KOTIPIZZA GROUP OYJ ANNUAL REPORT 2015

CONTENTS

LET’S MAKE EATING MORE FUN

LISTING ON THE STOCK EXCHANGE WAS NOT THE END OF THE KOTIPIZZA GROUP’S GROWTH JOURNEY. IT WAS THE BEGINNING.

This is a very special annual report and one that gives me great pride. It is Kotipizza Group Oyj’s first as a listed company. The company was listed on the main list of OMX Nasdaq Helsinki in July 2015.

AN IPO is an event that summarises much of a company’s history and reason for existence. Becoming listed on the stock exchange is the conclusion of the first stage of a company’s growth journey, but also the beginning of a new chapter.

AS THE MAJORITY owner of the Kotipizza Group, Sentica Partners underlined its confidence in Kotipizza Group’s journey in the IPO in summer 2015. We did not sell a single share in conjunction with the listing. On the contrary, we subscribed more shares and maintained our position as Kotipizza Group’s largest shareholder.

SENTICA Partners is a Finnish capital investment company whose investment strategy is based on the development and growth of Finnish companies. We are an active owner that provides presence and support for the companies we invest in.

WE BELIEVE that successful companies are built through a combination of passion, people and resources. This is something we take very seriously. In our view, ensuring the presence of these three factors is one of the most important tasks of a company’s Board of Directors.

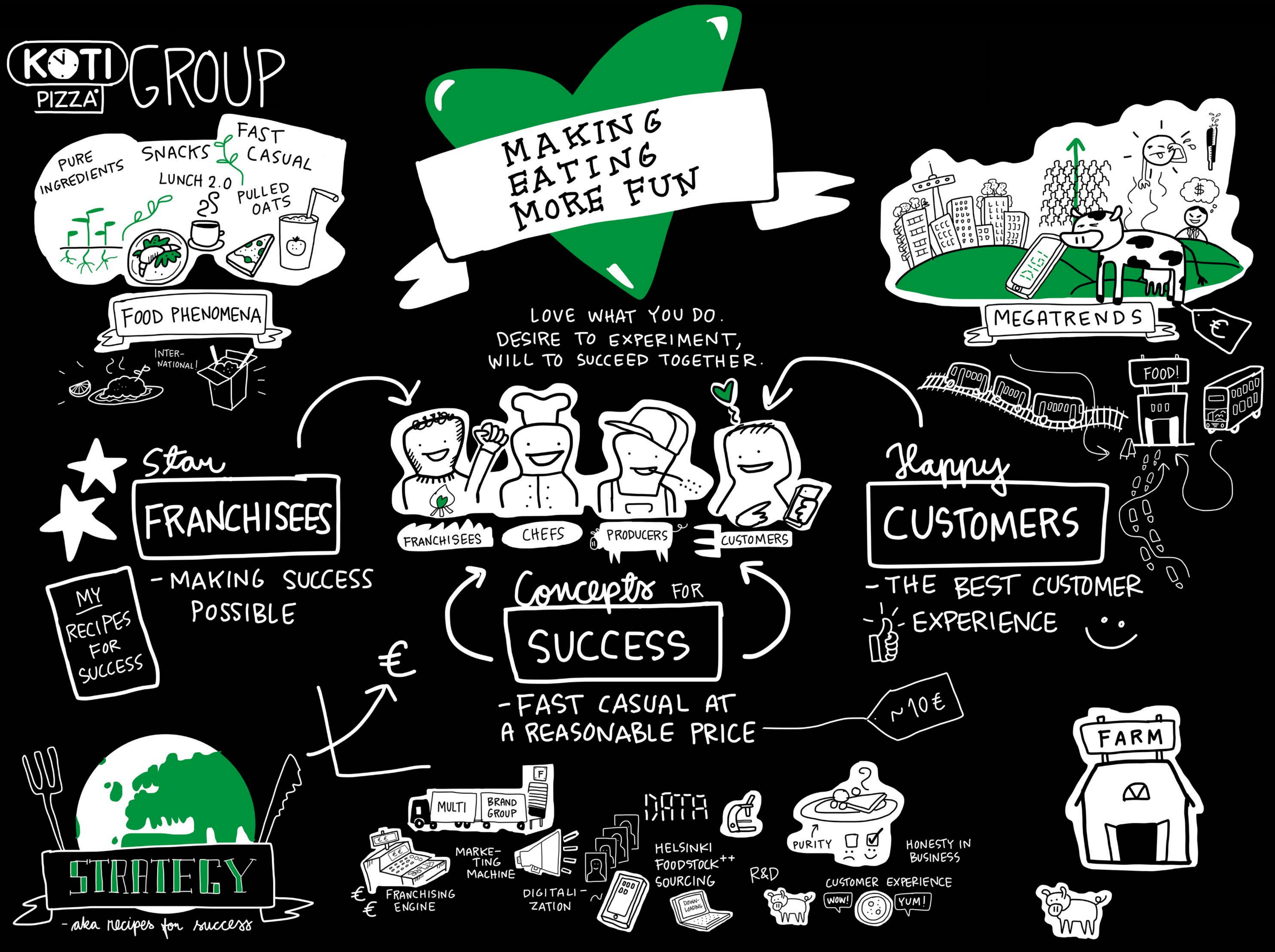
KOTIPIZZA Group’s operations are guided by its passionate goal of “Making eating more fun”. The company’s development is guided by the megatrends influencing the food and restaurant industry: urbanisation and climate change. It is also guided by the food trends that will change the industry in the coming years: a growing emphasis on clean ingredients, the emergence of snack culture, and above all, the fast casual dining phenomenon, which revolves around consumers’ desire to eat fresh and responsibly produced food in a restaurant-style environment at affordable prices.

WE ARE implementing a strategy that is aimed at profitable growth today and in the future. This is made possible by Kotipizza, a pizza chain familiar to all Finns, as well as new fast casual concepts that will create industry-leading customer experiences and provide opportunities for new entrepreneurs to write their success stories.

LET’S work together to make eating more fun! It is a goal that is fun and profitable to believe in.

Johan Wentzel
Chairman of the Board of Directors
Kotipizza Group Oyj

“WE BELIEVE THAT SUCCESSFUL COMPANIES ARE BUILT THROUGH A COMBINATION OF PASSION, PEOPLE AND RESOURCES.”


KOTI PIZZA GROUP
MAKING EATING MORE FUN
PURE INGREDIENTS
SNACKS
FAST CASUAL
LUNCH 2.0
PULLED OATS
FOOD PHENOMENA
INTER-NATIONAL!
MEGATRENDS
DIGI
LOVE WHAT YOU DO.
DESIRE TO EXPERIMENT,
WILL TO SUCCEED TOGETHER.
Star
FRANCHISEES
-MAKING SUCCESS POSSIBLE
MY RECIPES FOR SUCCESS
FRANCHISEES
CHEFS
PRODUCERS
CUSTOMERS
Happy
CUSTOMERS
-THE BEST CUSTOMER EXPERIENCE
FOOD!
Concepts FOR
SUCCESS
-FAST CASUAL AT A REASONABLE PRICE
~10€
€
FARM
STRATEGY
-aka recipes for success
MULTI BRAND GROUP
FRANCHISING ENGINE
MARKE-TING MACHINE
DIGITALI-ZATION
DATA
HELSINKI FOODSTOCK++
SOURCING
DOWN-LOADING
R&D
PURITY
HONESTY IN BUSINESS
CUSTOMER EXPERIENCE
WOW!
YUM!

TIME TO MAKE DREAMS COME TRUE

KOTIPIZZA GROUP HAS A UNIQUE OPPORTUNITY TO IMPLEMENT ITS GROWTH STRATEGY.

Kotipizza Group's listing on the OMX Nasdaq Helsinki main list was simultaneously a minor event and a tremendously significant event.

Listing has had barely any effect on the day-to-day operations of the Kotipizza chain. Our entrepreneurs continue to serve our customers just as before.

At the same time, however, everything has changed. Our operations are now under much more scrutiny than before. Above all, becoming a listed company gives us a new opportunity to implement our growth strategy.

WE aim to continuously increase the comparable sales of our restaurants by renewing our restaurant concept, expanding our restaurant network and investing in the continuous development of online sales and a genuine multi-channel approach. We also aim to launch new fast casual dining concepts, either by developing them ourselves or by expanding our brand portfolio through acquisitions.

IN LINE with our strategy, we strive to make Finnish eating more fun in the spirit of the fast casual approach. This can be achieved with the help of our franchising expertise and our extensive experience in chain marketing and digital sales development. Equally important are our investments in product development enabled by Helsinki Foodstock's sourcing and logistics operations, as well as our belief in the continuous development of the customer experience and fair business practices.

OUR strategy produced excellent results in 2015. The sales of the Kotipizza chain have continued to see strong growth, our message concerning responsible business has been well received, and satisfaction among Kotipizza entrepreneurs is at a high level. In September, we launched our first new fast casual dining concept, the Mexican-style Chalupa chain.

The new financial year that began in February 2016 is the Kotipizza Group's first full financial year as a listed company. This means that we will invest in our growth story and the implementation of our strategy even more boldly than before.

In the Kotipizza chain, growth is achieved through the continuous renewal of the concept and a top-class customer experience. We are particularly focusing on developing our online sales and having a strong presence in all digital channels relevant to our customers.

THE NEW financial year will also see the Chalupa story pick up speed, with the chain starting its expansion beyond the Helsinki metropolitan area under the franchising model. We will continue to research and develop new fast casual dining concepts to follow in the footsteps of Chalupa.

We have never been short of dreams and passion. Now it is time to make our dreams come true.

Tommi Tervanen
CEO
Kotipizza Group Oyj

"WE STRIVE TO MAKE FINNISH EATING MORE FUN IN THE SPIRIT OF THE FAST CASUAL APPROACH."

“ALL OF THE NEW RESTAURANTS WERE IN LINE WITH KOTIPIZZA’S NEW LOOK.”

A YEAR OF GROWTH AND RENEWAL

THE KOTIPIZZA CHAIN’S GROWTH WAS BOOSTED BY A NEW LOOK, MULTI-ENTREPRENEURSHIP AND ONLINE SALES.

For the Kotipizza chain, 2015 was best characterised by growth and renewal. The chain’s sales saw strong development throughout the year, driven particularly by restaurants operating in their own separate business premises. At the same time, the chain continued its strong renewal.

IT IS particularly noteworthy that this growth was achieved in spite of a decrease in the number of shop-in-shop restaurants and the number of restaurants operating in their own separate business premises remaining unchanged. At the end of the financial year, the chain was comprised of 257 (260) restaurants. We engaged in active business location management by focusing on opening restaurants in locations that are close to consumers and benefit from high customer flows, while unprofitable restaurants were closed down.

ALL of the new restaurants opened during the financial year were in line with Kotipizza’s new look. The visual redesign and renewal process also progressed in other restaurants, with a total of 70 restaurants boasting the new look at the end of the financial year. The most significant change related to the Kotipizza concept was the Kotipizza lunch restaurant opened in Helsinki’s Kalasatama district. It offers a fixed-price takeaway salad and pizza buffet, which was subsequently complemented by the Chalupa chain’s tacos.

THE primary engine driving growth was a focus on multi-entrepreneurship, which involves a single entrepreneur being responsible for the operations of several restaurants. The opportunity to engage in multi-entrepreneurship has brought new dynamism to the chain’s operations and provided an important source of motivation for the chain’s entrepreneurs. The Kotipizza franchising agreement was also revised to better support multi-entrepreneurship.

THE renewal of Kotipizza’s restaurant menus also continued during the financial year. In addition to the new look, ingredients and menus play a key role as Kotipizza focuses on the fast casual dining phenomenon and differentiates itself from traditional industrial fast food.

KOTIPIZZA redesigned its online store in late 2014 and has continuously developed it further since then. At the end of the financial year, the online store accounted for approximately one tenth of the total sales of restaurants operating in their own separate business premises.

WE will focus particularly on the development of digital sales and marketing. We have already launched our smartphone application for online ordering, and the new financial year will also see us get started on producing a more personalised digital experience for consumers.

Olli Väätäinen
COO
Kotipizza Group Oyj

“OUR GOAL IN 2016 IS TO ACHIEVE A SIGNIFICANT INCREASE IN SALES.”

A FIT YEAR

HELSINKI FOODSTOCK HAD A YEAR OF EXTERNAL AND INTERNAL SUCCESS.

Helsinki Foodstock had an excellent year in 2015. We signed several new customer agreements during the financial year. At the same time, we increasingly focused on our core business of supplying chain-managed concept businesses. To this end, we discontinued the import and distribution of Innocent juice products in April.

WE signed an agreement with the Rolls burger chain in April, followed by an agreement signed in September with Espresso House, the Nordic region’s largest coffee shop chain and a new entrant to the Finnish market. In December, we signed an agreement with the Fafa’s chain. We also began cooperation with the Chalupa chain, a subsidiary of the Kotipizza Group, in September. The Chalupa concept was developed during the summer based on customer feedback, and we worked together with Chalupa in planning the sourcing of ingredients. Chalupa’s purchasing operations have been transferred to us gradually, with Helsinki Foodstock now being responsible for the majority of the chain’s sourcing.

The most significant event and the greatest success of the year was the renewal of our agreement with the Subway chain in December for a term of five years.

ANOTHER significant event was the Kotipizza chain’s decision in August to exclusively use Finnish meat products. We want to offer responsibly produced ingredients to our customers. As the Group’s sourcing organisation, we play a key role in identifying and selecting suitable suppliers. We carried out competitive bidding processes for Kotipizza’s chicken, ham and bacon and identified suitable suppliers on a quick schedule, with Kotipizza restaurants receiving their first deliveries of the new meat products in October.

We also achieved several internal successes in 2015. The long process of renewing our ERP system was completed at the start of the year, which allowed us to develop our internal processes and ways of working. With the Kotipizza Group becoming listed on the main list of OMX Nasdaq Helsinki, we revised our reporting to meet the requirements for listed companies. Another important internal success was our Fit Year initiative aimed at improving our employees’ occupational well-being, motivation and professional development. We will continue to implement the Fit Year initiative in 2016.

OUR GOAL in 2016 is to achieve a significant increase in sales and an improved result. We will focus particularly on new customer acquisition, both in the food industry and in other industries, and we will also look to increase our sales to existing customers. We have started content cooperation with Franchise News, a professional media outlet in the franchising industry, to support new customer acquisition.

Anssi Koivula
Managing Director
Helsinki Foodstock Oy

CHALUPA IS A FOOD REVOLUTION

THIS MEXICAN-STYLE FAST CASUAL DINING CONCEPT COULD ONLY BE IMPLEMENTED AS PART OF KOTIPIZZA GROUP.

Opening the first Chalupa restaurant represents the most significant milestone of my restaurant career. My brother Amin and I have worked in the restaurant industry for twenty years, in which time we have started several restaurants. The idea of a Mexican-style restaurant first came to me 12 years ago. Chalupa is our dream concept. In 2015, we finally felt the time was right to make it a reality.

Chalupa is a fast casual dining concept, meaning affordable food prepared from fresh and responsibly produced ingredients. Our goal is to provide customers with something fresh and new. Our meals are prepared from scratch. It is essential to us that our ingredients are fresh and that we offer a diverse range of meals. Our slogan is "food revolution". It is no exaggeration, as Chalupa truly represents a revolutionary new concept in the Finnish market.

Chalupa's new Mexican-style restaurant concept drew the interest of Kotipizza Group CEO Tommi Tervanen. Creating Chalupa would not have been possible without partnering with Kotipizza Group and Helsinki Foodstock. Sourcing high-quality ingredients for a Mexican-style restaurant in Finland was difficult in the past, but Foodstock's support helped overcome this problem. Kotipizza's strong brand awareness has given us credibility, while the support of Helsinki Foodstock in sourcing ingredients paves the way for Chalupa's growth into a national franchising chain.

WE OPENED the first Chalupa restaurant in September 2015 in Helsinki's Kallio district, followed by two more branches in October: one in Hietalahti Market Hall and one in Punavuori. Late in the year, the Kotipizza lunch restaurant in Kalasatama also added Chalupa meals to its selection.

The Chalupa concept was tested and documented in autumn 2015. Before opening our first permanent venues, we operated a pop-up restaurant at the Hernesaaren Ranta seaside restaurant area and our Chalupa Food Truck served customers at festivals and various locations around Helsinki. We have also worked with Haaga-Helia University of Applied Sciences to study the market and the effectiveness of our concept; for example, by having students make mystery shopper visits to our restaurants. Ultimately, customer feedback led to very few changes to the concept, as my brother and I had refined the menu and concept for a long time.

DOCUMENTING the concept is essential for the next chapter in the Chalupa story. In 2016, the concept will begin its expansion using the franchising principle. For this expansion to be successful, it is vital to find the right franchisees. The support of the parent group and cooperation with the Kotipizza chain are important aspects of this effort.

Iman Gharagozlu
Creative Director
Chalupa Oy

SUCCESS IS ACHIEVED TOGETHER

A NEW KIND OF ENTREPRENEURSHIP REQUIRES INVESTING IN TRAINING.

Our personnel are a key resource for our restaurants as well as Group management. The success of Kotipizza Group and its entrepreneurs depends largely on the professional competence, occupational well-being and motivation of entrepreneurs and employees. The personnel of Kotipizza Group, the Kotipizza chain, the Chalupa chain and Helsinki Foodstock are competent and committed people who want to make the world a better place, one pizza at a time.

At the end of the financial year, Kotipizza Group had 12 employees, including two women. All 12 employees are in a permanent employment relationship. Kotipizza's chain management had 13 employees, including two women. Of these, 12 are in a permanent employment relationship. Helsinki Foodstock had 11 employees, all of whom were in a permanent employment relationship. Five of Foodstock's employees are women. In total, Group management employed 36 people at the end of the financial year.

In addition to entrepreneurs, Kotipizza restaurants have some 1,600 employees. Each restaurant employs five people on average, some of whom work on a part-time basis.

WITH Group management functions increasingly shifting to Helsinki in recent years, we decided to centralise all of our chain management in a single location. We closed our Vaasa office in May. The goal was to centralise all strategic functions in the same location.

The Kotipizza chain supports entrepreneurs in various ways. We train all entrepreneurs when they are in the process of starting a Kotipizza restaurant, with further training provided as operations go on. New entrepreneurs complete a vocational degree before starting a restaurant. A specialised vocational degree in business management has been developed for experienced entrepreneurs with a focus on business development and strategy. The specialised vocational degree is particularly aimed at multi-entrepreneurs who own three or more restaurants.

WE significantly revised our training operations in 2015. We launched cooperation with the adult vocational training provider Rastori late in the year, and we are in the process of renewing our e-learning portal. E-learning makes completing a vocational degree more flexible, which facilitates the participation of entrepreneurs across Finland.

THE entire Kotipizza chain meets twice a year. In spring, entrepreneurs and their families are invited to Talvipäivät, a three-day event in Ruka. In autumn, we come together at a seminar and evening party. We give out awards to successful entrepreneurs at both events.

RESPONSIBILITY IS A JOURNEY, NOT A DESTINATION

KOTIPIZZA GROUP FOCUSES ON PRACTICAL ACTIONS IN ITS RESPONSIBILITY EFFORTS.

Kotipizza Group's mission is to make the world a better place, one pizza at a time. This means that everything is built on a foundation of responsibility. We feel a strong sense of responsibility towards the world around us. In everything we do, we must treat people, animals and nature in the best way we can.

For us, responsible business means clean, safe and responsibly produced ingredients that we can trace back to their origins. We support local entrepreneurship and do not condone the grey economy. We train our entrepreneurs and employees and ensure that our direct personnel have the opportunity to do meaningful work in inspiring and motivational conditions. We are transparent in communicating our operations and our progress towards fulfilling our promises.

OUR RESPONSIBILITY promises are aimed at further improving the customer experience. We believe that our work to promote greater responsibility strengthens customer loyalty, attracts new customers and further improves the customer experience. We believe that, in the coming years, responsibility will become an increasingly significant factor not only in corporate communications, but also in the day-to-day choices made by consumers. Instead of traditional fast food, we focus on the fast casual segment to provide consumers with affordable, fresh, genuine and responsibly produced food. Above all, we believe that responsibility is good for business and profitability.

IN 2015, the focus of our responsibility efforts was on practical actions. As using domestic ingredients is very important to us, we decided to begin exclusively using Finnish meat products. We worked hard to identify suitable domestic suppliers. We have received a great deal of positive feedback from our customers and inspired other restaurant chains to choose domestic meat.

In 2014, we became the first company in the restaurant industry to join Society's Commitment to Sustainable Development, an initiative launched by the Finnish Ministry of the Environment. Our promises under the Commitment 2050 initiative have significantly influenced our thinking regarding responsibility. A commitment is not a wish or goal. It is an obligation. Finns are known for fulfilling their obligations and keeping their promises.

OUR COMMITMENTS include increasing the percentage of domestic ingredients, supporting sustainable fishing and exclusively using responsibly caught fish and shellfish products, increasing our use of organic ingredients, and auditing our suppliers.

In line with our promise, domestic ingredients have represented more than 50 per cent of our total consumption throughout the period of our commitment. Implementing the decision to exclusively use Finnish meat products has further increased this figure. We use only responsibly caught shrimp and MSC-certified tuna, and we are working to obtain MSC certification for the Kotipizza chain. The proportion of organic ingredients is growing slowly due to their relatively low availability. Instead of pizzas prepared exclusively from organic ingredients, we focus on sourcing organic products in specific categories. Our ground beef and eggs, for example, are always organic. We have audited all of our suppliers and will continue to make regular visits to their production facilities. We audit all new suppliers.

MORE information on our Commitment 2050 promises is available on the project website, with regular updates on the progress of our promises. We have also been active participants in the Commitment 2050 project's communications in various events. In autumn 2015, Kotipizza Group CEO Tommi Tervanen was invited to present the project to international experts and media representatives at the Permanent Mission of Finland to the UN at an event held in connection with the UN Sustainable Development Summit in New York.

FOR a company like Kotipizza Group, responsibility is built on enthusiasm and a strong view. To some extent, we are still seeking the right figures and measures in our reporting, but we are continuously developing in this regard. We do not see reporting as the ultimate goal in responsibility. Instead, we focus on practical actions. Responsibility is a journey, not a destination.

WE FOCUS ON PRACTICAL ACTIONS. RESPONSIBILITY IS A JOURNEY, NOT A DESTINATION.

KOTIPIZZA IN NUMBERS

KOTIPIZZA, THE LARGEST PIZZA CHAIN IN THE NORDIC COUNTRIES, IS PART OF THE KOTIPIZZA GROUP. THE GROUP WAS LISTED ON THE HELSINKI STOCK EXCHAGE IN JULY 2015.

AT THE END OF THE FINANCIAL YEAR IN JANUARY 2016, THERE ARE

257

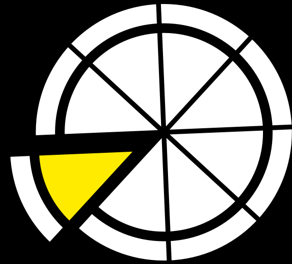
KOTIPIZZA RESTAURANTS IN FINLAND

IN 2015

294 FRANCHISEES

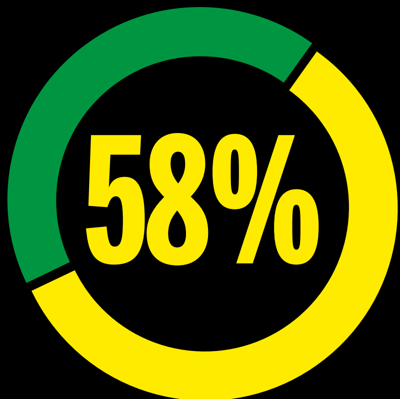
35% OF THE FRANCHISEES ARE WOMEN

ONLINE SALES MORE THAN



8% OF SALES AT BRICK-AND-MORTAR RESTAURANTS

THE SALES IN THE KOTIPIZZA CHAIN INCREASED 9.7%



OF OUR INGREDIENTS ARE FINNISH

THE AVERAGE PURCHASE AT A BRICK-AND-MORTAR RESTAURANT: 17.10 €

THE AVERAGE PURCHASE ONLINE: 26.80 €

KOTIPIZZA GROUP'S YEAR IN BRIEF

THE YEAR WAS FULL OF BIG EVENTS FOR THE KOTIPIZZA GROUP. THE MOST SIGNIFICANT ONE WAS GETTING LISTEND ON THE STOCK EXCHANGE IN JULY.

MARCH
Frankis Group Oyj changes its name to Kotipizza Group Oyj and announces it will make further investments to develop new fast casual dining concepts.

APRIL
The annual Talvipäivät winter event is held in Ruka, with Kotipizza entrepreneurs and their families participating in large numbers. Awards are handed out to accomplished Kotipizza entrepreneurs for strong development in sales and customer volume. Awards are also given to entrepreneurs who have been part of the Kotipizza chain for a long time.

MAY
Kotipizza Group announces its plan to carry out an IPO and become listed on the main list of the Helsinki Stock Exchange in order to implement its growth strategy and achieve its goal of developing new restaurant concepts. The Group also announces it will launch Chalupa, a Mexican-style fast casual dining chain, in partnership with Iman and Amin Gharagozlu. Kotipizza Group's old head office in Vaasa is closed down and all Group functions are moved to Helsinki.

JULY
Trading in Kotipizza Group Oyj's shares begins on the main list of Nasdaq OMX Helsinki on 7 July. On the same date, Kotipizza Group announces the early redemption of its bond issued in the Stockholm Stock Exchange in 2013. The Kotipizza chain's monthly sales hit an all-time high of EUR 7.07 million.

AUGUST
Kotipizza Group redeems its 2013 bond listed on the Stockholm Stock Exchange.

SEPTEMBER
The first Chalupa restaurant opens its doors in Helsinki's Kallio district. Helsinki Foodstock starts cooperation with Espresso House, an international chain that is opening its first café in Finland.

OCTOBER
The Kotipizza chain starts to exclusively use Finnish meat products and switches to Finnish chicken, bacon and ham. The chain's goals include ensuring that Finnish products represent more than 50% of total ingredients used and offering its customers high-quality and responsibly-produced ingredients.

NOVEMBER
The annual autumn seminar for Kotipizza entrepreneurs is organised in Tampere. Kotipizza entrepreneurs receive awards for strong development in sales and customer volume. Awards are also given to entrepreneurs who have been part of the Kotipizza chain for a long time.

DECEMBER
Helsinki Foodstock extends its agreement with the Subway chain for a new five-year period. Foodstock also launches cooperation with the Fafa's chain.

JANUARY
The annual Kotipizza Games event is organised in Ideapark in Lempäälä. Kotipizza entrepreneurs and employees compete for the title of the fastest and most skilled pizza baker. The winner is Ii-based entrepreneur Katja Körkkö, who will go on to represent Kotipizza and Finland at the Pizza World Games in Las Vegas.

EXECUTIVE BOARD

TOMMI TERVANEN
Chief Executive Officer

TIMO PIRSKANEN
Chief Financial Officer

OLLI VÄÄTÄINEN
Chief Operating Officer

ANTTI ISOKANGAS
Chief Communications Officer

ANSSI KOIVULA
Chief Procurement Officer

BOARD OF DIRECTORS

JOHAN WENTZEL
The Chairman of the Board of Directors

KIM HANSLIN
Member of the Board of Directors

MINNA NISSINEN
Member of the Board of Directors

KALLE RUUSKANEN
Member of the Board of Directors

PETRI PARVINEN
Member of the Board of Directors

MIKAEL AUTIO
Member of the Board of Directors

FINAL STATEMENT
CONTENTS

ANNUAL REPORT

FOR 1 FEBRUARY 2015 TO 31 JANUARY 2016

Kotipizza Group Oyj is the parent company of the Group.

Corporate relations
Kotipizza Group Oyj (formerly Senhold 1 Oy and Frankis Group Oyj) owned 100% of Frankis Finland Oy during the financial year. Frankis Finland Oy owns 100% of Kotipizza Oyj and Helsinki Foodstock Oy. Furthermore, the Group includes the wholly-owned subsidiaries Francount Oy, Domipizza Oy and Senhold 2 Oy. A new subsidiary, Chalupa Oy, was established during the financial year. Kotipizza Group Oyj owns 60% of Chalupa Oy.

Operations of subsidiaries
Kotipizza Group Oyj, the parent company of the Group, carried out an initial public offering, and trading in its shares began on NASDAQ OMX Helsinki on 7 July 2015. Kotipizza Oyj operates as a pizza franchise in Finland. Helsinki Foodstock Oy is a wholesaler, and its customers include the Kotipizza chain and other significant fast food operators. Chalupa Oy engages in restaurant operations through its own restaurants and through franchising operations. Domipizza Oy operated in the fast food industry. Domipizza had no operations during the financial year.
After the end of the financial year, the Group's Board of Directors decided to streamline the company structure: Frankis Finland Oy will merge with Kotipizza Group Oyj, and Francount Oy and Senhold 2 Oy will merger with Domipizza Oy. The merger plans have been filed with the Trade Register.

Consolidated Kotipizza Group data (1,000 EUR) :

	31.1.2016	**31.1.2015**	**31.1.2014**
	(12 months)	(12 months)	**(12 months)**
	Parent company	**Parent company**	**Parent company**
	FAS	FAS	FAS
Turnover	980	862	838
Operating loss	-2 486	-699	-298
Net result (continuing operations)	-571	-234	-190
Total assets on the balance sheet	46 702	43 231	42 953

	(12 months)	(12 months)	(12 months)
	Group	Group	Group
	IFRS (continuing operations)	IFRS (continuing operations)	IFRS (continuing operations)
Turnover	56 370	52 226	52 724
Operating profit	3 435	3 794	3 732
Net result (continuing operations)	328	383	-16
Total assets on the balance sheet	56 519	52 422	51 626

Key figures for Kotipizza Group Oyj	31.1.2016 Parent company	31.1.2015 Parent company	31.1.2014 Parent company
Operating profit, %	negative	negative	negative
Return on equity, %	negative	negative	negative
Equity ratio	62,3	9,7	10,3
Average number of employees	11	7	4
Salaries and fees	1 392	705	471
Number of shares	6 351 201	544 275 188	544 275 188

The company has one share class. All shares carry equal rights to dividends and the company's assets. The shares do not have a nominal value. On 28 May 2015, the Annual General Meeting decided to carry out a reverse share split, meaning that the total number of shares was 1,251,201 before the share issue and 6,351,201 after the share issue.

	Group	Group	Group
Operating profit, %	6,1	7,3	7,1
Return on equity, %	negative	negative	negative
Equity ratio	51,8	9,3	10,5
Average number of employees	35	33	53
Salaries and fees	2 981	2 265	2 209

Group net sales

Chain-based net sales of the continuing operations grew 9.7% (0.7%) year on year in the financial year and were 77.3 MEUR (70.5). Group comparable net sales for the financial year were 56.4 MEUR (52.2) and they grew 7.9% compared to same period in the previous year. Reported net sales were 56.4 MEUR (52.2). The sales growth was mainly based on Foodstock's increased sales volume to the Kotipizza chain.The net sales of Foodstock grew 10.4% year in the financial year. The Kotipizza segment's net sales were down 3.8% compared to the previous year and were 11.8 MEUR (12.3). The decline in net sales was mainly due to the smaller number of restaurants directly owned by the Group. The restaurants directly owned by the segment are consolidated in full, and due to this their number may have a material effect on the consolidated figures. The Chalupa segment's net sales in the financial year were 0.4 MEUR (0.0). The net sales of the discontinued operations were 0.0 MEUR in the fourth quarter and they declined 0.8 MEUR as compared to the net sales of 0.8 MEUR for the twelve months period ending 31 January 2015.

Group EBIT

Comparable EBIT of the Group was 4.28 MEUR (3.72) in the financial year. Reported EBIT was 3.44 MEUR (3.80). Reported EBIT includes 0.84 MEUR of items affecting comparability. Out of items affecting comparability 0.23 MEUR were due to nonrecurring costs related to initial public offering of company's shares to the Nasdaq OMX Helsinki Oy's stock exchange and 0.50 MEUR due to closing permanently down Kotipizza Oyj's previous headquarters in Vaasa. These items affecting comparability were cash based. In addition reported EBIT includes 0.12 MEUR non-cash deferral error related to Foodstock's inventory as an item affecting comparability. Operational gearing based on increased sales volumes had a positive impact on EBIT. Increased amount of depreciation (calculational, non-cash) had a negative impact on the EBIT.

Financial items and result

Finance costs of the Group were 3.01 MEUR (3.27). In addition to the normal finance costs 0.90 MEUR nonrecurring cost related to early redemption of the company's 30 MEUR unsecured bond on 11 August 2015 has been booked to the finance costs. Group taxes were -0.12 MEUR (-0.18) in the financial year. The result of the period was -0.33 MEUR (0.38) in the financial year. Earnings per share were 0.05 EUR (-0.43) in the financial year.

The group´s financial position

Kotipizza Group's balance sheet total as of 31 October 2015 was 56.5 MEUR (52.4). The Group's non-current assets as at 31 January 2016 amounted to 40.0 MEUR (38.5), and current assets amounted to 16.5 MEUR (13.8).

The Group's net cash flow from operating activities for the financial year was -0.6 MEUR (2.9). Working capital was released the amount of EUR 0.05 MEUR (released 0.50).

The net cash flow from investment activities for the period was -1.8 MEUR (-1.1). Investments in tangible and intangible assets for the period amounted to -2.0 MEUR (-1.2), and proceeds from sales of tangible assets were 0.17 MEUR (0.15).The net cash flow from financing activities was 5.3 MEUR (0.10).

The Group's equity ratio was 51.8% (9.0%). The increase in equity ratio was due to share issue implemented and transferring company's shareholder loan and interest related to shareholder loan into equity in accordance with the initial public offering. Initial public offering costs related to old shares of the company amounting 0.23 MEUR are booked to P&L having an income effect and costs related to issued shares adjusted with calculated taxes altogether 1.04 MEUR are booked into equity.

Interest-bearing debt without contingent considerations measured at fair value amounted to 17.4 MEUR (36.0), of which current debt accounted for 1.0 MEUR (0.18). Kotipizza Group Oyj redeem in full its three-year unsecured bond with a nominal value 30 MEUR on 11 August 2015 with the proceeds from the 4 June 2015 announced and 6 October 2015 implemented Initial Public Offering and the new 17.0 MEUR term loans withdrawn on 7 August 2015. New term loans have covenants.

Investments
The gross investments for the period amounted to -2.0 MEUR (-1.2). The Company's investments to fixed assets, related mainly to IT systems, amounted to -2.0 MEUR (-1.2). Gross investments related to acquisitions of subsidiaries amounted to 0.02 MEUR (0.00).

Research and development costs
Research and development costs of the Group were 137 thousand euros (229 thousand in 2015). Research and development costs are related to training of Kotipizza entrepreneurs and to developing new product recipes. A comprehensive concept renewal was also started during the financial year and related costs are either activated to the balance sheet or booked as a normal annual costs.

Management and auditors

The members of the Board of Directors of Kotipizza Group Oyj are:

Johan Wentzel	Chairman of the Board
Kim Hanslin	Member
Minna Nissinen	Member
Petri Parvinen	Member
Kalle Ruuskanen	Member
Mikael Autio	Member

Tommi Tervanen is the managing director. Other members of the management are Timo Pirskanen, Chief Financial Officer, Olli Väätäinen, Chief Operating Officer, Anssi Koivula, Chief Procurement Officer, and Antti Isokangas, Chief Communications Officer.

Auditor: Ernst & Young Oy, Authorised Public Accountants
Antti Suominen, Authorised Public Accountant, serves as the principal auditor.

Resolutions of the general meetings
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. Kotipizza Group's extraordinary general meeting held on 28 May 2015 resolved to change certain sections, like the redemption clause and the consent clause, in the articles of association, adding company's shares into the book-entry system and authorizing the Board of directors to decide on share issue in accordance with the potential Initial Public Offering. New articles of association were registered to the trade register. Company's annual general meeting held on 29 May 2015 discussed about company's financial statements for the period ending 31 January 2015 and verified its P&L and balance sheet, resolved on distribution of profits, granted discharge from liability to CEO and the Board of directors, confirmed fees for the members of the Board of directors and chose auditors. Johan Wentzel, Mikael Autio, Kim Hanslin, Minna Nissinen, Petri Parvinen and Kalle Ruuskanen were chosen to continue as members of the Board of directors. Authorised public accountants firm Earnst & Young Oy with public accountant Mikko Järventausta were elected as auditors. Company's extraordinary general meeting held on 3 June 2015 discussed about company's corrected financial statements for the period ending 31 January 2015 and verified its P&L and balance sheet, resolved on distribution of profits, granted discharge to CEO and the Board of directors, confirmed fees for the members of the Board and chose auditors. Johan Wentzel, Mikael Autio, Kim Hanslin, Minna Nissinen, Petri Parvinen and Kalle Ruuskanen were chosen to continue as members of the Board. Authorised public accountants firm Earnst & Young Oy with public accountant Mikko Järventausta were elected as auditors.

Corporate governace
Kotipizza Group follows in its administration the Finnish listed companies' Corporate Governance Code prepared by the Securities Market Association. The code can be viewed on the Securities Market Association's website www.cgfinland.fi. In case Kotipizza Group shall deviate from the recommendations of the Code, Kotipizza Group shall explain the exception and justify it suitably.

The supreme decision-making organ of Kotipizza Group Oyj is the General Meeting where shareholders use their power of decision. Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. According to Articles of Association the Board of Directors consist of at least five and at the most ten members. The term of the members shall expire when the next General Meeting after the election ends. Board of Directors has drafted a written work agenda. The work agenda shall be drafted and reviewed annually. The work agenda includes times of assembly, participants to be invited as well as meeting practices. The main tasks and operation principles of Board of Directors are also determined in the work agenda. Board of Directors appoints the CEO and Management Team of the company. Board of Directors follows the result and financial standing of the company on a regular basis. Additionally, Board of Directors follows risk management and appropriateness of the administration of the company.

CEO takes care of the executive management of the company in accordance with instructions and orders given by the Board of Directors. The CEO shall supply the Board of Directors and the Members of the Board of Directors with the information necessary for the performance of the duties of the Board of Directors. The CEO is also responsible for securing that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Internal control of Kotipizza Group is based on the Limited Liability Companies Act, Securities Markets Act, Articles of Association as well as on the internal operational principles of the company. The management and control of the company are divided between the General Meeting, Board of Directors and CEO. By internal control is meant all such activities, systems and methods by the help of which the management aims to secure effective, economical and reliable operations. The Board of Directors of Kotipizza Group has the responsibility of arranging internal control, risk management and principles for internal auditing.

Kotipizza Group follows NASDAQ OMX Helsinki Ltd's insider guidelines, which is supplemented by the Company's internal insider guidelines. The company maintains a public and company-specific insider register using Euroclear Finland Oy's Sire system.

Board of Directors' proposal for the distribution of profit
The Board proposes that no dividend be paid and that the profit for the period (EUR -570.623,22) be transferred to shareholders' equity. However, the Board proposes that EUR 0.35 per share be distributed from the reserve for invested unrestricted equity for the period between 1 February 2015 and 31 January 2016.

Kotipizza Oyj's development and future outlook
Demand for chained fast food is estimated to remain stable. The economic growth in Finland is expected to be slow and to clearly underperform Eurozone. According to estimates the national economy in Finland is expected to remain on the previous years' level or to even slightly decline. The development of the national economy has a direct impact to consumer demand and to demand for chained fast food. According to the Finnish Hospitality Association (MaRa) the turnover of the chained based fast food restaurants in Finland grew 5.7% in 2015. Demand for fast food has according to statistics remained relatively stable, surely following the overall development of the economy. According to MaRa's statistics turnover of the chained based fast food restaurants in Finland has grown 2.2 percent a year (CAGR) in years 2000-2015.

The growth of our chain-based net sales exceeded the market growth for chained fast food in year 2015 based on the ongoing concept renewal in Kotipizza, innovative R&D and sustainable procurement. According to the Group management, there are currently no such structural changes seen in the market place that the management would not expect company's chain based net sales to grow in line with the fast food market growth in Finland or even to exceed the market growth in 2016.

Net sales of Kotipizza for the financial year were 11.78 MEUR (12.25) and they declined 3.8% compared to same period in the previous year. The decline in net sales was mainly due to the smaller number of restaurants directly owned by the segment. The restaurants directly owned by the segment are consolidated in full, and due to this their number may have a material effect on the consolidated figures. During the fourth quarter of the year the number of directly owned restaurants averaged one (1) and it averaged eight (8) during the same period in the previous year.

Kotipizza's comparable EBITDA of was 5.47 MEUR (4.17) in February-October and it grew 31.1% compared to same period in the previous year. The improvement in comparable EBITDA was mainly due to reduced number of directly owned loss-making restaurants, restructuring measures implemented in the segment's operations and favourable development of chain-based net sales in Kotipizza. On the other hand comparable EBITDA was burdened by double administration costs during the first four months of the review period. Kotipizza's reported EBITDA was 5.20 MEUR (4.15) in the financial year and it grew 25.1% compared to the previous year. Reported EBIT includes 0.27 MEUR of items affecting comparability. Items affecting comparability were cash based, nonrecurring costs related to closing down company's old headquarters in Vaasa. Internal eliminations related to sold Francount business operations have been returned to the comparable EBITDA as an item affecting comparability for the previous year. Equivalent costs related to financial management are the segment's direct costs in the current corporate structure. The previous year's comparable EBITDA for the fourth quarter has been adjusted with 0.11 MEUR items affecting comparability related to restructuring Kotipizza'a Swedish operations.

Helsinki Foodstock Oy's development and future outlook
Helsinki Foodstock's focus was still strongly on the ERP system project and on the company's internal matters, such as the challenges due to organisational restructuring and training of personnel. The company contracted new material customers like Espresso House and Fafas and also renewed its distribution agreement with Subway.

During the next financial year, profitable growth will be pursued especially from the chain customers, which account for more than 90% of the company's turnover.

During 2016, increasing attention will be paid to recognizing, monitoring and reporting ethical issues and responsibility throughout the supply chain. In particular, special effort will be placed to factory visits and audits, including training.

Growth is pursued through the growth in the customer chains (Kotipizza, Subway,Rolls, Chalupa, Espresso House and Fafas). Kotipizza is focused on opening new restaurants in 2016. Growth of the Subway chain has slightly moderated from the previous year's high levels, but good growth is nevertheless expected to continue in 2016.

Main businsee riks include include tightening competition due to the market situation, challenges related to the availability of foodstuffs (in particular, seasonal products) and changes in legislation governing food industry. With regard to logistics (transport and storage), the availability of labour and changes in legislation constitute risks.

Net sales of Foodstock for February-October were 44.10 MEUR (40.00) and they grew 10.4% compared to same period in the previous year. The growth in net sales was mainly due to increased sales volume to the Kotipizza chain and new customers won at the end of the financial year. Foodstock's comparable EBITDA was 0.96 MEUR (0.66) in the financial year and it increased 46.7% compared to the same period in the previous year. Foodstock's reported EBITDA was 0.85 MEUR (0.79) in the financial year and it increased 7.1% from the previous year. Reported EBIT includes 0.12 MEUR non-cash deferral error related to Foodstock's inventory as an item affecting comparability. Internal eliminations related to sold Francount business operations have been returned to the comparable EBITDA as an item affecting comparability for the previous year. Equivalent costs related to financial management are the segment's direct costs in the current corporate structure.

Chalupa Oy's development and future outlook
The first restaurant of the Chalupa chain was opened in September 2015, and our experiences since then have been a testament to our faith in fast casual concepts, that is, that Finns prefer fresh and responsibly produced, reasonably-priced food to industrial fast food. At the end of the review period, two Chalupa restaurants operated in Helsinki, and Chalupa products were available at one Kotipizza lunch restaurant. From the point of view of the future of the chain, the period's most important task was the refining, testing and documentation of the Chalupa concept so that the chain can start expanding on a franchising basis.

Chalupa's net sales were 0.44 MEUR (0.00) in the financial year and comparable EBITDA together with reported EBITDA was -0.07 MEUR (0.00). Chalupa commenced its true business operations during the third quarter of the financial year due to delay in building permit process for the first restaurant.

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 company's franchising, rent, entry, building, operating system, training and other 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 as Chalupa segment. Launching a new business concept has several risks related e.g. anticipation of consumer needs, habits, taste and behaviour. Launching a new concept has a risk of not reaching an established position at the market and not having a well-established clientele. Failure in launching a new concept causes costs to the company and has a material adverse impact on company's brand, financial position and financial result.

Material events subsequent to the financial year
On 8 March 2016, Danske Bank A/S announced in accordance with chapter 9, section 10 of the Securities Markets Act that its holding in Kotipizza Group Oyj had exceeded 5 per cent (1/20) of the company's share capital on 8 March 2016.

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR THAT ENDED ON 31 JANUARY 2016

000 €	Notes	1 Feb 2015 to 31 Jan 2016	1 Feb 2014 to 31 Jan 2015
Continuing operations			
Turnover	2	56 370	52 226
Other operating income	4	126	65
Change in inventory of raw materials and finished goods (+/–)		458	-239
Raw materials and finished goods (–)		-45 106	-40 670
Employee benefits/expenses (–)	6	-3 605	-2 787
Depreciation (–)		-735	-463
Impairment (–)	10	-17	-15
Impairment on goodwill (–)	14	0	0
Contingent consideration (-)	14	0	0
Other operating expenses (–)	5	-4 056	-4 323
Operating profit		3 435	3 794
Financial income	7	28	35
Financial expenses	7	-3 011	-3 265
Profit/loss before taxes from continuing operations		452	564
Income taxes	8	-124	-181
Profit/loss for the period from continuing operations		328	383
Discontinued operations			
Loss after taxes from discontinued operations	3	-113	-918
Profit/loss for the period		215	-535
Breakdown of profit/loss			
Attributable to the equity holders of the parent company		249	-544
Attributable to non-controlling interest		-34	0
		215	-544
Earnings per share (EUR):			
Non-diluted earnings for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	25	0,05	-0,43
Earnings per share (EUR) for continuing operations:			
Non-diluted earnings for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	25	0,08	0,31

ITEMS OF OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR THAT ENDED ON 31 JANUARY 2016

000 €	1 Feb 2014 to 31 Jan 2015	1 Feb 2014 to 31 Jan 2015
Profit (loss) for the period	**215**	**-535**
Items of other comprehensive income:		
Items of other comprehensive income to be transferred to be recognised through profit or loss		
Cash flow hedging	-367	0
Translation differences related to the foreign subsidiary	0	-9
Items of other comprehensive income (net) to be transferred to be recognised through profit or loss	-367	-9
Items of other comprehensive income for the period, net of tax	-294	-9
Total comprehensive income for the period, net of tax	-79	-544
Breakdown of comprehensive income for the period		
Attributable to the equity holders of the parent company	-45	-544
Attributable to non-controlling interest	-34	0
	-79	-544

CONSOLIDATED BALANCE SHEET

31 JANUARY 2016

000 €	Notes	31 January 2016	31 January 2015
Assets			
Non-current assets			
Property, plant and equipment	9	1 002	808
Goodwill	10	35 819	35 819
Intangible assets	10	2 118	1 229
Non-current financial assets	17	2	2
Non-current trade and other receivables	17	783	574
Deferred tax assets	8	289	90
		40 013	38 522
Current assets			
Inventories	11	3 385	2 938
Trade and other receivables	12,17	4 945	5 449
Current tax receivables		58	230
Prepayments		0	0
Cash and cash equivalents	13,17	8 099	5 201
		16 487	13 818
Assets classified as held for sale	3	19	82
Total assets		56 519	52 422

CONSOLIDATED BALANCE SHEET

31 JANUARY 2016

000 €	Notes	**31 January 2016**		**At 31 January 2015**
Shareholders' equity and liabilities				
Share capital	23	80		80
Reserve for invested unrestricted equity	23	29 818		5 362
Retained earnings		-624	-55	-579
Attributable to non-controlling interest		-14		0
Total shareholder's equity		29 260		4 863
Non-current liabilities				
Interest-bearing loans and borrowings	15, 17	16 363		35 860
Financial liabilities recognised at fair value through profit or loss	15, 17, 18	367		179
Other non-current liabilities	17	2 462		3 850
Deferred tax liabilities	8	54		85
		19 246		39 974
Current liabilities				
Interest-bearing loans and borrowings	15, 17	1 041		183
Trade and other payables	16	6 882		7 307
Provisions	19	90		0
Current tax liabilities		0		10
		8 013		7 500
Liabilities related to assets held for sale	3	0		85
Total liabilities		27 259		47 559
Total shareholders' equity and liabilities		56 519		52 422

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR THAT ENDED ON 31 JANUARY 2016

Attributable to the equity holders of the parent company

EUR 1,000	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Accrued translation differences	Attributable to non-controlling interest	Total shareholders' equity
1 February 2015	23	80	5 362	-579	0	0	4 863
Result for the period		0	0	249	0	-34	215
Items of other comprehensive income		0	0	-294	0	0	-294
Total comprehensive income		0	0	-45	0	-34	-79
Share issue		0	25 501	0	0	20	25 521
Other		0	-1 045	0	0	0	-1 045
Dividends		0	0	0	0	0	0
For the financial year that ended on 31 January 2016		**80**	**29 818**	**-624**	**0**	**-14**	**29 260**

For the financial year ended 31 January 2015

EUR 1,000	Note	Share capital	Reserve for invested unrestricted equity	Retained earnings	Accrued translation differences	Attributable to non-controlling interest	Total shareholders' equity
1 February 2014	23	80	5 362	-55	16	0	5 403
Result for the period		0	0	-535	0	0	-535
Items of other comprehensive income		0	0	0	-9	0	-9
Total comprehensive income		0	0	-535	-9	0	-544
Dividends		0	0	0	0	0	0
Other		0	0	11	-7	0	4
For the financial year that ended on 31 January 2015		0	0	0	0	0	0
		80	**5 362**	**-579**	**0**	**0**	**4 863**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR THAT ENDED ON 31 JANUARY 2016

000 €	2016	2015
Operating activities		
Profit before taxes	452	564
Loss for discontinued operations before taxes	-140	-1039
Adjustments to reconcile profit before taxes to net cash flows:		
Depreciation on property, plant and equipment	278	190
Depreciation and impairment on intangible assets	474	288
Depreciation and write-downs related to discontinued operations	0	478
Contingent considerations	0	0
Gain on disposal of property, plant and equipment	-50	0
Financial income	-28	-35
Financial expenses	3011	3265
Change in working capital:		
Change in trade and other receivables (+/–)	578	835
Change in inventories (+/–)	-428	325
Change in trade and other payables (+/–)	-50	728
Change in provisions (+/–)	90	-31
Interest paid (–)	-5058	-2640
Interest received	28	35
Income taxes paid (–)	172	-30
Net cash flows from operating activities	**-671**	**2933**
Cash flows from investing activities		
Acquisition of subsidiaries	20	0
Investments in tangible assets (–)	-611	-592
Investments in non-tangible assets (–)	-1364	-638
Loan repayments	0	0
Proceeds from the sale of assets held-for-sale	0	0
Proceeds from the sale of property, plant and equipment	185	146
Net cash flows used in investing activities	**-1770**	**-1084**
Cash flows from financing activities		
Payments received for the issue of shares	24194	
Withdrawals of loans	17000	0
Loan repayments (–)	-36074	0
Financial lease payments (+/ –)	219	97
Net cash flows used in financing activities	**5339**	**97**
	2898	1946
Change in cash and cash equivalents	2898	1946
Cash and cash equivalents on 1 February	5201	3255
Cash and cash equivalents on 31 January	**8099**	**5201**

CORPORATE GOVERNANCE STATEMENT

FROM FINANCIAL YEAR PER 31 JANUARY 2016

Kotipizza Group follows in its administration the Finnish listed companies' Corporate Governance Code prepared by the Securities Market Association. The code can be viewed on the Securities Market Association's website www.cgfinland.fi. In case Kotipizza Group shall deviate from the recommendations of the Code, Kotipizza Group shall explain the exception and justify it suitably.

This report is drafted as a separate report from the annual report of the Board. The report will not be updated during the accounting period but the topics it contains and other necessary and up-to-date investor information is displayed on the company's website (ir.kotipizzagroup.com) in its Investors part.

GENERAL MEETING AND ARTICLES OF ASSOCIATION

The supreme decision-making organ of Kotipizza Group Oyj is the General Meeting where shareholders use their power of decision. The agenda of General Meeting is based on the Limited Liability Companies Act according to which the General Meeting nominates members of the Board of Directors, decides on approval of consolidated financial statement and exemption of liability to members of Board of Directors and the CEO.

Notice of General Meeting is published on the website of Kotipizza Group Oyj. In addition, time and place of the meeting as well as the address of the website are published in one national newspaper chosen by the Board of Directors. Agenda of the meeting shall be available on the website of the company before the meeting.

Articles of Association are available on the website of Kotipizza Group Oyj. Amendments to Articles of Association must always be decided in General Meeting.

BOARD OF DIRECTORS

Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. According to Articles of Association the Board of Directors consist of at least five and at the most ten members. The term of the members shall expire when the next General Meeting after the election ends.

Composition of the Board of Directors takes into account the preconditions derived from the phase of development and operations of the company. Members of the Board of Directors shall have sufficient competence and possibility to use enough time for taking care of the task. The Board of Directors shall have both genders. There is no special order according to which the members should be elected.

MEMBERS OF THE BOARD OF DIRECTORS

Over the financial year, which ended 31.1.2016, following persons have been members of the Board of Directors in Kotipizza Group Oyj:

Johan Wentzel (b. 1974, M.Sc. (Econ))
Chairman of the Board of Kotipizza Group Oyj since 2011
Notable career:
Sentica Partners Oy, Partner since 2009
Sentica Partners Oy, Investment Director 2008–2009
Kaupthing Bank Oyj, Co-Head of Investment Banking 2004–2008
D. Carnegie AB, Investment Banking 1998–2004
Positions of trust:
Secto Automotive Group, Chairman of the Board 2014–2016, Member of the Board since 2016
Trust Capital Group TKG Oy, Member of the Board since 2016
Teleforce Oy, Chairman of the Board since 2010
Arme Oy, Chairman of the Board since 2008
Corbel Oy, Member of the Board 2008-2011
Investo Omaisuudenhoito Oy, Member of the Board 2010–2012
Mattlidens Skola, Member of the Board of Directors since 2013

Mikael Autio (b. 1983, M.Sc. (Econ))
Member of the Board of Kotipizza Group Oyj since 1.2.2015
Notable career:
Sentica Partners Oy, Investment Manager since 2013
Sentica Partners Oy, Analyst 2010–2013
PwC Consulting Oy, Consultant 2008–2010

Kim Hanslin (b. 1950, Vocational Qualification in Business and Administration)
Member of the Board of Kotipizza Group Oyj since 2012
Notable career:
Daydream Capital Oy, Owner and CEO since 1980
Lexia Attorneys Ltd, Senior Advisor since 2011
Kotipizza Group Oyj, CEO 2011–2012
Tiimari Oyj, CEO 2001–2004
McDonald's Finland, CEO 1991–2000
Carli Gry Finland Oy, CEO 1982–1991
Positions of trust:
Finnish Franchising Association, Chairman of the Board 1998–2000
Kotipizza Oyj, Member of the Board since 2002
Comforta Oy, Member of the Board 2000–2013
Lindstöm Oy, Member of the Board
Pomarfin Oy / Left Foot Company, Chairman of the Board 2001–2009

Kalle Ruuskanen (b. 1974, Bachelor of Hospitality Management)
Member of the Board of Kotipizza Group Oyj since 1.1.2015
Notable career:
Freelance Consultant Flow Consulting Oy, Partner since 2014
Select Service Partner Nordic, CEO 2012–2014
Select Service Partner Denmark A/S, CEO 2012
Select Service Partner Finland Oy, CEO 2007–2012
Royal Ravintolat Oy, Operative Director of Business Group 2001–2007
Positions of trust:
Eskimo Finland Oy, Member of the Board since 2015
Muru Dining Oy, Member of the Board since 2014
SSP Finland, Chairman of the Board 2012–2014
SSP Denmark, Chairman of the Board 2012–2014
SSP Sweden, Chairman of the Board 2012–2014

SSP Norway, Chairman of the Board 2012–2014
SSP Estonia, Chairman of the Board 2012–2014
Lemeon Oy, Member of the Board 2008–2011

Petri Parvinen (b. 1977, Ph.D., M.Sc. (Management))
Member of the Board of Kotipizza Group Oyj since 1.1.2015
Notable career:
University of Helsinki, Professor of Strategic Marketing and Management since 2014
Aalto University, Professor of Sales Management since 2009 (part time)
Stanford University, Visiting Researcher 2009–2013
Helsinki School of Economics, Professor since 2007
Helsinki School of Economics, Docent since 2004
Positions of trust:
Finnish Forest Association, Chairman since 2015–2016
Mehiläinen Oy, Member of the Board since 2014
Solita Oy, Member of the Board since 2013
Sannäs Kartano Oy, Member of the Board since 2012–2016

Minna Nissinen (b. 1968, M.Sc. (Econ))
Salomaa Yhtiöt Oy, SVP, Strategy, since 2016
Member of the Board of Kotipizza Group Oyj since 1.1.2015
Notable career:
Alma Media Oyj, Director Alma Diverso since 2012–2015
Alma Media Oyj, Director in Company Planning and Chaining of Operations 2005–2011
Alpress Oy, Business Controller 2002–2005
Huurre Group Oy, Group Business Controller 2001–2002
Huurre Group Oy, Controller 2000–2001
Arthur Andersen Oy, Accountant 1996–2000
Positions of trust:
Nova Vita Kliinik, Member of the Supervisory Board since 2016
Ovumia Oy, Member of the Board since 2015
Media Metrics Finland Oy, Member of the Board since 2015
Arena Messaging Oy, Member of the Board since 2012–2015
Booxmedia Oy, Member of the Board since 2012–2015
Arena Interactive Oy, Member of the Board since 2012–2015
Tampereen Tietoverkko Oy, Member of the Board since 2008–2015
Rantapallo Oy, Member of the Board since 2014–2015

In order to prevent conflicts of interest majority of members of the Board of Directors shall not be dependent on the company. Based on dependence evaluation performed according to recommendation 14 and 15 of the Corporate Governance Code (2010) prepared by the Finnish Securities Market Association, members of Board of Directors of Kotipizza Group Oyj are independent of the company and its significant shareholders apart from Mr. Johan Wentzel, Mr. Mikael Autio and Mr. Kim Hanslin. Mr. Johan Wentzel is a partner of Sentica Partners Oy and Mr. Mikael Autio works as the head of investment in Sentica Partners Oy. Mr. Kim Hanslin has been the CEO of Kotipizza Group Oyj until 2012.

WORK OF BOARD OF DIRECTORS

Board of Directors has drafted a written work agenda. The work agenda shall be drafted and reviewed annually. The work agenda includes times of assembly, participants to be invited as well as meeting practices. The main tasks and operation principles of Board of Directors are also determined in the work agenda.

Board of Directors appoints the CEO and Management Team of the company. Board of Directors follows the result and financial standing of the company on a regular basis. Additionally, Board of Directors follows risk management and appropriateness of the administration of the company.

In addition to its specific duties defined in legislation and the company's Articles of Association, Kotipizza Group's Board of Directors:

- approves the company's long-term goals and strategy;
- approves the company's business plan, budget and financing plan and monitors their implementation;
- confirms the principles of the company's internal control and risk management;
- reviews the material risks affecting the company's operations and their management, and supervises the adequacy, relevance and efficiency of the company's administrative processes;
- processes and approves, among others, business acquisitions and arrangements and other significant decisions;
- confirms the company's management's duties and areas of responsibility, as well as the reporting system;
- confirms the principles of short and long-term reward and incentive plans offered to personnel, and resolves on these plans and the rewards paid based on them; and
- defines the company's dividend policy.

Board of Directors evaluates its operations and working methods once a year as an internal self-evaluation. Board of Directors aims at evaluating the efficiency of its operations at the end of every innings and at the same time checks whether the work agenda is updated or not. Results of the evaluation shall be taken into account when drafting the next plan of action and composition of Board of Directors.

MEETINGS AND REMUNERATION

Board of Directors meets in general once a month despite July, i.e. altogether 11 times in a year.

The financial benefits of the members of Board of Directors are discussed in detail in a separate Remuneration Report of Kotipizza Group.

Ownership of members of the Board of Directors in Kotipizza Group Oyj:

Member	Number of shares per 13.4.2016
Johan Wentzel	0
Mikael Autio	0
Kim Hanslin	18 006
Minna Nissinen	250
Petri Parvinen	0
Kalle Ruuskanen	1 570

CEO

CEO takes care of the executive management of the company in accordance with instructions and orders given by the Board of Directors. The CEO shall supply the Board of Directors and the Members of the Board of Directors with the information necessary for the performance of the duties of the Board of Directors. The CEO is also responsible for securing that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The CEO may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the company only if so authorised by the Board of Directors or if it is not possible to wait for a decision of the Board of Directors without causing essential harm to the business operations of the company. In the latter case, the Board of Directors shall be notified of the measures as soon as possible. The Board of Directors shall decide on from time to time valid power to approve matters. When necessary and especially in urgent matters the chairman of Board of Directors shall give the CEO instructions on how to proceed.

The CEO shall notify the chairman of Board of Directors on execution of decisions of Board of Directors and preparations for matters to be decided by Board of Directors. The CEO shall prepare an agenda for meetings of Board of Directors. The CEO is responsible for the external and internal communications of the company except for matters relating to the CEO, which fall under responsibilities of the chairman of Board of Directors.

As a CEO of Kotipizza Group Oyj appointed by the Board of Directors works:

Tommi Tervanen (b. 1970, graduate of a commercial institute)
Notable career:
Foodstock Oy, Founder and CEO 2003–2012
Ruokakesko Oy, Head of Selection and Product Manager 1993–2003
Positions of trust:
Finnish Franchising Association, Chairman of Board since 2015
Finnish Franchising Association, Member of Board 2013–2015

The terms and conditions applicable to the CEO have been determined in a written CEO Agreement which has been approved by the Board of Directors. Financial benefits of the CEO are discussed in detail in a separate Remuneration Report of Kotipizza Group. The Board of Directors is entitled to discharge the CEO. The CEO cannot be chosen as chairman of the Board of Directors.
Tommi Tervanen, shares per 13.4.2016
77 468

MANAGEMENT TEAM

Management Team assists the CEO in managing the operations the company. Tasks of Management Team comprise of planning and executing the strategy, guiding business operations, follow-up of result, annual planning as well as discussing investments, corporate acquisitions and changes in central plans.

Members of the Management Team of Kotipizza Group Oy:

Chief Financial Officer **Timo Pirskanen** (b. 1969, M.Sc. (Econ))
Member of Management Team since 2015
Notable career:
Rautaruukki Oyj, Head of Investor Relations 2011–2015
Deutsche Bank AG, Head of Share Research 2004–2011
Advium Partners Oy, Associate, mergers & acquisitions 2002–2004
Menire Advisors Oy, Osakas, Head of Investment 2000–2002
D. Carnegie Bank AB Finland, Analyst 1997–2000
Coopers&Lybrand Oy (nyk. PricewaterhouseCoopers), Auditor 1995–1997
Positions of trust:
Suomen Vainukoirapalvelu, Chairman of Board since 2015
Kiinteistö Oy Pyhäsuites, Member of Board since 2011
Bear Market Capital Oy, Chairman of Board since 2000
Entirem Oy, Member of Board 2000–2002
Terra Nova Group Oy, Member of Board 2000–2002

Chief Operative Officer **Olli Väätäinen** (b.1966, M.Sc. (Econ))
Member of Management Team since 2013
Notable career:
Kotipizza Group Oyj, Chief Marketing Technology Officer 2013–2015
Sofia Digital Oy, CEO 2005–2007
Outer Rim Oy, CEO 2004–2005
Indeco Oy, owner since 2003
Sentica Partners Oy, Senior Advisor since 2003
Yomi Solutions Oy, CEO 2002
Yomi Vision Oy, CEO 2000–2001
Yomi Media Oy, CEO 1996–2000
Yomi Oy, CEO and owner 1992–1996
Positions of trust:
Descom Oy, member of Board since 2009 and CEO since 2014
Silta Oy, member of Board since 2012
Foodstock Oy, member of Board 2011–2015
Kotipizza Oyj, member of Board 2011–2015
Frankis Group, member of Board 2011–2015
ONH Service Oy, Chairman 2008–2014
atBusiness Oy, Chairman 2006–2013
Kanava Golf Oy, Chairman 2012
Asikkalan Rotaryklubi, President 2009–2010
Corbel Oy, Chairman of Board 2008–2011
Sofia Digital Oy, Chairman of Board since 2008
Openbit Oy, Chairman of Board 2006–2008
Integware Oy, Chairman of Board 2005–2009

Chief Procurement Officer **Anssi Koivula** (b. 1978, graduate of a commercial institute)
Member of Management Team since 2012
Notable career:
Foodstock Oy, CEO since 2012
Foodstock Oy, Chief Operative Officer 2012
Foodstock Oy, Head Buyer 2003–2011
Kesko, Buyer 1999–2003

Chief Communications Officer **Antti Isokangas** (b. 1967, M.Sc. (Econ))
Member of Management Team since 2015
Notable career:
Ali Consulting Oy, Founder and CEO, Communications Consultant since 2012
Sulava Oy, Founder and Consultant 2010–2011
Nonparole Oy, Owner and Communications Consultant 2008–2010
Forma Publishing Group, Editor of Veli magazine 2006–2008
Medianorth Group, Editor of Nöjesguiden magazine 2003–2005
BNL Euro RSCG Oy, Communications Consultant 2001–2003
Positions of trust:
Ali Consulting Oy, Member of Board since 2012
Matkailun edistämiskeskus, Member of Management Team 2011–2014
Nonparole Oy, Member of Board since 1997

The financial benefits of the members of Management Team are discussed in detail in a separate Remuneration Report of Kotipizza Group.

Ownership of Management Team in Kotipizza Group Oyj:

Member	Number of shares per 13.4.2016
Timo Pirskanen	6 197
Olli Väätäinen	23 718
Anssi Koivula	5 747
Antti Isokangas	4 597

REPORTING AND GUIDANCE SYSTEMS

The group has necessary reporting systems in order to efficiently follow business operations. Internal control is based on the vision of the company, its strategic and commercial goals.

Achievement of commercial goals and financial development of the group are followed on a monthly basis with the help of a comprehensive guidance system. As a relevant part of the guidance system Management Team of the company scrutinizes the realization information and up-to-date forecasts. The guidance system includes comprehensive sales reports, profit and loss account, forecasts for turnover and final result as well as other key figures for operations.

According to the guidance system:

- Reports on the volumes of street restaurants' chain trade are given to Management Troup on a daily basis
- The Board of Directors and Management Team receive a) monthly report where fulfilled monthly data of the current financial year and key figures are compared to last financial year's corresponding period and budget and b) a year-end forecast updated according to the realization which is compared to the original annual budget.
- The consolidated forecast (EBITDA level) will be updated once a month. The company has functional monitoring and the ability to detect any changes which require updates to the forecasts.
- Overview of the monthly return within the Management Team and Board of Directors. Management Team comments on the trends and deviations from the budget and previous year's comparative figures.
- A review given to the Board of Directors, also contains CEO's review and description of the market conditions.
- The Board of Directors will confirm the revised forecast model and the budgeting process.

MAIN PRINCIPLES OF INTERNAL CONTROL AND RISK MANAGEMENT

Internal control

The purpose of internal control is to guarantee that operations of Kotipizza Group are effective and fruitful, control of identified risks sufficient and appropriate and published information reliable. Also compliance with determined operational principles and given guidelines is followed with the help of internal control.

Internal control of Kotipizza Group is based on the Limited Liability Companies Act, Securities Markets Act, Articles of Association as well as on the internal operational principles of the company. The management and control of the company are divided between the General Meeting, Board of Directors and CEO. By internal control is meant all such activities, systems and methods by the help of which the management aims to secure effective, economical and reliable operations.

The Board of Directors of Kotipizza Group has the responsibility of arranging internal control, risk management and principles for internal auditing.

The CEO of Kotipizza Group is responsible for the strategy of the company and compliance with it as well as required investments. The CEO is also obliged to see that the accounts of the company are in compliance with the law and that its financial affairs

have been arranged in a reliable manner. The upper management of the company is responsible for internal control. External auditing is taken care of by auditors and internal auditing by an outsourced service provider.

Identified risks and X-factors

Kotipizza Group will comply the risk management and internal control policies approved by the Board of Directors.

- The CEO and Management Group members evaluate business risks at the same time with the strategy process and annual planning
- The business units' operative management produce risk assessments on their own activities and submit action plans on managing the risks, which will be compiled
- Changes in the strategic and operational risks are dealt within the Management Group, and the vital changes are taken to the Board of Directors for consideration.

The controls of accounting and financial reporting are explained in

- Finance Department's guidelines and regulations
- as regards to outsourcing, partner Accountor Ltd's internal guidelines and regulations.
- The centralized financial department of the parent company deals with financial risk management in accordance with the principles approved by the Board of Directors.
- The principles of the overall risk management; practices in specific areas such as interest rate risk, use of derivative instruments, the placement of excess liquidity

The most significant of identified risks and X-factors are specified on the website of Kotipizza Group under Risk management. Identified risks are also assessed in interim reports and annual reports of the company.

Internal Auditing

The Company's internal audit function assists the Board of Directors in its supervisory role.

Kotipizza Group does not currently have a separate internal audit unit and therefore internal auditing resources are strengthened by procuring internal auditing services from external service providers. Operating principles of the internal auditing will be defined by the Board of Directors in a form of separate internal auditing instructions.

The procured internal audit partner assists the Board of Directors in its supervisory role by obtaining information on the adequacy and functionality of risk management and internal control in the Kotipizza Group and its business units. The internal audit unit assesses the economy and efficiency of resource usage, the reliability of reporting, the protection and security of assets, and compliance with regulations, operating principles and guidelines. Malpractice reports are regularly submitted to the Board of Directors.

AUDITING

The purpose of auditors is to make sure that the consolidated financial statements have been drafted in accordance with applicable legislation in a way that they provide right and sufficient information on the result of the group as well as on its financial standing and other necessary information for the interest groups of the company.

Other relevant goals of auditors is to secure that the internal control and risk management of the company are arranged appropriately and that the organization complies with drafted principles and guidelines. Distribution between external and internal control has been taken care of by making internal auditing responsible for securing that the company operates in accordance with internal principles and guidelines.

The Annual General Meeting elects the auditor for a term of office that runs until the end of the following Annual General Meeting. Ernst&Youg Oy, firm of authorised public accountants, has served as Kotipizza Group's auditor for the financial year ending 31 January 2015. An authorised public accountant Antti Suominen has been the chief auditor.

Fees paid for auditing are discussed in detail in a separate Remuneration Report of Kotipizza Group.

INSIDER ADMINISTRATION

Kotipizza Group follows NASDAQ OMX Helsinki Ltd's insider guidelines, which is supplemented by the Company's internal insider guidelines. The company maintains a public and company-specific insider register using Euroclear Finland Oy's Sire system.

Insiders subject to disclosure requirements are the members of Kotipizza Group's Board of Directors, the President & CEO, and the Principal Responsible auditor of the auditing entity. The company also defines the members of Kotipizza Group Executive Team as insiders subject to disclosure requirements. The share ownership of all insiders subject to disclosure requirements has been made public.

Kotipizza Group also maintains permanent company-specific registers of people who regularly receive inside information due to their position or duties. Their share ownership has not been made public. When necessary, registers of project-specific insiders are also kept.

The person in charge of insider issues within Kotipizza group is the Group CFO.

Ownership of public insiders can be seen on the website of Kotipizza Group Oyj.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of the Kotipizza Group Oyj and its subsidiaries (collectively, the "Group") for the financial year ended 31 January 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 27 May 2015. Kotipizza Group Oyj is domiciled in Finland. The address of the registered office is Hermannin Rantatie 8, 00850 Helsinki. This is also the visiting address. The general meeting of the shareholders is entitled to change the financial statements.

The Group is principally engaged in the franchising, wholesale and financial management service businesses (see Note 2). Information on the Group's structure is provided in Note 22. Information on the Group's other related party relationships is provided in Note 24.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU.

These financial statements for the financial year ended 31 January 2015 are the second the Group has prepared in accordance with IFRS.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale (AFS) financial assets and contingent considerations that have been measured at fair value. The consolidated financial statements are presented in EUR and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 January 2015. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group no more controls the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Goodwill and contingent considerations

When the Group acquires a business, it assigns the acquired financial assets and liabilities for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost. The difference between a subsidiary's acquisition cost and the equity portion corresponding the acquired ownership share is recorded as consolidated goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment as compared to the situation at the end of the financial year.

Any contingent consideration is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS standard. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on the classification to current/non-current items.
An asset is current when it is:
• Expected to be realised within 12

- months after the reporting period

The Group classifies all other assets as non-current.

A liability is current when:

- It is due to be settled within 12 months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Foreign currencies

The Group's consolidated financial statements are presented in EUR, which is also the parent company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at the spot rate of their respective functional currency at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of the functional currency prevailing at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured to the historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Group companies

The assets and liabilities of foreign operations are translated into EUR at the exchange rate prevailing at the reporting date, and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

d) Fair value measurement

The Group measures financial instruments, such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 18.

Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or to transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, as described below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for fair value measurement.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by comparing the information in the valuation calculations to agreements and other relevant documents.

The management also compares the changes in the fair value of each asset and liability to relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined the classes of assets and liabilities on the basis of the nature, characteristics and risks of assets or liabilities and the level of the fair value hierarchy as explained above.

e) Revenue recognition

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 being 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 is 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.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

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 on delivery of the goods.

Rendering of services

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 recognized in revenues for the month concerned.

Interest income
The Group's intents income is mainly related to interest income from trade receivables or bank deposits. Interest income is included in finance income in the statement of profit or loss.

Dividends
Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

f) Government grants
Government grants are related to training of franchisees. Government grants are included in other operating income.

g) Taxes
Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The amount of tax is calculated using the tax rate effective at the reporting date.

Deferred tax
Deferred tax is measured using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, for the carry forward of unused tax credits and for any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are confirmed at the reporting date.

Deferred tax assets and liabilities are presented as separate line items in non-current assets and liabilities. They are not offset from each other.

h) Discontinued operations and assets held for sale, and assets related to them
The Group classifies an operation or unit as discontinued or available for sale when the decision of the discontinuation or transfer has been made.

Assets and liabilities related to discontinued operations are presented in a separate group in the statement of financial position.

A disposal group qualifies as discontinued operation if:

- it is a component of the Group that is a separate CGU
- it is classified as held for sale or already disposed in such a way, or
- it is a major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations, and they are presented as a single amount of profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional information is provided in Note 4. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

i) Property, plant and equipment
Property, plant and equipment is measured at cost, net of accumulated depreciation and impairment losses, if any. Property, plant and equipment only includes the cost of products that still have useful life remaining. All repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation periods are:

- Intangible assets
  5-10 years
- Expenses with long-term effects
  4-10 years
- Buildings and constructions
  5-10 years
- Machinery and equipment
  3-5 years

j) Leases
The Group has both lease agreements classified as financial leases and other lease agreements. Other lease agreements are presented in the profit and loss according to their nature, terms and conditions and contract period. Financial lease agreements are presented in the consolidated statement of financial position, and they include agreements where the Group is a lessor with a buy-back obligation. The figures for the comparison year have been adjusted. For the comparison year, sales and acquisitions of assets covered with a buy-back obligation were reversed in the amount of EUR 291 thousand. Correspondingly, the lease receivables and financial liabilities in the consolidated statement of financial position were increased by EUR 385 thousand. These adjustments did not affect the profit or loss, or equity.

k) Intangible assets
Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are considered as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation periods are 5-10 years. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and they are recognised in the statement of profit or loss when the asset is derecognised.

l) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets measured at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in the following categories:

- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading. Derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as financeialcosts (negative net changes in fair value) or financial income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Any losses arising from impairment are recognised in the statement of profit or loss in financial costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, see Note 12.

Available-for-sale (AFS) financial assets

AFS financial assets include shares not listed in a stock exchange. They are measured at fair value, or when the fair value cannot be determined reliably, at cost

Changes in the fair value are recognised in OCI items and presented in the in the valuation reserve included in the "Other reserves" line item of shareholder's equity taking into account tax effects.

Derecognition

A financial asset is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

m) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

n) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities measured at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.
Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interens rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, see Note 15.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

o) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Fair value hedges

The Group did not apply fair value hedging during the financial years ended 31 January 2014 and 2015.

Cash flow hedges

The Group did not apply cash flow hedging during the financial years ended 31 January 2014 and 2015.

p) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis
- Finished goods and work in progress: cost of direct materials and services and a proportion of fixed production overheads based on the normal operating capacity, but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

q) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 January and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

r) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand, bank deposits available on demand and short-term deposits with an initial maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

s) Provisions and contingent liabilities

Provisions are recognised when the Group has, as a result of a past event, an obligation (legal or constructive) to make a payment in the near future and a reliable estimate can be made of the amount of the obligation.

A contingent liability is an obligation created as a result of a past event, and its realisation will be confirmed only after occurrence of an uncertain event beyond control of the Group. An existing liability is also considered contingent, if it is improbable that the payment obligation will be realised or if the amount of the obligation cannot be estimated reliably. Contingent liabilities are presented in the Notes. The Group's most significant contingent liabilities are related to lease and bank guarantees.

t) Pensions and other post-employment benefits

The Group has only defined contribution plans. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate. In defined contribution plans, the Group has no legal or contractive obligations to pay further contributions.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management's judgments related to selection of accounting principles and application of them

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Discontinued operations

The Group management initiated a plan to dispose of the Russian business on 21 January 2013. The disposal of the business was completed in July 2014. Domi pizza slice business was discontinued in the financial year 2014. The operations of the subsidiary Francount Oy and the 55 burger concept operating under Kotipizza Oy were divested in January 2015. The results of Francount Oy and Kotipizza Oy's burger55 concept are also presented as discontinued operations. See Note 2 for further details.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.

Standards issued but not yet effective

IASB has issued new and updated 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 updated standards have a significant effect on the Group's financial results, comprehensive income or the presentation of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2.

The Group has four reporting segments. Its reporting segments are:
- Kotipizza segment, which provides services to entrepreneurs under the Group's franchises and operates the Group-owned Kotipizza restaurants.
- Wholesale segment, which operates as a wholesaler to the Group’s other business units and third parties.
- Chalupa, which runs fast casual restaurant operations.
- Others, which mainly comprises the business operations related to the Group’s administration.

All segments are organised as separate legal entities responsible for their own business operations and the related financial reporting. Transfer pricing between the segments is based on market price bases.

OPERATING SEGMENTS 2016	External revenues	Internal revenues	Total	EBITDA
Kotipizza	11 784	1 684	13 468	5196
Foodstock	44 096	304	44 400	849
Chalupa	443	0	443	-66
Other	47	933	980	-1792
Eliminations	0	-2 921	-2 921	0
Total	**56 370**	**0**	**56 370**	**4187**

OPERATING SEGMENTS 2015	External revenues	Internal revenues	Total	EBITDA
Kotipizza	12 251	1 906	14 157	4152
Foodstock	39 954	713	40 667	793
Other	21	841	862	-675
Eliminations		-3 460	-3 460	2
Total	**52 226**	**0**	**52 226**	**4272**

The assets and liabilities of the operating segments are not regularly reported to chief operating decision-maker. Therefore, this information is not disclosed. On 31 January 2016, the Group had business operations geographically only in Finland.

RESULT	2016	2015
Result of the reporting segments	452	562
Elimination of the transactions between the segments	0	2
Items not allocated to segments	0	0
Result of the Group before taxes, continuing operations	**452**	**564**

NOTE 3. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets held for sale and discontinued operations are related to the Russian operations of the Kotipizza segment, Domi-pizzapalat, sale of the "55 burger" concept and the divestment of the Financial Management Services segment. Both of the divested business operations – the Financial Management Services segment and the "55 burgers" concept – were sold at the price of EUR 1. The liquidation of the Russian company was completed on 29 July 2014. The transfer of the "55 burger" concept and the termination and rearrangement of the Financial Management Services segment were completed during the current financial year.

000 €	**2016**	**2015**
Turnover	32	824
Other operating income	0	16
Depreciation	0	-57
Expenses	-144	-1240
Operating loss	**-112**	**-457**
Financial expenses	0	-8
Capital loss related to discontinued operations	-28	-574
Loss for the year from discontinued operations before taxes	-140	-1039
Tax impact	27	121
Loss for the year from discontinued operations	**-113**	**-918**
Earnings per share (EUR) for discontinued operations:		
Non-diluted earnings for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	-0,022	-0,164

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

000 €	**2016**	**2015**
Assets		
Intangible assets (Note 10)	0	0
Property, plant and equipment (Note 9)	0	0
Inventories	0	19
Trade and other receivables	19	63
Assets related to discontinued operations	**19**	**82**
Liabilities		
Collaterals received	0	15
Other liabilities	0	11
Accrued expenses	0	59
Liabilities related to discontinued operations	**0**	**85**

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

NOTE 4. OTHER OPERATING INCOME

000 €	2016	2015
Net gain on disposal of property, plant and equipment	53	26
Other income	67	21
Government grants	5	5
Insurance compensations	1	13
Total	**126**	**65**

Government grants have been received for the training of Kotipizza entrepreneurs. Other income includes rental income from equipment and other contractual charges, among other items.

NOTE 5. OTHER OPERATING EXPENSES

000 €	2016	2015
Rental expenses	363	347
External services	1 376	1 303
Other expense items	2 317	2 673
Total other operating expenses	**4 056**	**4 323**

AUDITOR'S FEE

000 €	2016	2015
Auditing	64	65
Other services	173	42
Total	**237**	**107**

RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to EUR 137,000 (EUR 229,000 in 2015). These costs were related to the training of Kotipizza entrepreneurs, as well as the development of new product recipes. A comprehensive concept reform was started in the financial year 2015. Costs related to the reform have been either activated on the balance sheet or recognised as annual costs.

NOTE 6. EMPLOYEE BENEFITS

All costs related to employee benefits are included in administrative (fixed) costs

000 €	2016	2015
Salaries and fees	2 981	2 265
Social security costs	103	103
Pension costs (defined contribution plans)	521	419
Total employee benefits	**3 605**	**2 787**

NOTE 7. FINANCE INCOME AND EXPENSES, ITEMS RECOGNISED THROUGH PROFIT OR LOSS

000 €	2016	2015
Interest income on trade receivables	12	20
Interest income on available-for-sale investments	0	1
Other financial income from contingent liabilities	8	16
Other financial income	8	-2
Total finance income	**28**	**35**

000 €	2016	2015
Interest on loans and borrowings	1 867	2 812
Interest expenses related to financial lease liabilities	15	9
Total interest expense	**1 882**	**2 821**
Other financial costs	145	66
Expenses related to loans	174	0
Bond issue	0	345
Premature repayment of the bond	900	0
Profit/loss from financial instruments recognised at fair value through profit or loss	-90	33
Total financial expenses	**3 011**	**3 265**

Net profit or loss from financial instruments recognised at fair value through profit or loss is related to an interest rate swap contract that did not qualify for hedge accounting.

Financial expenses, items of other comprehensive income

The new interest rate swap contract, which is recognised as a hedging instrument, is included in items of other comprehensive income.

Cash flow hedging	367	0
Total financial expenses, items of other comprehensive income	**367**	**0**

NOTE 8. INCOME TAX

The major components of income tax expenses for the financial years that ended on 31 January 2016 and on 31 January 2015 include the following:

Consolidated income statement (000 €)	**2016**	**2015**
Current income tax:		
Current income tax charge	281	163
Deferred tax:		
Related to origination and reversal of temporary differences	-157	18
Income tax expenses reported in the income statement	**124**	**181**
Consolidated statement of other comprehensive income		
Deferred tax liabilities have not been recognised for translation differences.		
Deferred tax liabilities related to cash flow hedging have been taken into account.	-73	0
Total taxes related to items of other comprehensive income	-73	0
Total deferred taxes for the period	**-230**	**18**

Reconciliation of tax expenses and the accounting profit multiplied by Finland's domestic tax rate for 2016:

000 €	**2016**	**2015**
Profit/loss before taxes from continuing operations	452	564
Loss before taxes from discontinued operations	-140	-1039
Accounting profit/loss before taxes	**312**	**-475**
At Finland's statutory income tax rate of 20% (2015: 20%)	62	-95
Effect of non-deductible expenses on taxes:		
Capital loss on goodwill	0	84
Contingent considerations	0	0
Other non-deductible expenses	31	43
Other	19	0
Taxes from previous periods and changes to taxes	-15	28
At the negative effective income tax rate in 2015 (2014: negative)	**97**	**60**
Income tax expenses reported for continuing operations in the income statement	124	181
Effect of discontinued operations on taxes	-27	-121
	97	**60**

Deferred taxes

Deferred taxes are related to the following:

000 €	Consolidated balance sheet 2016	2015	Consolidated income statement 2016	2015
Accelerated depreciation for tax purposes	-65	-55	10	9
Undeductible provision	36	31	-5	37
Fair value of derivatives	73	36	-37	19
Tax losses	166	8	-158	-8
Capitalised transaction costs	11	-29	-40	-75
Intangible assets	14	14	0	36
Deferred taxes, net	**235**	**5**	**-230**	**18**
Based on the consolidated balance sheet:				25
Deferred tax assets	289	90		
Deferred tax liabilities – continuing operations	-54	-85		
Deferred tax assets, net	**235**	**5**		

Reconciliation of deferred tax assets, net	**2016**	**2015**
Opening balance	5	23
Total deferred taxes for the period	230	-18
Closing balance on 31 January	**235**	**5**

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

000 €	Property	Plant and equipment	Total
Acquisition price			
1. February 2014	271	1 760	2 031
Additions	0	592	592
Reduction/disposals	0	-179	-179
Discontinued operations (Note 3)		0	0
31 January 2015	**271**	**2 173**	**2 444**
Additions	0	611	611
Reduction/disposals	-20	-169	-189
Other transfers	0	0	0
31 January 2016	**251**	**2 615**	**2 866**
Depreciation and impairment			
1 February 2014	-256	-1 198	-1 454
Depreciation charge for the year	-6	-183	-189
Reduction/disposals	0	24	24
Discontinued operations (Note 3)	0	-17	-17
31 January 2015	**-262**	**-1 374**	**-1 636**
Depreciation charge for the year	-6	-272	-278
Reduction/disposals	20	30	50
Discontinued operations (Note 3)	0	0	0
31 January 2016	**-248**	**-1 616**	**-1 864**
Net book value			
31 January 2016	3	999	1 002
31 January 2015	9	799	808
31 January 2014	15	562	577

In the previous years, discontinued operations were related to the divestment of the Francount and “55 burger” concept business operations. Both of the business operations were divested in January 2015.

NOTE 10. INTANGIBLE ASSETS

000 €	Goodwill	Intangible rights	Other long-term expenses	Total
Cost				
31 January 2014	36 263	322	1 891	38 476
Additions	0	7	899	906
Reduction/disposals	0	-133	-205	-338
31 January 2015	**36 263**	**196**	**2 585**	**39 044**
Additions	0	0	1364	1 364
Reduction/disposals	0		0	
Impairment on goodwill	0	0	0	0
31 January 2016	**36 263**	**195**	**3 949**	**40 407**
Depreciation and impairment				
31 January 2014	-23	-174	-1 254	-1 451
Depreciation	0	-15	-258	-273
Disposals	0	30	174	204
Discontinued operations (Note 3)	-421	-12	-28	-461
Impairment		0	-15	-15
31 January 2015	**-444**	**-171**	**-1 381**	**-1 996**
Depreciation	0		-456	-457
Disposals	0	0	0	0
Discontinued operations (Note 3)	0	0	0	0
Impairment	0	-17	0	-17
31 January 2016	**-444**	**-189**	**-1 837**	**-2 470**
Net book value				
31 January 2016	35 819	6	2 112	37 937
31 January 2015	35 819	25	1 204	37 048
31 January 2014	36 240	148	637	37 025

Intangible rights include license fees and other intangible rights. Other long-term expenses include the leasehold improvements, software and other long-term expenses.

Impairment on other long-term expenses in 2015 is related to capitalised IT systems that the Group has decided to abandon and that are at the end of their useful lives.

NOTE 11. INVENTORIES

000 €	2016	2015	2014
Raw materials (at cost)	2 614	2 562	2 555
Work in process (at cost)	637	179	409
Finished goods (at cost or net realisable value)	134	197	318
Total inventories at the lower of cost and net realisable value	**3 385**	**2 938**	**3 282**

Impairment on inventory amounted to EUR 62,000 in 2016 (EUR 85,000 in 2015). Impairment is included in the change in inventories in the income statement.

NOTE 12. TRADE AND OTHER RECEIVABLES

000 €	2016	2015	2014
Trade receivables, current	4 090	4 446	5 142
Trade receivables from related parties	8	19	41
Other receivables	**847**	**984**	**1 383**
	4 945	5 449	6 566

Trade receivables from related parties are normal trade receivables.
Trade receivables are non-interest-bearing and are generally on terms of 7 to 30 days.
Other receivables include pledged bank accounts (for collateral requirements). These amounts were EUR 356,000 in January 2016 (2015: EUR 610,000).

On 31 January 2016, a credit loss provision of EUR 91,000 was recognised for doubtful receivables (2015: EUR 157,000). See below for the changes in impairment on trade receivables (credit loss provision).

	Individually impaired
31 January 2014	307
Change for the year	-150
31 January 2015	**157**
Change for the year	-66
31 January 2016	**91**

On 31 January, the ageing analysis of trade receivables was as follows:

000 €	2016	2015	2014
Payment not overdue	3 051	3 502	3 505
Past due but not impaired			
< 30 days	694	320	823
> 30 days	353	643	855
Total	**4 098**	**4 465**	**5 183**

Non-current receivables include trade receivables that will not fall due until more than 12 months after the reporting date. Such receivables amounted to EUR 199,000 on 31 January 2016 (EUR 228,000 on 31 January 2015).

See Note 21 on the credit risk concerning trade receivables. Note 21 also explains how the Group manages and measures the credit quality of trade receivables that are neither past due nor impaired.

NOTE 13. CASH AND SHORT-TERM DEPOSITS

000 €	2016	2015	2014
Cash at banks and in hand	8 099	5 201	3 255
	8 099	**5 201**	**3 255**

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group does not have any short-term deposits. The Group has pledged a part of its bank account deposits to fulfil collateral requirements. In the consolidated financial statements, these bank accounts are shown in other receivables, not in cash at banks and in hand.

See Note 12 for further details.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following items on 31 January:

000 €	2016	2015	2014
Cash at banks and in hand	8 099	5 201	3 255
Cash and cash equivalents	**8 099**	**5 201**	**3 255**

NOTE 14. GOODWILL IMPAIRMENT TESTING

For impairment testing purposes, goodwill acquired through business combinations has been allocated to the following two cash-generating units (CGU) below, which are also operating and reporting segments.

- Franchising CGU
- Wholesale CGU

Carrying amount of goodwill allocated to each of the CGUs:

000 €	2016	2015
Franchising CGU	29 419	29 419
Wholesale CGU	6 400	6 400
Total	35 819	35 819

The Group performed its annual impairment test in January 2016 and 2015.

The recoverable amounts for each CGU were determined based on the value in use.

Franchising CGU

The recoverable amount of the Franchising CGU (EUR 47,539,000 on 31 January 2016) was determined based on the value used in cash flow projections for financial budgets approved by senior management for a five-year period. The pre-tax discount rate applied to cash flow projections was 7.87% (2015: 8.46%), and cash flows beyond the five-year period were extrapolated using a growth rate of 1% (2015: 1%), which is assessed not to exceed the long-term average growth rate for the franchising sector. The decrease in the discount rate as compared to the previous year resulted from updating the interest rate of the Finnish 10-year government bonds and the CGU's equity-to-net-debt ratio to correspond to the situation at the end of the financial year 2016, as these values are used for calculating the discount rate.

Wholesale CGU

The recoverable amount of the Wholesale CGU (EUR 13,766,000 on 31 January 2016) was determined based on the value used in cash flow projections for financial budgets approved by senior management for a five-year period. The pre-tax discount rate applied to cash flow projections was 7.87% (2015: 8.62%), and cash flows beyond the five-year period were extrapolated using a growth rate of 1% (2015: 1%), which is assessed not to exceed the long-term average growth rate for the wholesale sector. The decrease in the discount rate as compared to the previous year resulted from updating the interest rate of the Finnish 10-year government bonds and the CGU's equity to net debt ratio to correspond the situation at the end of the financial year 2016, as these values are used for calculating the discount rate.

Key assumptions used in value in use calculations

The calculation of value in use for the cash-generating units is most sensitive to the following assumptions:

- EBITDA margin
- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

EBITDA margins: EBITDA margins are based on levels achieved in the years preceding the beginning of the budget period. These are adjusted for anticipated volume and efficiency impacts.

Discount rates: Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks related to the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes account of both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings that the Group is obliged to service. Segment-specific risk is incorporated by applying individual risk factors.

Growth rate estimates: Rates are based on moderate assumptions

Sensitivity to changes in assumptions

The following changes in key assumptions would lead to impairment charges:

(%-points)	Decrease in EBITDA margin	Increase in discount rate
Franchising CGU	1,6	7,5
Wholesale CGU	5,8	2,1

NOTE 15. FINANCIAL LIABILITIES

Interest-bearing loans and borrowings

000 €	Effective interest rate	Maturity	2016	2015	2014
Current interest-bearing loans and borrowings					
Bank loan	floating	12 kuukautta	850	0	0
Other current loans					
Car instalment credits		12 kuukautta	109	183	121
Financial lease liabilities	fixed	12 kuukautta	82	0	0
Total current interest-bearing loans and borrowings			**1 041**	**183**	**121**
Non-current interest-bearing loans and borrowings					
Bond issue	9,024	4/3/2016	0	29 783	29 476
Bank loan	floating	8/7/2021	9 500	0	0
Bank loan	floating	8/7/2021	1 900	0	0
Bank loan	floating	2/7/2023	4 563		
Other non-current loans					
Car instalment credits		more than 12 months	43	191	156
Financial lease liabilities	fixed	more than 12 months	357		
Loans from Group companies	7,00	12/1/2017	0	5 886	2 943
Loans from other related parties	7,00	12/1/2017	0	0	2 943
Total non-current interest-bearing loans and borrowings			**16 363**	**35 860**	**35 518**
Total interest-bearing loans and borrowings			**17 404**	**36 043**	**35 639**

Bond
During the financial year, the bond was repaid prematurely in conjunction with the listing of the parent company on NASDAQ OMX Helsinki and the renewal of its financing arrangements.

Bank loans
During the financial year, the parent company carried out refinancing arrangements and took out three new bank loans in August 2015, with a total nominal value of EUR 17 million. The loans are secured against business mortgages and pledges shares of subsidiaries. One of the bank loans is a bullet loan of EUR 9.5 million and falls due in full on 7 August 2021. The two other bank loans are repaid in accordance with their repayment schedules over their maturity periods. The company's bank loans involve covenants.

Other loans
During the financial year, the company repaid its other loans in full (EUR 5,886,000 in total) in conjunction with its listing on NASDAQ OMX Helsinki.
The Group has no unused loan commitments.

Financial lease liabilities
The Group's agreements that are related to furniture and fixtures at its own restaurants, as well as cars, are considered to fulfil the requirements of IAS 17 for financial leases. On the reporting date, the Group's liabilities related to these amounted to EUR 439,000.

	2016	2015
Gross financial lease liabilities,		
minimum rents according to maturity periods		
Within 12 months	129	0
More than 12 months but no more than 5 years	431	0
More than 5 years	0	0
Total	560	0
Future accrual of financial expenses	-121	0
Current value of financial lease liabilities	439	0
Current value of financial lease liabilities according to maturity periods		
Within 12 months	82	0
More than 12 months but no more than 5 years	357	0
More than 5 years	0	0
Total	439	0

The Group also has agreements that related to furniture and fixtures delivered to the franchisees. These agreements are considered to fulfil the requirements of IAS 17 for financial leases. On the reporting date, the Group's lease receivables and corresponding payments from the financing company related to these agreements amounted to EUR 581,000 (EUR 344,000). On the balance sheet, these are included in non-current receivables and in other non-current liabilities.

Other financial liabilities

000 €	2016	2015	2014
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Interest rate swap contracts included in hedge accounting	0	179	273
Interest rate swap contracts not included in hedge accounting	367	0	0
Total financial liabilities at fair value through profit or loss	**367**	**179**	**273**
Total other financial liabilities	**367**	**179**	**273**

An interest rate swap contract was rearranged in conjunction with refinancing arrangements during the financial year. The new interest rate swap contract is defined as a hedging instrument, and the related profits or losses are included in other comprehensive income. The nominal value of the contract is EUR 8.5 million, and the contract will expire in August 2021.

NOTE 16. TRADE AND OTHER PAYABLES

000 €	2016	2015	2014
Trade payables	5 130	4 899	3 912
Other payables	1 752	2 368	2 801
Interest payable	0	0	0
Payables to related parties	0	40	41
	6 882	**7 307**	**6 754**

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest-bearing and are normally settled on 30-day terms
- Other payables are non-interest bearing and have an average term of six months
- Payables to related parties are contingent considerations for acquisitions of subsidiaries.

During the current financial year, these liabilities have been transferred to other liabilities, as the classification of liabilities has changed.

NOTE 17. CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

VALUES ON 31 JANUARY 2016

Balance sheet item, EUR 1,000	Note	Financial assets/ liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets/ liabilities	Financial assets/ liabilities at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Non-current receivables			783			783	783
Non-current financial assets				2		2	2
Current financial assets							
Trade and other receivables	12		4 945	19		4 964	4 964
Cash and cash equivalents	13		8 099			8 099	8 099
Carrying amount by category		**0**	**13 827**	**21**	**0**	**13 848**	**13 848**
Non-current financial liabilities							
Interest-bearing liabilities	15				16 363	16 363	16 363
Derivative financial instruments	18	367				367	367
Other non-current liabilities				0	2 462	2 462	2 462
Current financial liabilities							
Interest-bearing liabilities	15				1 041	1 041	1 041
Trade and other payables	16			0	6 882	6 882	6 882
Carrying amount by category		**367**	**0**	**0**	**26 748**	**27 115**	**27 115**

VALUES ON 31 JANUARY 2015

Balance sheet item, EUR 1,000	Note	Financial assets/ liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial assets/ liabilities at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Non-current receivables			574			574	574
Non-current financial assets				2		2	2
Current financial assets							
Trade and other receivables	12		5 449	63		5 512	5 512
Cash and cash equivalents	13		5 201			5 201	5 201
Carrying amount by category		**0**	**11 224**	**65**	**0**	**11 289**	**11 289**
Non-current financial liabilities							
Interest-bearing liabilities	15				35 860	35 860	35 915
Derivative financial instruments	18	179				179	179
Other non-current liabilities				15	3 850	3 865	3 865
Current financial liabilities							
Interest-bearing liabilities	15				183	183	183
Trade and other payables	16			70	7 307	7 377	7 377
Carrying amount by category		**179**	**0**	**85**	**47 200**	**47 464**	**47 519**

For the years 2015 and 2016, the non-current assets include trade receivables that will fall due for payment after more than 12 months from the reporting date, as well as rental receivables classified as a financial lease.

Other non-current liabilities comprise collateral debts, interest payables and buy-back commitments classified as financial leases. Available-for-sale assets include investments in non-listed shares and the receivables related to the divested business of Francount.

Current trade receivables available for sale and other receivables of EUR 19,000 are included on the balance sheet for the year 2016 (EUR 63,000 in 2015) in the line item “Assets related to divestments”.

Investments available for sale are measured at acquisition cost, as their fair value cannot be measured reliably.
The management estimates that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:
- The fair value of financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- The Group enters into derivative financial instrument transactions principally with financial institutions with a credit rating. Derivatives valued using valuation techniques with market-observable inputs are interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.
- Fair values of the Group’s interest-bearing borrowings are determined by using the DCF method with a discount rate that reflects the issuer’s borrowing rate as at the end of the reporting period.

NOTE 18. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy for the Group's assets and liabilities.
Fair value measurement hierarchy including qualitative disclosure for assets on 31 January 2016:

Fair value measurement

000 €	Date of v aluation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobserv- able inputs (Level 3)
Assets measured at fair value:	31 January 2016	0	0	0	0
Liabilities measured at fair value:	31 January 2016				
Derivative financial liabilities					
Interest rate swaps		367		367	
Liabilities for which fair values are disclosed (Note 18):					
Interest-bearing loans and borrowings					
Fixed-rate borrowings		0		0	

There have been no transfers between Level 1 and Level 2 during the period.

Fair value hierarchy for financial instruments measured at fair value on 31 January 2015:

Assets measured at fair value:	Total	Level 1	Level 2	Level 3
	0	0	0	0
Financial liabilities measured at fair value (000 €)	**Total**	**Level 1**	**Level 2**	**Level 3**
Derivative financial liabilities				
Interest rate swaps	179		179	
Liabilities for which fair values are disclosed (Note 18):				
Interest-bearing loans and borrowings				
Fixed-rate borrowings	35 915		35 915	

A loan reported in the previous year at fair value was repaid in full in August 2015.

NOTE 19. PROVISIONS

000 €	Contingent liability
1 February 2015	0
Exchange differences	0
Acquisition of a subsidiary	0
Arising during the year	90
Utilised	0
Unused provisions	0
Discount rate adjustment and input interest	0
31 January 2016	**90**
Current provisions, total	90

The provisions relate to lease contracts for empty facilities. On the reporting date, the Group had two empty facilities. The rental commitments are no more than 12 months in duration.

NOTE 20. COMMITMENTS AND CONTINGENCIES

Operating lease commitments — Group as lessee
The Group has entered into commercial leases on premises and certain items of machinery. These leases have an average life between three and five years, with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at year end:

000 €	2016	2015	2014
Within one year	50	32	35
After one year but no more than five years	108	67	37
More than five years	0	0	0
	158	**99**	**72**

Secondary liabilities
The secondary liabilities are related to the franchising business.

000 €	2016	2015
Secondary liabilities	0	30

Guarantees which are backed up by business mortgages, pledged deposits and guarantees

The Group's franchising business operated by Kotipizza Oyj, a subsidiary of the Group, involves providing rental guarantees for premises where Kotipizza Oyj is the main lessee but has subleased the premises out. Kotipizza Oyj has pledged deposits and business mortgages and the parent company Kotipizza Group Oyj has given guarantees as a counter guarantee for the rental guarantees provided.
Helsinki Foodstock Oy, a subsidiary of the Group, has bank guarantees for the goods being imported. As a counter guarantee for the bank guarantees, Helsinki Foodstock Oy has pledged business mortgages and the parent company Kotipizza Group Oyj has provided guarantees. In addition, Helsinki Foodstock Oy has rental commitments related to office facilities, and the company has given a bank guarantee to secure these liabilities.
Chalupa Oy, the third subsidiary of the Group, has rental commitments related to restaurant operations. The company has given a bank guarantee to secure these commitments, and the parent company Kotipizza Group Oyj has provided an absolute guarantee with regard to the commitments.
The parent company Kotipizza Group Oyj also has fixed-term rental commitments related to office facilities.
A bank guarantee has been given to secure these commitments. The rental agreements are fixed-term, ranging from one to three years.

The amounts of commitments and guarantees on the reporting date:

000 €	2016	2015
Commitments		
Rental guarantees/rental commitments	3699	3636
Bank guarantees	420	920
Rental commitments for premises	18	211
Guarantees		
Pledged deposits	352	390
Business mortgages	2500	2500
Guarantees*	20	640

* In addition, the parent company Kotipizza Group Oyj has provided guarantees to secure its subsidiaries' liabilities. absolute guarantees with an unlimited liability

Guarantees on behalf of other companies

Kotipizza Oyj, a subsidiary of the Group, has provided a guarantee on behalf on a business partner. Kotipizza Oyj charges an annual commission on the guarantee.

The amounts of guarantees on the reporting date:

000 €	2016	2015
	422	680

Liabilities secured against business mortgages and pledged shares

During the financial year, Kotipizza Group Oyj carried out refinancing arrangements and took out three new bank loans. As a result of the refinancing arrangements, the bond reported in the previous year was repaid prematurely in August 2015.

The amounts of commitments and guarantees on the reporting date:

000 €	2016	2015
Liability:		
Loans from financial institutions	16813	0
Guarantee:		
Business mortgages	15000	0
Pledged shares, book value	29637	0

NOTE 21. FINANCIAL RISK MANAGEMENT

The Group's principal financial liabilities are comprised of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, as well as cash and short-term deposits that derive directly from its operations.
The Group is exposed to market, credit and liquidity risks. The Group's senior management oversees the management of these risks.
All derivative activities for risk management purposes are carried out by people with the appropriate skills and experience. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.
The market risk comprises three types of risk: interest rate risk, currency risk and other price risks, such as the equity price risk and the commodity risk. Financial instruments affected by the market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments.
The sensitivity analyses in the following sections relate to the position on 31 January in 2016.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant.

Interest rate risk
The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates to the fair value of interest rate derivative instruments and fluctuation in market interest rates.
The Group manages risks by means of interest rate hedging. For this purpose, the Group enters into interest rate derivative agreements when needed. On 31 January 2016, 50% of the Group's borrowings had been converted into fixed-rate borrowings through an interest rate swap.

Interest rate sensitivity
A shift of 1% in the market interest rate curve would have had an effect of EUR -87,000 on the result on 31 January 2016. Interest rate sensitivity has been calculated assuming that the interest rate curve will rise by 1 percentage point. Sensitivity describes the effect on the result before taxes.

Foreign currency risk
The foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates primarily relates to the Group's operating activities (when revenues or expenses are denominated in a currency other than the Group's presentation currency).

On 31 January 2016, the Group did not have any significant exposures in foreign currencies.

Credit risk
The credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to the credit risk through its operating activities (primarily trade receivables) and financing activities, including deposits with banks and financial institutions, transactions denominated in foreign currencies and other financial instruments.

Trade receivables
The customer credit risk is managed by each business unit in accordance with the Group's established policy, procedures and control concerning customer credit risk management.
Outstanding trade receivables are regularly monitored, and an impairment analysis is performed on each reporting date on an individual basis for major clients. The Group considers the concentration of risk with regard to trade receivables to be low, as its customers are located in several geographical areas and receivables per customer are reasonable.

Financial instruments and cash deposits
The credit risk related to balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties.

The limits are intended to minimise the concentration of risks and therefore prevent financial losses resulting from a counterparty's failure to make payments. The Group's maximum exposure to the credit risk for the components of the consolidated balance sheet on 31 January 2016 and on 31 January 2015 corresponds to the carrying amounts presented in Note 17.

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments..

Year ended 31 January 2016 (000 €)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	0	349	789	4 903	11 363	17 404
Contingent consideration	0	0	0	0	0	0
Other financial liabilities	2	0	0	2 460	0	2 462
Trade and other payables	0	6 264	618	0	0	6 882
Derivatives	0	21	84	260	40	405
	2	**6 634**	**1 491**	**7 623**	**11 403**	**27 153**

Year ended 31 January 2015 (000 €)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	0	46	137	35 860	0	36 043
Contingent consideration	0	0	0	0	0	0
Other financial liabilities	0	0	797	3 865	0	4 662
Trade and other payables	0	5 717	873	0	0	6 590
Derivatives	0	32	83	67	0	182
	0	**5 795**	**1 890**	**39 792**	**0**	**47 477**

Capital management

For the purpose of the Group's capital management, capital includes issued share capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this objective, the Group's capital management aims to ensure that it meets financial covenants related to the interest-bearing loans and borrowings. Failure to meet financial covenants would permit the creditor to immediately call back loans and borrowings. There were no breaches of the financial covenants of any interest-bearing loans and borrowings during the financial period.The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The development of the capital structure is on practise monitored using several key ratios, which are reported to the board of directors monthly. No material changes were made to the objectives, policies or processes for managing capital during the financial years that ended on 31 January 2016 and 31 January 2015.

NOTE 22. GROUP INFORMATION AND SUBSIDIARIES

Information about subsidiaries

The Group's consolidated financial statements include:

			% of equity	
Nimi	**Principal operations**	**Country**	**2016**	**2015**
Frankis Finland Oy	Holding company	Finland	100%	100%
Francount Oy	Accounting services	Finland	100%	100%
Domipizza Oy	Fast food	Finland	100%	100%
Senhold 2 Oy	Holding company	Finland	100%	100%
Kotipizza Oyj	Fast food and franchising	Finland	100%	100%
Helsinki Foostock Oy	Food and beverages wholesale	Finland	100%	100%
Chalupa Oy	Fast food, fast casual	Finland	60%	0%

The ultimate control of the Group

Funds managed by Sentica Partners Oy own 63.30% of the Group's parent company, Kotipizza Group Oyj, meaning that the Group is controlled by them.

Holdings in the company by sector and size, as well as the company's largest shareholders and the holdings of the members of its Board of Directors and Executive Board, are listed on the company's website.

NOTE 23. ISSUED CAPITAL AND RESERVES

The figures are exact values.	Number of shares (1,000)	Share capital	Reserve for invested unrestricted equity	Total
31 January 2014	544 275	80 000	5 362 752	5 442 752
Share issue	0	0	0	0
31 January 2015	544 275	80 000	5 362 752	5 442 752
Reverse share split	-543 024	0	0	0
Share issue	5 100	0	25 500 000	25 500 000
Cost of issue	0	0	-1 045 282	-1 045 282
31 January 2016	6 351	80 000	29 817 470	29 897 470

Total comprehensive income, net of tax:

The changes in each equity item included in total comprehensive income are presented below:

31 January 2016	Other reserves	Foreign currency trans-lation reserve	Retained earnings	Total
Foreign exchange translation differences	000 €	000 €	000 €	000 €
	0	0	0	0
	0	0	0	0

31 January 2015	Other reserves	Foreign currency transla-tion reserve	Retained earnings	Total
Valuuttakurssien muuntoerot	000 €	000 €	000 €	000 €
	0	-9	0	-9
	0	-9	0	-9

During the financial year, the Annual General Meeting decided to carry out a reverse share split in accordance with chapter 15, section 9 of the Limited Liability Companies Act. As a result of this, the company's total number of shares decreased to 1,251,201. A total of 5,100,000 new shares were issued through a share issue carried out on 6 July 2015 in conjunction with the listing of the company on NASDAQ OMX Helsinki.

The Group did not distribute dividends for 2015
or 2016.

The company has one series of shares. All shares carry equal rights to dividends and the assets of the company. The shares don't have a nominal value. The company does not hold treasury shares.

NOTE 24. RELATED PARTY TRANSACTIONS

Parties are considered to be related when a party has control or significant influence over the other party with regard to decision-making concerning its finances and business operations. The Group's related parties include the parent company, subsidiaries, members of the Board of Directors and the Executive Board and managing director, as well as their family members. The key management comprises the members of the management boards. The total amounts of related party transactions carried out during the period are presented in the table below. The terms and conditions of the related party transactions correspond to the terms and conditions applied to transactions between independent parties.

000 €		Interest paid	Amounts owed to related parties	Purchases from related parties	Outstand-ing trade payables	Sales to related parties	Outstand-ing trade receiv-ables
The Group's senior management	2016	0	0	93	3		0
	2015	0	16	41	9		
Other related parties	2016	0	0			0	0
	2015	0	84			37	6
Controlling entities	2016	156	0	212	13		
	2015	0	7 456	152	61		
Companies controlled by members	2016			405	17	628	8
of the board	2015			316	27	290	70

The transactions with related parties do not include any guarantees, securities or provisions given or received.

000 €		Salaries	Pension expenses
Management and key personnel of the Group	2016	710	135
	2015	1 033	186

The salaries of the Group's management and key personnel include car and telephone benefits, and there are no other benefits. No benefits are applied after service, and the Group has not paid any share-based payments. Key management personnel have not been granted loans, and the Group has not guaranteed loans to the management personnel.

Managing Director and Board members:	2016		2015	
000 €	Salaries	Pension expenses	Salaries	Pension expenses
Tommi Tervanen, Managing Director	218	41	205	36
Johan Wentzel, Chairman of the Board	7	0	6	0
Rabbe Grönblom, Member of the Board until 10 September 2014	0	0	4	0
Kim Hanslin, Member of the Board	24	0	8	0
Olli Väätäinen, Member of the Board until 23 January 2015	0	0	8	0
Minna Nissinen, Member of the Board since 1 January 2015	24	0	2	0
Petri Parvinen, Member of the Board since 1 January 2015	24	0	2	0
Kalle Ruuskanen, Member of the Board since 1 January 2015	24	0	2	0
Mikael Autio, Member of the Board since 1 February 2015	7	0	0	0

NOTE 25. EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

The following information reflects the income and share data used in the basic and diluted EPS calculations:

000 €	**2016**	**2015**
Profit attributable to ordinary equity holders of the parent		
Continuing operations	362	383
Discontinued operations	-113	-918
Profit attributable to ordinary equity holders of the parent for basic earnings	**249**	**-535**

Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution		
	249	**-535**

	2016	**2015**
Weighted average number of ordinary shares for basic earnings per share	4 165 487	1 251 201
Effect of dilution: none		
Weighted average number of ordinary shares adjusted for the effect of dilution	**4 165 487**	**1 251 201**

The reverse share split is explained in more detail in Note 23. Capital issued

There were no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

INCOME STATEMENT

KOTIPIZZA GROUP OYJ
PARENT COMPANY

000 €		1 Feb 2015 to 31 Jan 2016 12 months	1 Feb 2014 to 31 Jan 2015 12 months
Turnover	**1)**	**980**	**862**
Other operating income	2)	2	3
Personnel expenses	3)	-1 649	-858
Depreciation and impairment	4)	-34	-24
Other operating expenses	5)	-1 785	-682
Operating loss		**-2 486**	**-699**
Financial income and expenses	6)	-3 143	-2 929
Profit/loss before appropriations and taxes		**-5 629**	**-3 628**
Appropriations	7)	5 048	3 433
Income taxes	8)	10	-39
Profit/loss for the period		**-571**	**-234**

BALANCE SHEET

KOTIPIZZA GROUP OYJ
PARENT COMPANY

000 €		1/31/2016	1/31/2015
ASSETS			
Non-current assets			
Intangible assets	9)	235	12
Tangible assets	10)	64	66
Investments	11)	30 614	30 517
Non-current assets total		**30 913**	**30 595**
Current assets			
Short-term receivables	12)	15 021	12 530
Cash at bank and in hand		768	106
Current assets total		**15 789**	**12 636**
Total assets		**46 702**	**43 231**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	13)		
Share capital		80	80
Reserve for invested unrestricted equity		30 863	5 363
Profit/loss from previous financial periods		-1 255	-1 021
Profit/loss for the period		-571	-234
Total shareholders' equity		**29 117**	**4 188**
Mandatory provisions	14)	39	0
Non-current liabilities	15)	15 965	37 697
Non-current liabilities	16)	1 581	1 346
Total liabilities		**17 546**	**39 043**
Total shareholders' equity and liabilities		**46 702**	**43 231**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Accounting policies
The financial statements of Kotipizza Group Oyj (parent company) are prepared in accordance with the laws of Finland and the Finnish Accounting Standards as they stand at any given time. The amounts in the financial statements are presented in thousands of euros unless otherwise stated.

The financial statement information is available at: Hermannin Rantatie 2, 00580 Helsinki, Finland.

ACCOUNTING PRINCIPLES

Fixed assets
Fixed assets are presented as the difference between the acquisition cost and accrued depreciation. The acquisition cost of fixed assets is depreciated using straight-line depreciation based on the expected useful life of the asset. The acquisition cost of fixed assets only includes the acquisition costs of assets with remaining useful life.

Depreciation is based on the following expected useful lives:

Long-term expenses	5 vuotta
Machinery and equipment	3–5 vuotta

Pension expenses

An external pension insurance company manages the pension plan. The expenses are recognised in the income statement for the year during which they occur.

Foreign currency items

Receivables and liabilities denominated in foreign currencies are measured using the exchange rate quoted on the reporting date.

Exchange rate differences have been entered in the income statement.

Deferred taxes

Deferred taxes have not been recognised in the separate financial statements of the parent company.

Valuation of receivables

Non-current and current receivables are measured at nominal value. The part of loan or other receivables that involves uncertainty about payment is recognised as impairment on investments in non-current assets.

Comparability

The figures presented in the parent company's financial statements for different financial periods are comparable.

Changes resulting from the new Accounting Act in the result and balance sheet formulas have been taken into account with regard to the comparison information. The new Accounting Act came into effect on 1 January 2016.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NOTES TO THE INCOME STATEMENT

1.	**Turnover**	**1/31/2016**	**1/31/2015**
	Turnover by business line:		
	Administrative services	863	749
	Income from premises	117	113
	Total	**980**	**862**

2.	**Other operating income**	**1/31/2016**	**1/31/2015**
	Other income	2	3
	Total	**2**	**3**

3.	**Personnel expenses**	**1/31/2016**	**1/31/2015**
	Salaries and fees	1 392	705
	Pension expenses	213	118
	Other indirect employee costs	44	35
	Total	**1 649**	**858**
3.1.	**Average number of employees**	**11**	**7**

4.	**Depreciation and impairment**	**1/31/2016**	**1/31/2015**
	Depreciation according to plan		
	Other non-current expenses	13	4
	Machinery and equipment	21	20
	Total	**34**	**24**

5.	**Other operating expenses**	**1/31/2016**	**1/31/2015**
	Most significant items:		
	Operating leases and other property costs	243	147
	Marketing expenses	30	4
	Administrative expenses	1 201	380
	Machinery and equipment expenses	153	45
	Other expenses	158	106
	Total	**1 785**	**682**

5.1.	**Auditor's fees**	**1/31/2016**	**1/31/2015**
	Statutory audit	47	41
	Other advisory services	173	32
	Total	**220**	**73**

6.	**Financial income and expenses**		
	Other financial income and expenses	1/31/2016	1/31/2015
	From Group companies	194	213
	From others	0	0
	Total	**194**	**213**

Interest and other financial expenses		
To Group companies	-163	-292
To others	-3 173	-2 594
Total	**-3 336**	**-2 886**
Impairment on receivables from Group companies	0	
Impairment on the Group's ownership shares	0	-255
Total financial income and expenses	**-3 142**	**-2 929**

7. Appropriations	**1/31/2016**	**1/31/2015**
Group contribution received	5 048	3 666
Group contribution paid	0	-233
Total appropriations	**5 048**	**3 433**

8. Income taxes	**1/31/2016**	**1/31/2015**
Income taxes for the period	10	-39

Notes to the balance sheet

9. Intangible assets	**1/31/2016**	**1/31/2015**
Acquisition cost at the beginning of the financial year	19	15
Increases	236	4
Acquisition cost at the end of the financial year	255	19
Accumulated depreciation at the beginning of the financial year	-7	-4
Depreciation for the period	-13	-3
Accumulated depreciation at the end of the financial year	-20	-7
Balance sheet value on 31 January	235	12
Total intangible assets	235	12

10. Tangible assets

Plant and equipment	**1/31/2016**	**1/31/2015**
Acquisition cost at the beginning of the financial year	116	110
Increases	19	6
Acquisition cost at the end of the financial year	135	116
Accumulated depreciation at the beginning of the financial year	-50	-30
Depreciation for the period	-21	-20
Accumulated depreciation at the end of the financial year	-71	-50
Balance sheet value on 31 January	64	66
Total tangible assets	**64**	**66**

11. Investments

Shares and holdings	1/31/2016	1/31/2015
Acquisition cost at the beginning of the financial year	30 517	30 517
Increases	30	0
Acquisition cost on 31 January	30 547	30 517
Capital loans granted		
At the beginning of the financial year	0	0
Increases	67	0
At the end of the financial year	67	0

The capital loans were granted to Group companies under separate agreements.

Total investments	**30 614**	**30 517**

12. Receivables

Current receivables	**1/31/2016**	**1/31/2015**
Receivables from Group companies	14 730	12 130
Trade receivables from Group companies	115	144
Trade receivables from other companies	1	4
Receivables from companies other than Group companies		
Accrued receivables	123	27
Other receivables	52	225
Total current receivables	**15 021**	**12 530**
Total receivables	**15 021**	**12 530**

13. Shareholders' equity

	1/31/2016	1/31/2015
Share capital at the beginning of the financial year	80	80
Increase in share capital	0	0
Share capital on 31 January	80	80
Reserve for invested unrestricted equity at the beginning of the financial year	5 363	5 363
Increase during the financial year, initial public offering	25 500	0
Reserve for invested unrestricted equity at the end of the financial year	30 863	5 363
Retained earnings at the beginning of the financial year	-1 255	-1 021
Profit/loss for the period	-571	-234
Retained earnings on 31 January	-1 826	-1 255
Total shareholders' equity	**29 117**	**4 188**
Distributable funds		
Reserve for invested unrestricted equity	30 863	5 363
Retained earnings	-1 255	-1 021
Profit/loss for the period	-571	-234
Total distributable funds	**29 037**	**4 108**

14. Non-current liabilities	1/31/2016	1/31/2015
Bond	0	30 000
Loans from financial institutions (1 to 5 years)	11 500	0
Loans from financial institutions (more than 5 years)	4 463	0
	15 963	**30 000**
Trade payables	0	3
Liabilities to Group companies	0	7 456
Liabilities to associated companies	0	44
Other non-current liabilities	2	195
Total non-current liabilities	**15 965**	**37 698**

15. Current liabilities	1/31/2016	1/31/2015
Liabilities to Group companies	0	0
Liabilities to associated companies	0	40
Loans from financial institutions	850	0
Trade payables to Group companies	21	15
Trade payables to companies other than Group companies	277	243
Accrued liabilities	354	1 002
Other current liabilities	79	46
Total current liabilities	**1 581**	**1 346**
Total liabilities	**17 546**	**39 044**

Breakdown of the most significant accrued liabilities:		
Personnel expenses	232	195
Taxes	0	10
Interest expenses	122	797
Total accrued liabilities	**354**	**1 002**

Commitments	1/31/2016	1/31/2015
Leasing commitments, own (incl. VAT)		
within one year	20	0
more than one year	43	0
	63	0
Commitments secured against business mortgages and pledged shares		
Commitment: loans from financial institutions	16 813	0
Guarantee: business mortgage	15 000	0
pledged shares, book value	29 637	0
Contingent liabilities for Group companies	unlimited	620
Business mortgages for Group companies	1000	1000
Other commitments		
Lease commitments for premises (fixed-term agreements)	0	211
Guarantees		
Lease guarantee	20	20

Interest rate derivative instrument

The parent company has entered into a new interest rate swap agreement. The swap agreement has an underlying asset. The market value of the interest rate swap was EUR -367,000 on the reporting date. The negative market value is presented in the notes to the financial statements and is not included in the income statement.

CASH FLOW STATEMENT OF THE PARENT COMPANY

FOR THE FINANCIAL YEAR THAT ENDED ON 31 JANUARY 2016

Operating activities

000 €	**2016**	**2015**
Profit before taxes	-581	-196
Adjustments to reconcile profit before taxes to net cash flows:		
Depreciation and impairment on property, plant and equipment	21	20
Depreciation and impairment on intangible assets	13	4
Gains on disposal of property, plant and equipment	0	0
Financial income	-194	-213
Financial expenses	3 337	3 143
Change in working capital:		
Change in trade and other receivables (+/–)	160	-127
Change in trade and other payables (+/–)	-111	252
Change in provisions (+/–)	40	0
Interest paid and other financial expenses (–)	-5 601	-2 570
Interest received	0	0
Income tax paid (–)	-52	-51
Net cash flows from operating activities	**-2 968**	**262**
Cash flows from investing activities		
Investments in acquisitions of subsidiaries	-30	0
Investments in tangible assets (–)	-19	-6
Investments in intangible assets (–)	-236	-4
Loans granted (–)	-2 472	-158
Net cash flows used in investing activities	**-2 757**	**-168**
Cash flows from financing activities		
Share issue	25 500	0
Withdrawals of loans	17 000	0
Loan repayments (–)	-36 073	0
Financial lease payments (–)	-40	-36
Net cash flows used in financing activities	**6 387**	**-36**
	662	58
Change in cash and cash equivalents	0	58
Cash and cash equivalents on 1 February	106	48
Cash and cash equivalents on 31 January	**768**	**106**

KOTIPIZZA GROUP OYJ

Signatures of the Managing Director and the members of the Board of Directors

on 15 April 2016

Johan Wentzel
Chairman of the Board

Kim Hanslin
Member of the Board

Kalle Ruuskanen
Member of the Board

Minna Nissinen
Member of the Board

Petri Parvinen
Member of the Board

Mikael Autio
Member of the Board

Tommi Tervanen
Managing Director

A report on the audit performed has been issued today.

Helsinki, 18 April 2016

Ernst & Young Oy
Authorised Public Accountants

Antti Suominen
Authorised Public Accountant

KOTIPIZZA GROUP OYJ

ACCOUNTING BOOKS USED FROM 1 FEBRUARY 2015 TO 31 JANUARY 2016

Journal	Filed in electronic format
Nominal ledger	Filed in electronic format
Purchases ledger	Filed in electronic format
Balance book and balance sheet specifications	
Bound separately into one book	

DOCUMENT TYPES USED FROM 1 FEBRUARY 2015 TO 31 JANUARY 2016

1	Bank statements, Nordea Bank	until 30 Sep 2015
9	Memo vouchers	until 30 Sep 2015
45	Purchase invoices	until 30 Sep 2015
99	VAT documents	until 30 Sep 2015
CONVERSION	Transfer of comparison information to the new system	as of 1 Oct 2015
PURCHASES	Purchase invoices	as of 1 Oct 2015
SALES	Sales invoices	as of 1 Oct 2015
MEMOS	Memo vouchers	as of 1 Oct 2015
NORDEA EUR	Bank statements	as of 1 Oct 2015
VAT REPORTS	VAT reports	as of 1 Oct 2015

CALCULATION OF KEY FIGURES

OPERATING PROFIT, % =

$$\frac{\text{Operating profit}}{\text{Turnover}} \times 100$$

RETURN ON EQUITY, % =

$$\frac{\text{Net result}}{\text{Shareholders' equity}} \times 100$$

EQUITY RATIO % =

$$\frac{\text{Shareholders' equity}}{\text{Total assets}} \times 100$$

EARNINGS PER SHARE =

$$\frac{\text{Profit/loss for the period}}{\text{Number of shares}} \times 100$$

Editorial: Antti Isokangas and Sonja Paju
Photographer: Juha Törmälä, pages 3, 5, 6, 7, 13, 14
Graphic design: Tuukka Lindqvist, Mogold Oy
English translation: Delingua Oy

Contact persons:
Timo Pirskanen, Chief Financial Officer tel. +358 207 716 747
Antti Isokangas, Chief Communications Officer tel. +358 207 716 716

Kotipizza Group Oyj
Hermannin rantatie 2 B
00580 Helsinki, Finland