Kotipizza Group Oyj 4 June 2015

KOTIPIZZA GROUP OYJ'S INTERIM REPORT 1 FEBRUARY - 30 APRIL 2015 (3 months)

FEBRUARY-APRIL IN BRIEF:

- Net sales EUR 13.1 million (EUR 12.0 million) up 9.2 percent
- Adjusted operating profit EUR 0.7 million (EUR 0.8 million)
- Adjusted operating profit 5.3 percent of net sales (6.75 percent)
- Operating profit EUR 0.1 million (EUR 0.8 million) down 87.5 percent
- Operating profit EUR 0.8 percent of net sales (6.7 percent)
- Net cash flow from operating activities EUR -1.5 million (EUR -0.3 million)
- Gross investments in the period EUR -0.08 million (EUR -0.4 million)
- Earnings per share EUR -0.0012 (EUR -0.0002)

Kotipizza Group's CEO Tommi Tervanen:

"According to the Finnish Hospitality Association MaRa ry, the net sales of fast food restaurant chains increased by 3.6 percent in the first quarter and the consumer confidence has shown a positive trend since last autumn. Household expectations for economy improved further in May. The consumer confidence indicator was at 15.5 points in May, as compared to 11.4 points in April and 11.2 in March. Confidence for economy has not been at such a high level since 2011, and this indicates promising outlook for the development of fast food market in Finland.

Sales of the Kotipizza chain remained at a good level during the first quarter as regards both to comparable net sales and customer volumes. The comparable net sales of Kotipizza chain restaurants increased by 4.1 percent in February–April. In addition, we opened new restaurants at the end of the quarter in Tapiola in Espoo, Myllypuro in Helsinki, Joensuu and Vaasa. New shop-in-shop restaurants were opened in Vääksy, Posio and Peura. As these restaurants were opened at the very end of the quarter, their financial impact is not yet reflected in the reported figures.

In February-April, we closed two unprofitable restaurants: one in Lappeenranta and another in Lahti. In addition, shop-in-shop restaurants were closed in Huittinen, Tampere and Helsinki. At the end of the period, the number of restaurants in the Kotipizza chain was 265 (265). We will open six new restaurants during the second quarter, and we are planning to open six more restaurants before the end of the present financial year.

The Company's operations have been increasingly relocated to Helsinki, and all the members of the Company's Management Board now live in Helsinki. Due to this, we decided in January to close the Company's previous headquarters in Vaasa on 31 May 2015. The non-recurring costs of EUR 0.5 million related to the closure and a recorded deferral error of EUR 0.1 million recorded in Foodstock burdened the reported operating profit. The deferral error of the Foodstock resulted mainly from unrecorded purchase invoices for previous quarter, which had accrued due to erroneous and partly dishonest conduct of an employee, discharged later on. The adjusted operating profit was EUR 0.7 million, and it decreased by EUR 0.1 million as compared to the previous year. This was mainly due to the costs of double administration during the period. The cost savings from the closure of the office in Vaasa are expected to be EUR 50 thousand per month.

For the full financial year, we estimate the Group's chain-based net sales from the continuing operations will grow during the present financial year by over 5 percent as compared to the previous financial year, and the comparable gross margin/EBITDA will grow as compared to the previous financial year."

THE GROUP'S NET SALES AND OPERATING PROFIT

February-April

Kotipizza Group's net sales for the three-month period ended 30 April 2015 amounted to EUR 13.1 million, increasing by EUR 1.1 million, or 9.2 percent, as compared to EUR 12.0 million for the three-month period ended 30 April 2014. The increase was mainly due to Foodstock's increased sales volumes to SUBWAY® Restaurants in Finland.

The net sales of the discontinued operations for the three-month period ended 30 April 2015 amounted to EUR 0.02 million, decreasing by EUR 0.20 million, or 91 percent, as compared to EUR 0.22 million for the three-month period ended 30 April 2014.

Kotipizza Group's operating profit for the three-month period ended 30 April 2015 amounted to EUR 0.1 million, decreasing by EUR 0.7 million, or 87.5 percent, as compared to EUR 0.8 million for the three-month period ended 30 April 2014. The operating profit for the three-month period ended 30 April 2015 was 0.8 percent of the net sales, as compared to 6.7 percent for the three-month period ended 30 April 2014.

Kotipizza Group's adjusted operating profit for the three-month period ended 30 April 2015 amounted to EUR 0.7 million, decreasing by EUR 0.1 million, or 12.5 percent, as compared to EUR 0.8 million for the three-month period ended 30 April 2014. The adjusted operating profit includes the costs of EUR 495 thousand related to the closure of the office in Vaasa and a deferral error of EUR 115 thousand related to Foodstock's inventory. The deferral error of the inventory resulted mainly from unrecorded purchase invoices for previous quarter, which had accrued due to erroneous and partly dishonest conduct of an employee, discharged later on. The decrease in the adjusted operating profit was mainly due to the costs of double administration during the period. The Company decided to close its previous headquarters in Vaasa on 31 May 2015, and this is expected to result in cost savings of approximately EUR 50 thousand per month.

KEY FIGURES

	Q1/2015	Q1/2014	change, %	1 Feb 2014– 31 Jan 2015
	3 months	3 months		12 months
Net sales, EUR million	13.1	12.0	9.2	52.2
Gross margin (EBITDA), EUR million	0.2	0.9	-77.8	4.3
Gross margin, %	1.5%	7.5%	-6% unit	8.2 %
Adjusted operating profit, EUR million	0.7	0.8	-12.5%	3.8
Adjusted operating profit, %	5.3%	6.6%	1.3% unit	7.3%
Operating profit (EBIT), EUR million	0.1	0.8	-87.5	3.8
Operating profit (EBIT), %	0.8%	6.6%	-5.8% unit	7.3%
Result before taxes, EUR million	-0.8	-0.0	$NEGL^1$	0.6
Earnings per share, EUR	-0.001	-0.0002	NEGL	-0.0

¹ Negligible

NET SALES AND GROSS MARGIN (EBITDA) OF THE OPERATING SEGMENTS

Kotipizza Segment

Kotipizza Segment's net sales for the three-month period ended 30 April 2015 amounted to EUR 2.7 million (EUR 3.2 million), decreasing by 15.6% as compared to the previous year. The decrease was mainly due to the smaller number of restaurants directly owned by the Group. The restaurants directly owned by the Group are consolidated in full, and due to this their number may have a material effect on the consolidated figures. During the first quarter of the present year, the Group had on average 2 directly owned restaurants. During the corresponding period of the previous year, the average number was 9.

Kotipizza Segment's gross margin (EBITDA) for the three-month period ended 30 April 2015 amounted to EUR 0.4 million (EUR 1.0 million), decreasing by 63.4 percent as compared to the previous year. The decrease was mainly due to the costs of EUR 495 thousand related to the closure of the office in Vaasa and the costs of double administration during the period.

Foodstock Segment

Foodstock Segment's net sales for the three-month period ended 30 April 2015 amounted to EUR 10.3 million (EUR 8.9 million), increasing by 15.8 percent as compared to the previous year. The increase was mainly due to larger deliveries to SUBWAY® Restaurants.

Foodstock Segments gross margin (EBITDA) for the three-month period ended 30 April 2015 amounted to EUR 0.10 million (EUR 0.16 million), decreasing by 37.5 percent as compared to the previous year. The decrease was mainly due to a deferral error of EUR 0.1 million in Foodstock's inventory recorded for the period. The deferral error of the

inventory resulted mainly from unrecorded purchase invoices for previous quarter, which had accrued due to erroneous and partly dishonest conduct of an employee, discharged later on.

FINANCIAL DEVELOPMENT OF THE SEGMENTS¹

			Change,
	1 Feb-30 Apr 2015	1 Feb-30 Apr 2014	%
Net sales of Kotipizza, EUR thousand	2,770	3,151	-12.1%
Net sales of Foodstock, EUR thousand	10,286	8,886	15.8%
Net sales of other operations, EUR million	15	0	NEGL
Net sales total, EUR million	13.1	12.0	8.6%
Gross margin (EBITDA) of Kotipizza, EUR thousand	348	952	-63.4%
Gross margin (EBITDA) of Foodstock, EUR thousand	100	160	-37.5%
Gross margin (EBITDA) of other operations, EUR thousand	-212	-218	-2.8%
Gross margin (EBITDA) total, EUR thousand	236	894	-73.6%
Depreciation and impairments of Kotipizza, EUR thousand	-98	-70	40.0%
Depreciation and impairments of Foodstock, EUR thousand	-28	-12	133.3%
Depreciation and impairments of other operations, EUR			
thousand	-6	-8	-25.0%
Depreciation and impairments total, EUR thousand	-132	-90	46.7%
Contingent considerations and additional purchase			
prices, EUR thousand	0	0	NEGL
Goodwill impairment, EUR thousand	0	0	NEGL
Operating profit, EUR thousand	104	804	-87.1%

 $^{^{1}}$ Contingent considerations and goodwill impairment are not included in the Segments' EBITDA.

FINANCIAL ITEMS AND RESULT

Kotipizza Group's net finance costs for the three-month period ended 30 April 2015 amounted to EUR 0.87 million, increasing by EUR 0.05 million, or 6.1 percent, as compared to EUR 0.82 million for the three-month period ended 30 April 2014. The increase was due to EUR 0.05 million transaction costs recorded in the period.

Kotipizza Group's result before taxes for the three-month period ended 30 April 2015 amounted to EUR -0.7 million, decreasing by EUR 0.8 million, or 153 percent, as compared to EUR -0.003 million for the three-month period ended 30 April 2014.

Kotipizza Group's income tax revenue for the three-month period ended 30 April 2015 was EUR 0.1 million. The loss for the period was EUR 0.7 million (EUR 0.002 million). Earnings per share amounted to EUR -0.0013 (EUR -0.0002). The comparison figure is the earnings per share for the first quarter of 2014.

THE GROUP'S FINANCIAL POSITION

Kotipizza Group's balance sheet total as of 30 April 2015 was EUR 51.3 million (EUR 50.8 million). The Group's non-current assets as at 30 April 2015 amounted to EUR 38.5 million (EUR 38.7 million), and current assets amounted to EUR 12.7 million (EUR 12.1 million).

The Group's net cash flow from operating activities for the three-month period ended 30 April 2015 was EUR -1.5 million (EUR -0.3 million). Working capital was released in the amount of EUR 0.4 million (tied up EUR 0.2 million).

The net cash flow from investment activities for the period was EUR 0.08 million (EUR 0.4 million). Investments in tangible and intangible assets for the period amounted to EUR -0.10 million (EUR -0.4 million), and proceeds from sales of tangible assets were EUR 0 (EUR 0).

The net cash flow from financing activities was EUR -0.05 million (EUR 0.1 million).

The Group's equity ratio was 8.2 percent (10.4 percent). The decrease in the equity ratio was due to the negative effect of losses from the previous quarters on the amount of equity.

Interest-bearing debt without contingent considerations measured at fair value amounted to EUR 36.1 million (EUR 35.8 million), of which current debt accounted for EUR 30.0 million (EUR 0.09 million).

Further information on Kotipizza Group's financial risks is presented in the financial statements for the year 2015.

INVESTMENTS

The gross investments for the period amounted to EUR -0.08 million (EUR -0.4 million). The Company's investments to fixed assets, related mainly to IT systems, amounted to EUR -0.02 million (EUR -0.2 million). Gross investments related to acquisitions of subsidiaries amounted to EUR 0.02 million (EUR 0.0 million).

PERSONNEL

On 30 April 2015, Kotipizza Group employed 38 people, all of whom worked in Finland. At the end of the previous financial year 31 January 2015, the Company employed 33 people, all of whom worked in Finland. At the end of the financial year ended 31 January 2014, the number of personnel was 53 employees, and a year earlier it was 52 employees.

BUSINESS ARRANGEMENTS

The Group expanded during the period by establishing a new joint venture. Kotipizza Group, Chalupa Oy and Think Drinks Oy signed a shareholder agreement concerning Chalupa Oy on 13 March 2015, with the intention to open the first Chalupa chain restaurant, based on a Mexican-style fast casual concept, in the Kallio district in Helsinki during the summer of 2015. Kotipizza Group owns 60 percent of the joint venture and Think Drinks Oy owns the remaining 40 percent.

CHANGES IN THE MANAGEMENT

There were no changes in Kotipizza Group's operative management, Board of Directors or Management Board during the period.

MANAGEMENT BOARD

Kotipizza Group's Management Board comprises five members: Tommi Tervanen (CEO), Timo Pirskanen (FCO), Olli Väätäinen (Director of Operations), Anssi Koivula (Procurement Director) and Antti Isokangas (Communications Director).

SHARES AND SHARE CAPITAL

Kotipizza Group Oyj's share capital as at 30 April 2015 was EUR 80,000.00 and it comprised 544,275,188 shares. The Company has one share class and each share entitles to one vote in the Company's general meeting. All shares carry equal rights to dividends and other distribution of assets by the Company. The Company's Articles of Association include a redemption clause and a consent clause. At the end of the period, the Company had 9 shareholders (9). The Company does not hold any treasury shares.

The Company's Extraordinary General Meeting held on 28 May 2015 resolved to decrease the number of the Company's shares through a reverse split. The reverse split will be implemented by redeeming without consideration from each shareholder 434 shares for each 435 shares, rounded up to the nearest full share. The total number of the Company's shares will be 1,251,201 after the reverse split.

During the period, Sentica Partners Oy owned in total 90.2 percent of the shares in the Company through its funds Sentica BuyOut III Ky and Sentica BuyOut III Co-Investment Ky. CEO Tommi Tervanen owned 4.3 percent, director of operations Olli Väätäinen 1.5 percent, procurement director Anssi Koivula 0.5 percent and a member of the Board of Directors Kim Hanslin 0.9 percent of the shares in the Company.

RESOLUTIONS OF THE GENERAL MEETING

Kotipizza Group's Extraordinary General Meeting held on 2 March 2015 resolved to change the name of the Company from Frankis Group Oyj to Kotipizza Group Oyj.

RISKS AND UNCERTAINTIES

The prevailing economic and conditions affect consumer spending in the Kotipizza Group's geographical markets, and have an impact on Kotipizza Group's results of operations both on short and long term. Demand in the fast food industry is not particularly sensitive to the prevailing economic conditions, as the price range of the product offering is low compared to other restaurant food. Demand for fast food may actually grow in an economic downturn as demand for other restaurant food declines.

In the long term, Kotipizza Group's operative risks and uncertainties relate to a possible failure in predicting consumer preferences or 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.

Further information on Kotipizza Group's risks and risk management is presented in the financial statements for the year 2015.

MATERIAL EVENTS SUBSEQUENT THE PERIOD

No material events have occurred subsequent to the period.

OUTLOOK FOR THE FINANCIAL YEAR 2016

The Company estimates the chain-based net sales of the continuing operations will grow during the present financial year by over 5 percent as compared to EUR 70.5 million for the financial year ended 31 January 2015. The chain-based net sales for the financial year ended 31 January 2015 does not include the chain-based net sales of the 55 Burger, Cola and Fries divested during the financial year. The chain-based net sales of the continuing operations is the total combined net sales of the companies having franchising agreement with the Company at the time, based on which the Company's franchising fees are invoiced monthly. It includes also the net sales of the restaurants directly owned by the Company.

The Company estimates the comparable gross margin (EBITDA) to grow as compared to the EUR 4.4 million for the financial year ended 31 January 2015. The comparable gross margin (EBITDA) does not include operations of 55 Burger, Cola and Fries or Francount Oy, both divested during the financial year, nor non-recurring items. Comparable EBITDA is the EBITDA of the Company's continuing operations adjusted with the non-recurring items. The non-recurring items comprise of among others sales profit and sales loss and also expenses from restructuring of the Company's operations and personnel reductions.

ACCOUNTING POLICIES

In Kotipizza Group's unaudited interim report for the three-month period ended 30 April 2015, including the unaudited comparison figures for the three-month period ended 30 April 2014, the IFRS preparation and valuation principles have been applied.

SUMMARY OF THE FINANCIAL STATEMENT AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		1 Feb 2015-	1 Feb 2015-		1 Feb 2014-
	Note	30 Apr 2015	30 Apr 2014	Change, %	31 Jan 2015
EUR thousand	Note	30 Apr 2013	30 Apr 2014	Change, 70	31 3411 2013
LON MOUSUING					
Continuing operations					
Net sales		13,071	12,037	8.6 %	52,226
Other income		39	14	178.6 %	65
Change in inventory of raw materials and					
finished goods (+/–)		699	183	282.0 %	-239
Raw materials and finished goods (-)		-11,009	-9,343	17.8 %	-40,670
Employee benefits/expenses (–)		-1,347	-685	96.6 %	-2,787
Depreciations (–)		-132	-90	46.7 %	-463
Impairments (–)		0	0	$NEGL^1$	-15
Goodwill impairment (–)		0	0	NEGL	0
Contingent consideration (-)		0	0	NEGL	0
Other operating expenses (–)		-1,217	-1,312	-7.2 %	-4,323
Operating profit		104	804	-87.1 %	3,794
Finance income		1	12	-91.7 %	35
Finance costs		-868	-819	6.0 %	-3,265
Loss / profit before taxes from continuing					
operations		763	-3	NEGL	564
In a sure Assess		100	47	NECL	404
Income taxes		109	-17	NEGL	-181
Loss / profit for the period from continuing		654	20	NECL	202
operations		-654	-20	NEGL	383
Discontinued assessmentians					
Discontinued operations					
Loss after tax for the period from discontinued		6	0.7	00.4	040
operations		-6	-87	93.1	-918
Loss / profit for the period		-660	-107	NEGL	-535
	_	_			
Earnings per share, EUR:					
Basic, profit for the period attributable to					
ordinary equity holders of the parent (no dilutive					
instruments)		-0.0012	-0.0002	NEGL	-0.0010
instruments)		0.0012	0.0002	WEGE	0.0010
Earnings per share for continuing operations,					
EUR:					
Basic, profit for the period attributable to					
ordinary equity holders of the parent (no dilutive					
instruments)		-0.0012	0.0000	NEGL	0.0007
·		3.3322	2.2220		2.0007
¹ Negligible					

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		1 Feb 2015- 30 Apr 2014	Change, %	1 Feb 2014- 31 Jan 2015
EUR thousand		-		
Profit (loss) for the period	-660	-107	NEGL ¹	-535
Other comprehensive income:				
Other comprehensive income to be reclassified to profit or				
loss in subsequent periods:				
Exchange differences on translation of foreign operations	0	16	NEGL	-9
Net other comprehensive income to be reclassified to				
profit or loss in subsequent periods	0	16	NEGL	-9
Other comprehensive income for the period, net of tax	0	16	NEGL	-9
Total comprehensive income for the period, net of tax	-660	-91	NEGL	-544

¹ Negligible

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 April 2015	30 April 2014	Change %	31 January 2015
EUR thousand					
Assets					
Non-current assets					
Property, plant and equipment		771	695	10.9%	808
Goodwill		35,819	36,240	-1.2%	35,819
Intangible assets		1,236	878	40.7%	1,229
Non-current financial assets		2	2	0.0%	2
Non-current receivables		485	705	-31%	574
Deferred tax assets		186	140	32.9%	90
Total		38,499	38,660	-0.4%	38,522
Current assets					
Inventories		3,642	3,465	5.1%	2,938
Trade and other receivables		5,302	5,741	-7.10%	5,449
Current tax receivables		245	297	-17.5%	230
Prepayments		0	0	NEGL	0
Cash and cash equivalents		3,528	2,593	-36.1%	5,201
Total		12,717	12,096	5.1%	13,818
Assets classified as held for sale		35	0	NEGL	82
Total assets		51,251	50,756	1.5%	52,422
Equity and liabilities					
Share capital		80	80	0%	80
Translation differences		0	5	NEGL	0
Fund for invested unrestricted equity		5,362	5,362	0%	5,362
Retained earnings		-1,238	-145	NEGL	-579
Non-controlling interests		20		100%	0
Total equity		4,224	5,302	-20%	4,863
Non-current liabilities					
Interest bearing loans and borrowings		6,077	35,732	-82%	35,860
Financial liabilities at fair value through					
profit or loss		152	243	-37%	179
Other non-current liabilities		4,162	3,545	17%	3,850
Deferred tax liabilities Total		70 10,461	39,621	-30% -73%	85 39,974
		20,102	03,011	70,0	33,37 .
Current liabilities					
Interest bearing loans and borrowings		29,990	87	243%	183
Trade and other payables		6,511	5,693	14%	7,307
Provisions		0	31	NEGL	0
Current tax liabilities		10	22	-55%	10
Total		36,511	5,833	8%	7,500
Liabilities related to assets held for sale		55	0	NEGL	85
Total liabilities		47,027	45,454	3%	47,559
Total shareholders' equity and liabilities		51,251	50,756	1%	52,422

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 30 April 2015

		Invested unrestricted	Retained	Retained translation	Non- controlling	
	Share capital	equity fund	earnings	differences	interests	Total equity
Equity belonging to						
the shareholders of						
the parent company,						
EUR thousand						
1 February 2015	80	5 362	-579	0	0	4 863
Result for the period	0	0	-660	0	0	-660
Other comprehensive						
income	0	0	0	0	0	0
Comprehensive						
income in total	0	0	-660	0	0	-660
Share issue	0	0	0	0	20	20
Other	0	0	1	0	0	1
Dividends	0	0	0	0	0	0
30 April 2015	80	5 362	-1 238	0	20	4 224

		Invested unrestricted	Retained	Retained translation	
	Share capital	equity fund	earnings	differences	Total equity
Equity belonging to					
the shareholders of					
the parent company,					
EUR thousand					
1 February 2014	80	5 362	-55	16	5 403
Result for the period	0	0	-107	0	-107
Other comprehensive					
income	0	0	16	0	16
Comprehensive					
income in total	0	0	-91	0	-91
Dividends	0	0	0	0	0
Other	0	0	1	-11	10
30 April 2014	80	5 362	-145	5	5 302

CONSOLIDATED STATEMENT OF CASH FLOWS

	30 Apr 2015	30 Apr 2014	Change %	30 Jan 2015
EUR thousand				
Operating activities				
Profit before tax	-763	-3	NEGL	564
Loss for discontinued operations	-7	-106	-93.4 %	-1,039
Adjustments to reconcile profit before tax to net cash				
flows:				
Depreciation of property, plant and equipment	54	46	17.4 %	190
Depreciation and impairment of intangible assets	78	44	77.3 %	288
Depreciation and write-downs of discontinued operations	0	14	NEGL	478
Contingent considerations	0	0	NEGL	0
Gain on disposal of property, plant and equipment	0	0	NEGL	0
Finance income	-1	-12	-91.7 %	-35
Finance costs	868	819	6.0 %	3,265
Change in working capital:				
Change in trade and other receivables (+/-)	422	825	-48.8 %	835
Change in inventories (+/-)	-704	-183	284.7 %	325
Change in trade and other payables (+/-)	-153	-447	-65.8 %	728
Change in provisions (+/-)	0	0	NEGL	-31
Interest paid (-)	-1,319	-1,277	3.3 %	-2,640
Interest received	1	12	-91.7 %	35
Income tax paid (-)	-15	-59	-74.6 %	-30
Net cash flows from operating activities	-1,539	-327	370.7 %	2,933
Investing activities				
Acquisition of subsidiaries	20	0	NEGL	0
Investments for tangible assets (-)	-15	-165	-90.9 %	-592
Investments for non-tangible assets (-)	-86	-274	-68.6 %	-638
Repayment for loan assets	0	0	NEGL	0
Proceeds from sale of assets-held-for-sale	0	0	NEGL	0
Sale of property, plant and equipment	0	0	NEGL	146
Net cash flows used in investing activities	-81	-439	-81.5 %	-1,084
Financing activities				
Loans withdrawal	0	0	NEGL	0
Loans repayments (-)	0	0	NEGL	0
Finance lease payments (+/-)	-53	104	NEGL	97
Net cash flow used in financing activities	-53	104	NEGL	97
Net change in cash and cash equivalents	-1,673	-662	152.7 %	1,946
Cash and cash equivalents at 1 February	5,201	3,255	59.8 %	3,255
Cash and cash equivalents at 30 April	3,528	2,593	36.1 %	5,201

Notes

Note 1. Segment information

The Group has two reporting segments:

- Kotipizza Segment, which provides services to the Group's franchisees and operates the Kotipizza restaurants owned by the Group
- Foodstock Segment, which operates as a wholesaler to the Group's other business units and third parties

The segments are organized as separate legal entities responsible for their own business and financial reporting. Transfer pricing between the segments is based on fair market prices.

	2015	2014	2015
Segment information, EUR thousand	1 Feb-30 Apr		1 Feb-31 Jan
Net sales of Kotipizza	2,770	3,151	12,251
Net sales of Foodstock	10,286	8,886	39,954
Net sales of other operations	15	0	21
Net sales, total	13,071	12,037	52,226
Gross margin (EBITDA) of Kotipizza	348	952	4,152
Gross margin (EBITDA) of Foodstock	100	160	793
Gross margin (EBITDA) of other operations	-212	-218	-673
Gross margin (EBITDA), total	236	894	4,272
Depreciation and impairments of Kotipizza	-98	-70	-340
Depreciation and impairments of Foodstock	-28	-12	-114
Depreciation and impairments of other operations	-6	-8	-24
Depreciation and impairments, total	-132	-90	-478
Contingent considerations and additional purchase prices	0	0	0
Goodwill impairment	0	0	0
Operating profit	104	804	3,794

Notes to the consolidated financial statements

Note 2. Non-current assets held for sale and discontinued operations

The non-current assets held for sale and discontinued operations relate to Kotipizza Segment's Russian operations, Domi-pizzapalat, sale of Franchising segment's 55 Burger, Cola and Fries concept and divestment of the Financial management services segment. Selling price of the both divested businesses, Financial management services and 55 Burger, Cola and Fries concept, was EUR 1.

Liquidation of the Russian company was completed on 29 July 2014.

	1 February – 30 April 2015	1 February – 30 April 2014
EUR thousand	30 April 2013	30 April 2014
Net sales	20	220
Other operating income	0	19
Depreciation	0	-14
Expenses	-27	-319
Operating loss (EBIT)	-7	-94
Finance costs	0	-12
Capital loss related to discontinued operations	0	0
Loss for the period from a discontinued operation before tax	-7	-106
Tax impact	1	19
Loss for the period from the discontinued operations	-6	-87
Earnings per share for discontinued operations, EUR: Basic, profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0.0000	-0.0002

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

	30 April 2015	30 April 2014
EUR thousand		
Assets		
Inventories	9	0
Trade receivable and other receivables	26	0
Assets related to discontinued operations	35	0
Liabilities		
Received collaterals	15	
Other liabilities	11	0
Accrued expenses	29	
Liabilities related to discontinued operations	55	0

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

Notes to the consolidated financial statements

Note 3. Employee benefits expense

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

	1 February – 30 April 2015	1 February – 30 April 2014
EUR thousand		
Wages and salaries	1,145	556
Social security costs	80	25
Pension costs (defined contribution plans)	122	104
Total employee benefits expense	1,347	685

Notes to the consolidated financial statements

Note 4. The Company's contigent liablilities

The Company's contigent liablilities 30 April 2015

	1 February – 30 April 2015
EUR thousand	
Leasing liabilities	32
Secondary liabilities	23
Lease guarantees	590
Bank guarantees	920
Rental liability of premises	3,426
Pledged assets	361
Business mortages (as a general warranty)	2,500
Guarantees	640
Guarantees for other than companies in the same group	661

Kotipizza Group Oyj's Board of Directors

Further information: CEO Tommi Tervanen, tel. +358 2007 716 743, and CFO Timo Pirskanen, tel. +358 207 716 747

Calculation of key figures

Adjusted operating profit	Operating profit adjusted with sales profit and sales loss belonging to non = recurring items and expenses from restructuring of the company's operations and personnel reductions	
Adjusted operating profit % Operating profit	= Adjusted operating profit Net sales The reported operating profit from the Company's continuing operations	
Operating profit percent	Operating profit Net sales Net operating profit	
Return on equity	= Net operating profit	
Equity ratio	= Equity * 100	
Earnings per share	= Operating profit or loss Number of shares	
Net gearing	(Interest bearing debts – Liquid assets) * 100 = Equity of the balance sheet	
Adjusted EBITDA	EBITDA adjusted with operational profits and losses and also costs from reorganizing business operations and personnel reductions belonging to the discontinued operations	
Adjusted EBITDA%	Adjusted EBITDA * 100 Net sales	
EBITDA	Net sales + Other operating income +/- Change in inventory of raw materials and finished goods - Raw materials and finished goods - Employment benefits/expenses - Other operating expenses	
EBITDA%	= EBITDA * 100	