855	4 469
Loss for discontinued operations	-	-	-
Adjustments to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment	129	118	453
Depreciation and impairment of intangible assets	167	123	525
Other non-cash items	-30	-	16
Gain on disposal of property, plant and equipment	-	-35	-70
Finance income	-19	-10	-35
Finance costs	202	200	812
Change in working capital			
Change in trade and other receivables (+/-)	-203	208	-557
Change in inventories (+/-)	-653	518	299
Change in trade and other payables (+/-)	858	-312	1 443
Change in provisions (+/-)	-	-33	-90
Interest paid (-)	-207	-198	-816
Interest received	19	10	35
Income tax paid (-)	-1	-2	-1 206
Net cash flows from operating activities	**1 348**	**1 442**	**5 278**
Investing activities			
Acquisition of subsidiaries	-	-	-
Investments for tangible assets (-)	-20	-40	-121
Investments for non-tangible assets (-)	-506	-337	-728
Repayment for loan assets	-	-	-
Proceeds from sale of assets-held-for-sale	-	-	-
Acquisitions	-750	-	-
Sale of property, plant and equipment	-	260	400
Net cash flows used in investing activities	**-1 276**	**-117**	**-449**
Financing activities			
Funds received from the share issue	-	-	-2 223
Loans withdrawal	-	-	-
Loans repayments (-)	-288	-187	-850
Finance lease payments (+/-)	-51	-187	-207
Net cash flow used in financing activities	**-338**	**-374**	**-3 280**
Net change in cash and cash equivalents	-266	951	1 550
Cash and cash equivalents at 1 February	9 650	8 099	8 100
Cash and cash equivalents at 30 April	**9 384**	**9 050**	**9 650**

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	2-4/17	2-4/16	2/16-1/17
Comparable net sales	3 521	3 096	12 894
Net sales	4 465	3 096	15 051
Comparable gross margin / EBITDA	1 580	1 478	6 633
Depreciation and impairments	-190	-147	-589
Comparable EBIT	1 390	1 331	6 044
Reported gross margin / EBITDA	1 580	1 478	6 517
Reported EBIT	1 390	1 331	5 929

FOODSTOCK SEGMENT

EUR THOUSAND	2-4/17	2-4/16	2/16-1/17
Comparable net sales	14 684	12 112	53 198
Net sales	14 684	12 112	53 198
Comparable gross margin / EBITDA	377	334	1 596
Depreciation and impairments	-35	-31	-143
Comparable EBIT	342	303	1 453
Reported gross margin / EBITDA	368	334	1 566
Reported EBIT	333	303	1 423

CHALUPA SEGMENT

EUR THOUSAND	2-4/17	2-4/16	2/16-1/17
Comparable net sales	76	180	487
Net sales	76	180	487
Comparable gross margin / EBITDA	-4	-72	-161
Depreciation and impairments	-2	-12	-27
Comparable EBIT	-6	-84	-188
Reported gross margin / EBITDA	-4	-72	-169
Reported EBIT	-6	-84	-196

OTHERS SEGMENT

EUR THOUSAND	2-4/17	2-4/16	2/16-1/17
Comparable net sales	0	0	0
Net sales	0	0	0
Comparable gross margin / EBITDA	-336	-454	-1 342
Depreciation and impairments	-69	-51	-219
Comparable EBIT	-405	-505	-1 561
Reported gross margin / EBITDA	-379	-454	-1 690
Reported EBIT	-448	-505	-1 909

ALL SEGMENTS TOGETHER

EUR THOUSAND	2-4/17	2-4/16	2/16-1/17
Comparable net sales	18 281	15 387	66 580
Net sales	19 225	15 387	68 737
Comparable gross margin / EBITDA	1 617	1 286	6 726
Depreciation and impairments	-296	-241	-978
Comparable EBIT	1 321	1 045	5 747
Reported gross margin / EBITDA	1 565	1 286	6 225
Reported EBIT	1 270	1 045	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. The transaction includes an earn-out element, the value of which is based upon the number of Pizzataxi restaurants converted to Kotipizza restaurants by the end of the year 2019. 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 cover any of the following items related to business operations:
- financial assets
- trade payables or other other liabilities
- liabilities generated prior to transaction
- personnel.

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

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

	30/04/2017	30/04/2016
Assets	**000 €**	**000 €**
Inventories	-	-
Trade receivable and other receivables	13	15
Assets related to discontinued operations	**13**	**15**
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 sets forth the total amounts of related party transactions carried out during the period. The terms and conditions of the related party transactions correspond terms and conditions applied to transactions between independent parties.

	Sales to related parties	Purchases from related parties	Outstanding trade payables	Outstanding trade receivables	Paid interests
2/16-1/17	000 €	000 €	000 €	000 €	000 €
Key management of the group	-	-	-	-	-
Other related parties	-	43	10	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	-	-	-	-
2/15-1/16					
Key management of the group	-	9	3	-	-
Other related parties	-	139	29	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	-	-	-	-

NOTE 4. EMPLOYEE BENEFITS EXPENSE

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

	2-4/17	2-4/16
	000 €	000 €
Wages and salaries	761	665
Social security costs	41	45
Pension costs (defined contribution plans)	130	118
Total employee benefits expense	**932**	**828**

NOTE 5. CONTINGENT LIABILITIES

Commitments	**30/04/2017**	**30/04/2016**
	000 €	000 €
Leasing commitments	241	107
Thirdary commitments	-	-
Rental guarantees	825	641
Bank guarantees	420	420
Rental commitments for premises	3 634	3 379
Loans from financial institutions	15 675	16 625
Guarantees for other than Group companies	3	415
Guarantees		
Pledged deposits	146	146
Business mortgages	17 500	17 500
Guarantees	12	20
Pledged shares, book value	44 236	30 487
General guarantee for other Group companies	unlimited	unlimited

NOTE 6: ALTERNATIVE PERFORMANCE MEASURES (APMs)

Kotipizza Group presents APMs to reflect 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 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	2-4/17	2-4/16	2/16-1/17
Net sales	19 225	15 387	68 737
Items affecting comparability	-944	0	-2 157
Comparable net sales	18 281	15 387	66 580

Items affecting comparability in 2-4/17 and 2/16-1/17 related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through Kotipizza division’s P&L without result effect.

COMPARABLE EBIT:

EBIT items affecting comparability

EUR thousand	2-4/17	2-4/16	2/16-1/17
EBIT	1 270	1 045	5 246
Items affecting comparability	52	0	501
Comparable EBIT	1 321	1 045	5 747

Reported EBIT in 2-4/17 and in 2/16-1/17 included EUR 52 thousand and EUR 501 thousand, respectively, of items affecting comparability (calculatory, non-cash), which were related to incentive plan introduced on 6 May 2016 and other incentive plans in the group.

Items affecting comparability are material items or transactions, which are relevant for understanding the financial performance of 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 Kotipizza Group's management view. Such items are always listed in Euros in Kotipizza Group's interim-, half year and full year financial reports for the whole Group and for the operating segments.

EBITDA

EBIT and depreciation

EUR thousand	2-4/17	2-4/16	2/16-1/17
EBIT	1 270	1 045	5 246
Depreciation and impairments	296	241	978
EBITDA	1 565	1 286	6 225

COMPARABLE EBITDA

EUR thousand	2-4/17	2-4/16	2/16-1/17
EBIT	1 270	1 045	5 246
Depreciation and impairments	296	241	978
Items affecting comparability	52	0	501
Comparable EBITDA	1 617	1 286	6 726

Items affecting comparability have been detailed earlier in this Note in 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	30.4.2017	30.4.2016	31.1.2017
Long term interest bearing debt	15 532	16 939	15 829
Short term interest bearing debt	1 115	841	1 165
Cash and cash equivalents	-9 384	-9 050	-9 650
Net debt	7 263	8 730	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 June 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