KOTIPIZZA GROUP OYJ FINANCIAL STATEMENTS BULLETIN 1 FEBRUARY 2018–31 JANUARY 2019

**FINANCIAL YEAR ENDED WITH COMPARABLE NET SALES GROWTH OF 15% AND EBITDA GROWTH OF 10% IN THE FOURTH QUARTER**

**November 2018–January 2019 (11/18-1/19)**

- Chain-based net sales grew 17.6% (17.5%).
- Comparable net sales were 24.1 MEUR (21.0). Growth was 14.7%.
- Comparable EBITDA was 2.26 MEUR (2.06). Growth was 10.0%.
- Net sales were 25.4 MEUR (21.9). Growth was 16.2%.
- EBIT was -1.04 MEUR (1.40).

**February 2018–January 2019 (2/18-1/19)**

- Chain-based net sales grew 17.2% (18.2%).
- Comparable net sales were 91.5 MEUR (79.9). Growth was 14.6%.
- Comparable EBITDA was 9.39 MEUR (8.52). Growth was 10.2%.
- Net sales were 96.5 MEUR (84.1). Growth was 14.8%.
- EBIT was 4.02 MEUR (6.42).
- Net gearing was 31.0% (24.4%).
- Equity ratio was 51.7% (52.0%).

**Outlook for the financial year 2020**
The Group estimates for the full financial year started 1 February 2019 that the total chain sales of its restaurant concepts will increase as compared to previous year and that comparable EBITDA will increase as compared to previous year.

**Board of directors' proposal for dividend or return of capital**
The board of directors proposes that no dividend nor return of capital will be paid for the financial year of 1 February 2017–31 January 2018.

**KEY FIGURES, TEUR**

| | 8-10/18 | 8-10/17 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| **Comparable figures** | | | | |
| Comparable net sales | 24 098 | 21 005 | 91 489 | 79 858 |
| Comparable EBITDA | 2 261 | 2 055 | 9 389 | 8 523 |
| Comparable EBITDA of net sales, % | 9.4 | 9.8 | 10.3 | 10.7 |
| Comparable EBIT | 1 314 | 1 713 | 7 322 | 7 163 |
| Chain-based net sales | 33 821 | 28 760 | 127 707 | 108 990 |
| **Reported figures** | | | | |
| Net sales | 25 434 | 21 894 | 96 517 | 84 089 |
| EBIT | -1 042 | 1 403 | 4 017 | 6 421 |
| Earnings per share | -0.12 | 0.15 | 0.50 | 0.71 |
| Net cash flows from operating activities | | | 4 660 | 5 603 |
| Net cash used in investment activities | | | -2 133 | -2 675 |
| Net gearing, % | | | 31.0 | 24.4 |
| Equity ratio, % | | | 51.7 | 52.0 |

**Tommi Tervanen, CEO of Kotipizza Group**

"Kotipizza's chain-based net sales continued their good growth in the final quarter of the financial year. In the final quarter, the chain-based net sales grew by 13.5% compared to the same period in the previous year and were 31.8 MEUR (28.0). The chain-based net sales are equivalent to the total net sales of the company's franchisees, based on which the company's franchising fees are invoiced monthly. Chain-based net sales also include the sales of the restaurants owned directly by Kotipizza Group.

Following Kotipizza Group's new strategy and 'Road to 2020' roadmap, approved in the first quarter of the financial year, the Group's strategy is to manage a portfolio of brands. This means that the company will develop and operate various restaurant concepts and markets, building on the fast casual phenomenon, franchising business model and high-quality customer experience. Key mega trends influencing the company's operations include urbanisation, digitalisation and the rising popularity of home delivery.

During the review period, investments were primarily made in particular in the two key areas, or must-win battles, on the Kotipizza chain's 'Road to 2020' roadmap: leadership in digital and home delivery. Sales of Kotipizza's new online store, opened to consumers in the previous quarter, continued to present strong growth and is now equivalent to fifteen percent of the chain's total sales. Similarly, the amount of home deliveries and number of restaurants offering home delivery have continued to develop favourably.

Also in the review period, Kotipizza Group invested in future growth and new fast casual concepts by continuing to develop the No Pizza's concept in the proof-of-concept restaurant, opened in June in Helsinki's Citycenter shopping mall, and by continuing to build the Social Burgerjoint restaurant, acquired in the previous financial year, into a franchisee chain. In the review period, a fourth Social Burgerjoint Restaurant was opened in Kerava. This is the chain's first restaurant outside Helsinki and first one operated by franchisees. In the financial year just ended, approximately one million euros in total were invested in developing the new No Pizza, Social Burgerjoint and other concepts.

As final result of Orkla ASAs voluntary public cash tender offer, on 6 February 2019 the shares acquired by Orkla represented approximately 99.30% of all the shares and votes in Kotipizza Group. Orkla's objective is to acquire all of Kotipizza's shares and on 23 January 2019, it filed an application with the Redemption Board of the Finland Chamber of Commerce to initiate compulsory redemption proceedings for the remaining Kotipizza shares under the Finnish Companies Act. In addition, Orkla intends to cause the shares of Kotipizza to be delisted from Nasdaq Helsinki Ltd. as soon as permitted and practicable under applicable laws.

Comparable net sales of the Group grew 14.7% in the final quarter and were 24.1 MEUR (21.0). Comparable EBITDA was 2.26 MEUR (2.06) in the fourth quarter, representing an increase of 10.0%. Costs related to increasing consumers' awareness of our new brand No Pizza as well as that of Chalupa weakened the company's traditionally solid operating leverage. On the other hand, Social Burgerjoint had a strong quarter, which turned the segment's full-year EBITDA into positive. The Group had a solid financial standing with net gearing of 31 percent and equity ratio of 52 percent at the end of the quarter.

According to MaRa, the growth of sales in the restaurant sector will remain favourable in 2019, supported by favourable trends in the Finnish national economy and consumer confidence, although it appears that the peak of this growth period has already been passed. However, development will be particularly strong in the fast food sector, as fast food restaurants account for a considerable proportion of restaurant dining. Finnish consumers still spend a smaller proportion of their income on restaurant dining than consumers in most of the countries of comparison. Thus, we have reason to believe that the growth of restaurant dining will continue in the coming years.

We believe that the financial development of the restaurant business and the consumer trends support Kotipizza Group's investment in the fast casual concept, that is, restaurants that offer casual, fresh and responsibly produced food at an affordable price in a restaurant environment. We estimate for the full financial year started 1 February 2019 that both the total chain sales of our restaurant concepts and that comparable EBITDA will increase as compared to previous year."

## GROUP NET SALES

### Chain sales November 2018–January 2019

| **Kotipizza chain** | **11/18-1/19** | **11/17-1/18** | **Change (%)** |
|---|---|---|---|
| Chain sales, total | 31 778 | 27 995 | 13.5 |
| Brick-and-mortar restaurants | 27 507 | 24 024 | 14.5 |
| Shop-in-shop restaurants | 4 271 | 3 973 | 7.5 |
| Online sales | 4 647 | 2 563 | 81.3 |
| Average number of restaurants | 281 | 263 | 6.9 |
| Average number of restaurants offering delivery | 85 | 74 | 15.3 |
| **Chalupa chain** | **11/18-1/19** | **11/17-1/18** | **Change (%)** |
| Chain sales, total | 606 | 535 | 13.3 |
| Average number of restaurants | 13 | 13 | 0.0 |
| **Social Burgerjoint chain** | **11/18-1/19** | **11/17-1/18** | **Change (%)** |
| Sales, total | 1 242 | 230 | 440.0 |
| **No Pizza restaurant** | **11/18-1/19** | **11/17-1/18** | **Change (%)** |
| Sales, total | 195 | - | - |
| **Chain sales, total** | **33 821** | **28 760** | **17.6** |

Chain-based net sales grew 17.6% (17.5%) year on year and were 33.8 MEUR (28.8) in the fourth quarter of the year.

Chain sales in the Kotipizza chain grew 13.5% compared to the previous year, driven by good sales development in brick-and-mortar restaurants and online sales. Average purchase in brick-and-mortar restaurants increased 2.9%, and the number of customers 11.9%. The Kotipizza chain’s online sales grew 81.3% compared to the previous year. In the online store, both the average purchase and customer volumes increased from previous year. During the fourth quarter, 3 brick-and-mortar restaurants and 2 shop-in-shop restaurants were opened, and 4 shop-in-shop restaurants were closed.

Chain sales in the Chalupa chain increased by 13.3% compared to the previous year. At the end of the review period, the chain had 13 (13) restaurants. Average purchase grew by 5.3%, and the number of customers per restaurant remained at previous year’s level. The public demand for Mexican food did not match our expectations. However, we have updated the Chalupa chain’s product portfolio based on customer feedback and invested in strengthening the chain’s visibility so as to lift customer volumes.

Sales in the Social Burgerjoint chain increased 440.0% compared to the previous year. Due to opening several new restaurants, the relevant data on average purchase and number of customers per restaurant is not available. The total chain sales of Social Burgerjoint were boosted by two new brick-and-mortar restaurants opened in Helsinki together with one franchise-led restaurant opened in Kerava.

Sales of the No Pizza restaurant, opened at the end of the second quarter, were EUR 195 thousand in the review period. To boost sales, work to develop the No Pizza concept was continued by paying more attention to updating our lunch concept and improving the functionality of digital ordering.

The chain-based net sales are equivalent to the total net sales of the company's franchisees, based on which the company's franchising fees are invoiced monthly. Chain-based net sales also include the sales of the restaurants owned directly by Kotipizza Group.

**Chain sales February 2018– January 2019**

| **Kotipizza chain** | **2/18-1/19** | **2/17-1/18** | **Change (%)** |
|---|---|---|---|
| Chain sales, total | 122 066 | 106 281 | 14.9 |
| Brick-and-mortar restaurants | 103 479 | 89 178 | 16.0 |
| Shop-in-shop restaurants | 18 588 | 17 103 | 8.7 |
| Online sales | 13 999 | 8 602 | 62.7 |
| Average number of restaurants | 275 | 264 | 4.3 |
| Average number of restaurants offering delivery | 80 | 71 | 13.4 |
| **Chalupa chain** | **2/18-1/19** | **2/17-1/18** | **Change (%)** |
| Chain sales, total | 2 335 | 1856 | 25.8 |
| Average number of restaurants | 13 | 9 | 37.2 |
| **Social Burgerjoint chain** | **2/18-1/19** | **2/17-1/18** | **Change (%)** |
| Sales, total | 2 864 | 853 | 235.8 |
| **No Pizza restaurant** | **2/18-1/19** | **2/17-1/18** | **Change (%)** |
| Sales, total | 442 | - | - |
| **Chain sales, total** | 127 707 | 108 990 | 17.2 |

Chain-based net sales grew 17.2% (18.2%) year on year and were 127.7 MEUR (109.0) in the financial year.

Chain sales in the Kotipizza chain grew 14.9% compared to the previous year driven by good sales development in brick-and-mortar restaurants and online sales. In March, a new record was set for monthly sales in the chain as sales reached 10.2 MEUR. In June, sales reached 10.3 MEUR and a new monthly sales record in the chain was once again set in July as monthly chain sales reached 11.1 MEUR. Finally, a new record was once again set in December with a monthly sales of 11.5 MEUR. Average purchase in brick-and-mortar restaurants increased 5.6%, and the number of customers 10.3% compared to the previous year. The Kotipizza chain's online sales grew 62.7% compared to the previous year. In the financial year, 13 brick-and-mortar restaurants and 11 shop-in-shop restaurant were opened, and 7 shop-in-shop restaurants were closed.

Chain sales in the Chalupa chain increased 25.8% compared to the previous year, driven mainly by restaurant openings 13 (9). Average purchase in Chalupa restaurants grew 2.4%, and the number of customers per restaurant decreased by 16.4%. In the financial year, 2 new restaurants were opened and one was closed.

Sales in the Social Burgerjoint chain increased 235.8% compared to the previous year. Due to opening several new restaurants, relevant data on the average purchase and number of customers per restaurant is not available. Sales figures that are reported on a monthly basis did not include sales of the Social Burgerjoint food truck that was in operation in the period of April–October 2018 with total sales of 146 thousand euros. However, the food truck's sales for the period in question are included in the figures reported in interim and half-year reports. The total chain sales were boosted by two new restaurants opened in Helsinki together with one franchisee-led restaurant opened in Kerava.

Sales of the No Pizza restaurant, opened at the end of the second quarter, were EUR 442 thousand in the review period. To boost sales, work to develop the No Pizza concept was continued by paying more attention to updating our lunch concept and improving the functionality of digital ordering.

**Net sales November 2018–January 2019**

Group comparable net sales in the fourth quarter were 24.1 MEUR (21.0) and grew 14.7% compared to the same period in the previous year. Net sales were 25.4 MEUR (21.9). The reported sales included 1.0 MEUR items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-Operative, which pass through the Kotipizza segment's P&L without result effect. Sales growth was mainly based on Foodstock's increased sales volume to the Kotipizza chain, underpinned by the good chain-based sales development. Foodstock's other, third-party customers also boosted net sales. The net sales of Foodstock grew 11.1% year on year in the fourth quarter of the financial year. The Kotipizza segment's net sales increased 14.1% compared to the same period in the previous year and were 5.8 MEUR (5.1). The Chalupa segment's net sales in the fourth quarter were 110 thousand euros (115 thousand). The Social Burgerjoint segment's net sales in the fourth quarter were 1.0 MEUR and the No Pizza segment's 167 thousand euros.

**Net sales February 2018– January 2019**

Group comparable net sales in the financial year were 91.5 MEUR (79.9) and grew 14.6% compared to the same period in the previous year. Net sales were 96.5 MEUR (84.1). The reported sales included 5.0 MEUR items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-Operative, which pass through the Kotipizza segment's P&L without result effect. Sales growth was mainly based on Foodstock's increased sales volume to the Kotipizza chain, underpinned by the good chain-based sales development. Foodstock's other, third-party customers also boosted net sales. The net sales of Foodstock grew 10.7 % year on year in the financial year. The Kotipizza segment's net sales increased 13.9% compared to the same period in the previous year and were 22.0 MEUR (19.3). The Chalupa segment's net sales in the financial year were 480 thousand euros (375 thousand). The Social Burgerjoint segment's net sales in the financial year were 2.6 MEUR and the No Pizza segment's 381 thousand euros.

## GROUP EBIT

**November 2018–January 2019**

Comparable EBIT of the Group was 1.31 MEUR (1.71) in the fourth quarter. EBIT was -1.04 MEUR (1.40). EBIT included MEUR 2.3 of items affecting comparability. According to the rules of the management's long term share-based incentive plan introduced on 6 May 2016, the plan materialises in full in a change of control situations like Orkla ASA commencing the recommended public cash tender offer for all shares in Kotipizza Group Oyj. Thus, total costs amounting MEUR 1.4 have been treated as items affecting comparability. All transaction costs totalling MEUR 0.8 related to the recommended public cash tender offer made by Orkla ASA have also been treated as items affecting comparability. Remaining MEUR 0.1 of items affecting comparability relate to other calculational, non-cash incentive plans for the company's staff. Operationally the EBIT was burdened with a MEUR 0.5 write down in the value of acquired Pizzataxi. Converting Pizzataxi restaurants into Kotipizza restaurants has proved more difficult than anticipated.

**February 2018– January 2019**

Comparable EBIT of the Group was 7.32 MEUR (7.16) in the financial year. EBIT was 4.02 MEUR (6.42). EBIT included MEUR 3.3 of items affecting comparability. According to the rules of the management's long term share based incentive plan introduced on 6 May 2016, the plan materialises in full in a change of control situations like Orkla ASA commencing the recommended public cash tender offer for all shares in Kotipizza Group Oyj. Thus, total costs amounting MEUR 1.4 have been treated as items affecting comparability. All transaction costs totalling MEUR 0.8 related to the recommended public cash tender offer made by Orkla ASA have also been treated as items affecting comparability. Also, 330 thousand euros of costs related to piloting a new phone service for pizza orders have been treated as items affecting comparability. Since the pilot was stopped in December 2018, similar costs will not occur in the same period in the following financial year. Development costs of a concept aimed at international markets, No Pizza, and of Social Burgerjoint, and remuneration costs related to employee co-operation negotiations held in the spring have been treated as items affecting comparability. Additional purchase price related to the acquisition of Social Burgerjoint, have been treated as items affecting comparability.

Operationally, the EBIT was burdened with a MEUR 0.5 write down in the value of acquired Pizzataxi. Converting Pizzataxi restaurants into Kotipizza restaurants has proved more difficult than anticipated. Operative costs related to launching new restaurants in the No Pizza and Social Burgerjoint concepts, and EUR 100 thousand costs related to increasing public awareness of the Chalupa chain together with clearly higher depreciations compared to the previous year (non-cash items), also had a negative impact on the EBIT. The gross investments for the period amounted to MEUR 2.13 (2.68).

## SALES AND EBITDA OF SEGMENTS

### KOTIPIZZA SEGMENT

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 4 441 | 4 174 | 16 991 | 15 105 |
| Net sales | 5 777 | 5 063 | 22 019 | 19 335 |
| Comparable gross margin / EBITDA | 2 561 | 2 007 | 9 652 | 8 024 |
| Depreciation and impairments | -711 | -206 | -1 420 | -865 |
| Comparable EBIT | 1 850 | 1 801 | 8 232 | 7 160 |
| Gross margin / EBITDA | 2 508 | 2 178 | 9 268 | 7 925 |
| EBIT | 1 797 | 1 971 | 7 849 | 7 060 |

**Heidi Stirkkinen, COO of Kotipizza Group**

"Kotipizza's chain-based net sales increased in total by 13.5% compared to the same period in the previous year, boosted by the favourable development of sales in the chain's brick-and-mortar restaurants and online store. The average purchase in brick-and-mortar restaurants grew by 2.9% compared to the same period in the previous year and customer volumes grew 11.9% compared to previous year. At the end of the review period, the chain had 280 (266) restaurants in total. During the review period, 3 brick-and-mortar were opened, and 2 shop-in-shop restaurants were opened and 4 closed.

In the review period, our main focus continued to be to develop the renewed online store and delivery service as well as their marketing. The sales of the online store increased by 81.3% compared to previous year and thereby outperformed by a clear margin the average growth of the Finnish fast food market. We expect chain sales to continue to develop favourably. Achieving similar relative growth figures will, however, become more challenging month by month as we draw comparisons to months of very strong growth in the previous year. Orders made through the online store were equivalent to approximately 16.9 percent of net sales in brick-and-mortar restaurants during the period. Online sales were particularly high in brick-and-mortar restaurants that provide a delivery service.

In February 2017, Kotipizza acquired the Pizzataxi restaurant chain that operates 22 restaurants in the Helsinki region and Southern Finland, all offering home delivery. Converting Pizzataxi restaurants into Kotipizza restaurants has proved more difficult than anticipated, as two Pizzataxi restaurants have thus far been converted into Kotipizza restaurants.

The sales of Kotipizza Go pizza slice products have continued to present positive development during the review period. Kotipizza Go products are available on an increasing number of long-distance trains and in service stations, as well as Eckerö Line's Tallinn ferry."

**November 2018–January 2019**

Comparable net sales of the Kotipizza chain in the fourth quarter were 4.44 MEUR (4.17) and increased 6.4% compared to same period in the previous year. Net sales of the Kotipizza chain in the fourth quarter were 5.78 MEUR (5.06) and increased 14.1% compared to the same period in the previous year. The sales included MEUR 1.3 of items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-Operative, which pass through the Kotipizza segment's P&L without result effect. The remaining sales increase was based on growth in chain-based net sales. Consequently, all franchising contract-based net sales increased.

Kotipizza's comparable EBITDA was 2.56 MEUR (2.01) in the fourth quarter and grew 27.6% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due to the favourable development in chain-based net sales of Kotipizza. EBITDA was 2.51 MEUR (2.18) in the fourth quarter. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff, have been treated as item affecting comparability.

**February 2018–January 2019**
Comparable net sales of the Kotipizza chain in the financial year were 16.99 MEUR (15.11) and increased 12.5% compared to same period in the previous year. Net sales of the Kotipizza chain in the financial year were 22.02 MEUR (19.34) and increased 13.9% compared to the same period in the previous year. The sales included MEUR 5.0 of items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-Operative, which pass through the Kotipizza segment's P&L without result effect. The remaining sales increase was based on growth in chain-based net sales. Consequently, all franchising contract-based net sales increased.

Kotipizza's comparable EBITDA was 9.65 MEUR (8.02) in the the financial year and grew 20.3% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due to the favourable development in chain-based net sales of Kotipizza. EBITDA was 9.27 MEUR (7.93) in the financial year. Costs of 330 thousand euros related to piloting new national Kotipizza phone service, which are not expected to occur in the same period in the following financial year, have been treated as item affecting comparability. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff, have been treated as item affecting comparability.

**FOODSTOCK SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 18 360 | 16 523 | 71 079 | 64 185 |
| Net sales | 18 360 | 16 523 | 71 079 | 64 185 |
| Comparable gross margin / EBITDA | 564 | 425 | 2 462 | 1 980 |
| Depreciation and impairments | -49 | -44 | -196 | -176 |
| Comparable EBIT | 515 | 381 | 2 266 | 1 804 |
| Gross margin / EBITDA | 521 | 413 | 2 419 | 1 936 |
| EBIT | 472 | 369 | 2 223 | 1 760 |

**Anssi Koivula, CEO of Foodstock**

"The strong sales growth in the Kotipizza chain and Social Burgerjoint restaurants has also impacted on Foodstock's operations during the review period. Despite strong growth, we have succeeded in ensuring the reliability of our deliveries and quality of our customer service, thanks to which our customer satisfaction has remained high, both in the Kotipizza chain as well as among our other clients."

**November 2018–January 2019**
Net sales of Foodstock in the fourth quarter were 18.36 MEUR (16.52) and grew 11.1% compared to same period in the previous year. The growth in net sales was mainly due to the favourable development of Kotipizza's chain-based net sales, which boosted Foodstock's delivery volumes to the chain. Also, sales to the other customers of Foodstock developed favourably.

Foodstock's comparable EBITDA was 0.56 MEUR (0.43) in the fourth quarter and grew 32.7% compared to the same period in the previous year. Foodstock's EBITDA was 0.52 MEUR (0.38) in the fourth quarter. Improvement in the EBITDA was related to the increase in sales volumes. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff, have been treated as item affecting comparability.

**February 2018–January 2019**
Net sales of Foodstock in the financial year were 71.08 MEUR (64.19) and grew 10.7% compared to same period in the previous year. The growth in net sales was mainly due to the favourable development of Kotipizza's chain-based net sales, which boosted Foodstock's delivery volumes to the chain. Also, sales to the other customers of Foodstock developed favourably.

Foodstock's comparable EBITDA was 2.46 MEUR (1.98) in the financial year and grew 24.3% compared to the same period in the previous year. Foodstock's EBITDA was 2.42 MEUR (1.94) in The financial year. Improvement in the EBITDA was related to the increase in sales volumes.

Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff, have been treated as item affecting comparability.

**CHALUPA SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 110 | 115 | 480 | 375 |
| Net sales | 110 | 115 | 480 | 375 |
| Comparable gross margin / EBITDA | -131 | 8 | -301 | -15 |
| Depreciation and impairments | -19 | -1 | -27 | -6 |
| Comparable EBIT | -149 | 7 | -328 | -21 |
| Gross margin / EBITDA | -131 | 6 | -301 | -23 |
| EBIT | -149 | 5 | -328 | -29 |

**Iman Gharagozlu, Creative Director of Chalupa**

"Chalupa's chain-based net sales increased by 13.3% compared to the same period in the previous year. The average purchase grew by 5.3% compared to the same period in the previous year. The number of customers remained at previous year's level. However, there are significant differences in customer volumes between restaurants. Total number of restaurants was 13 (13) at the end of the review period.

We have continued the work to lift customer volumes back to the path of growth has continued by making a focused effort to increase the chain's visibility, updating the menu and evaluating the performance of current locations more critically. Investments in the opening of new restaurants will recommence once comparable net sales are back on track and growing. During the review period, comparable sales reached a new level of growth.

During the review period, work was also carried out to strengthen the chain's internal communications and to develop a digital communications platform for Chalupa franchisees in the footsteps of Kotipizza's Pizzanetti. With the Taconetti communications platform, we aim to ensure more efficient chain management and uniform quality in restaurants operations, whereby we can pave way for future growth."

**November 2018–January 2019**

Chalupa's net sales were EUR 110 thousand (115 thousand) in the fourth quarter. Chalupa's comparable EBITDA was -131 thousand EUR (8 thousand) in the fourth quarter. Chalupa's EBITDA was -131 thousand EUR (6 thousand) in the fourth quarter. Costs related to increasing public awareness of the chain in order to lift customer volumes had a negative impact on EBITDA. EBITDA did not include items affecting comparability.

**February 2018–January 2019**

Chalupa's net sales were EUR 480 thousand (375 thousand) in the financial year. Sales increase was based on growth in chain-based net sales and, consequently, all franchising contract-based net sales increased. Chalupa's comparable EBITDA was -301 thousand EUR (-15 thousand) in the financial year. Chalupa's EBITDA was -301 thousand EUR (-23 thousand) in the financial year. Costs related to increasing public awareness of the chain in order to lift customer volumes had a negative impact on EBITDA. EBITDA did not include items affecting comparability.

**SOCIAL BURGERJOINT SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 1 020 | 194 | 2 558 | 194 |
| Net sales | 1 020 | 194 | 2 558 | 194 |
| Comparable gross margin / EBITDA | 133 | 38 | 75 | 38 |
| Depreciation and impairments | -56 | -21 | -92 | -21 |
| Comparable EBIT | 77 | 17 | -17 | 17 |
| Gross margin / EBITDA | 133 | 38 | 22 | 38 |
| EBIT | 77 | 17 | -70 | 17 |

**Mika Tuomonen, The Burgermeister of Social Burgerjoint**

"During the review period, the sales of the Social Burgerjoint chain presented very strong growth as a result of increased customer volumes and the opening of new restaurants in Helsinki's Citycenter shopping mall, opened in June, and Helsinki's Redi shopping mall, opened in September. In the fourth quarter of the financial year, the chain's sales grew by 440.0%.

The first restaurant operated by a franchisee, being at the same time the first Social Burgerjoint restaurant situated outside Helsinki, was opened in Kerava in the review period.

During the review period, we also continued our work to strengthen the chain's internal communications and to develop a digital communications platform for Social Burgerjoint franchisees in the footsteps of Kotipizza's Pizzanetti. With the Burgernetti communications platform, we aim to ensure more efficient chain management and uniform quality in restaurants operations, whereby we can pave way for future growth."

**November 2018–January 2019**
Social Burgerjoint's net sales were MEUR 1.02 (EUR 194 thousand) in the fourth quarter. Social Burgerjoint's comparable EBITDA was 133 thousand in the fourth quarter. EBITDA did not include items affecting comparability. Social Burgerjoint's EBITDA was EUR 133 thousand in the fourth quarter.

**February 2018–January 2019**
Social Burgerjoint's net sales were MEUR 2.56 (EUR 194 thousand) in the financial year. Social Burgerjoint's comparable EBITDA was EUR 75 thousand (EUR 38 thousand) in the financial year. Social Burgerjoint's EBITDA was EUR 22 thousand (EUR 38 thousand) in the financial year. Costs related to the comprehensive renewal of the chain's concept, which will be applied to all future restaurant openings, have been booked as operative costs and treated as items affecting profitability.

**NO PIZZA SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 167 | 0 | 381 | 0 |
| Net sales | 167 | 0 | 381 | 0 |
| Comparable gross margin / EBITDA | -86 | 0 | -311 | 0 |
| Depreciation and impairments | -42 | 0 | -64 | 0 |
| Comparable EBIT | -128 | 0 | -375 | 0 |
| Gross margin / EBITDA | -86 | 0 | -365 | 0 |
| EBIT | -128 | 0 | -429 | 0 |

**Riikka Ahtiainen, Head of Development of No Pizza**

"In the review period, the work to develop No Pizza's proof-of-concept restaurant and restaurant concept was continued further in the restaurant opened in the Citycenter shopping mall in Helsinki. The restaurant has received a positive welcome from customers, stakeholders and media. However, its sales have not developed according to our expectations. We have launched measures to hone the service concept by paying more attention to updating our lunch concept and improving the functionality of digital ordering, in particular.”

**November 2018–January 2019**
No Pizza’s net sales were EUR 167 thousand in the fourth quarter. No Pizza’s comparable EBITDA was EUR -86 thousand in the fourth quarter. No Pizza’s EBITDA was EUR -86 thousand in the fourth quarter. EBITDA did not include items affecting comparability.

**February 2018–January 2019**
No Pizza’s net sales were EUR 381 thousand in the financial year. No Pizza’s comparable EBITDA was EUR -311 thousand in the financial year. No Pizza’s EBITDA was EUR -365 thousand in the financial year. Cost related to comprehensive concept analysis, which will be applied to all future restaurant openings, have been booked as operative costs and treated as items affecting profitability.

**OTHERS SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 0 | 0 | 0 | 0 |
| Net sales | 0 | 0 | 0 | 0 |
| Comparable gross margin / EBITDA | -781 | -423 | -2 188 | -1 505 |
| Depreciation and impairments | -69 | -70 | -268 | -293 |
| Comparable EBIT | -850 | -493 | -2 456 | -1 797 |
| Gross margin / EBITDA | -3 041 | -889 | -4 960 | -2 095 |
| EBIT | -3 110 | -959 | -5 228 | -2 387 |

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

**November 2018–January 2019**
Net sales of the Others segment were 0.00 MEUR (0.00). Comparable EBITDA was -0.78 MEUR (-0.42). EBITDA was -3.04 MEUR (-0.89). EBITDA included MEUR 2.26 of items affecting comparability. According to the rules of the management’s long term share based incentive plan introduced on 6 May 2016, the plan materialises in full in a change of control situations like Orkla ASA commencing the recommended public cash tender offer for all shares in Kotipizza Group Oyj. Thus, total cash costs together with calculational costs amounting MEUR 1.4 have been treated as items affecting comparability. All transaction costs of MEUR 0.8 related to the recommended public cash tender offer made by Orkla ASA have also been treated as items affecting comparability. In addition, remuneration costs related to employee co-operation negotiations held in spring have been treated as items affecting comparability. Moreover, calculational (non-cash) items related to other incentive plans introduced on 6 May 2016 for the company’s staff have also been treated as items affecting comparability.

**February 2018–January 2019**
Net sales of the Others segment were 0.00 MEUR (0.00). Comparable EBITDA was -2.19 MEUR (-1.51). EBITDA was -4.96 MEUR (-2.10). EBITDA included MEUR 2.77 of items affecting comparability. Additional purchase price related to the Social Burgerjoint acquisition, which has been booked as cost, and remuneration costs related to employee co-operation negotiations held in the spring, have been treated as an item affecting comparability. According to the rules of the management’s long term share based incentive plan introduced on 6 May 2016, the plan materialises in full in a change of control situations like Orkla ASA commencing the recommended public cash tender offer for all shares in Kotipizza Group Oyj. Thus, total cash costs together with calculational costs amounting MEUR 1.4 have been treated as items affecting comparability. All transaction costs of MEUR 0.8 related to the recommended public cash tender offer made by Orkla ASA have also been treated as items affecting comparability. In addition, calculational (non-cash) items related to other incentive plans introduced on 6 May 2016 for the company’s staff have also been treated as items affecting comparability.

## FINANCIAL ITEMS AND RESULT

Group finance costs in the fourth quarter were MEUR -0.20 (-0.85).

Group taxes were MEUR 0.19 (-0.39) in the fourth quarter of the financial year.

Result in the fourth quarter was MEUR -0.76 (0.94).

Earnings per share were EUR -0.12 (0.15) in the fourth quarter.

## THE GROUP'S FINANCIAL POSITION

Kotipizza Group's balance sheet total was MEUR 59.6 (61.5) at the end of the financial year. The Group's non-current assets amounted to MEUR 43.4 (42.7) in total, and the current assets amounted to MEUR 16.3 (18.8) in total.

Group's net cash flow from operating activities in the review period was MEUR 4.66 (5.60). Of net working capital MEUR 959 thousand was tied (tied 318 thousand).

The net cash flow from investment activities in the period was MEUR -2.13 (-2.68). Investments in tangible and intangible assets for the period amounted to MEUR -2.06 (-1.40).

The net cash flow from financing activities was MEUR -6.12 (-4.60).

The Group's equity ratio was 51.7% (52.0%).

Interest-bearing debt amounted to MEUR 13.9 (15.8), of which current debt accounted for MEUR 0.20 (1.49).

Further information on Kotipizza Group's financial risks is presented in the financial statements released on 31 January 2018.

## INVESTMENTS

The investments for the review period amounted to MEUR 2.13 (2.68). The Group's investments in fixed assets, involving mainly the Social Burgerjoint and No Pizza's machinery and equipment, as well as the Kotipizza chain's renewed online store and digital home delivery application, amounted to MEUR 2.06 (1.40).

## CORPORATE RESPONSIBILITY

During the review period, we continued work to develop the Group's corporate responsibility reporting. In future reporting, we intend to employ the internationally applied principles of integrated reporting which take a holistic view on the company's corporate responsibility platform. The framework will first be piloted in the Kotipizza chain's reporting. Our aim to is drive corporate responsibility efforts with knowledge and data, and to measure and outline our actions to an increasing extent through numbers. For this purpose, we continued to gather data on franchisees and restaurant operations in the Kotipizza chain during the review period.

During the review period, we made efforts to enhance well-being at the workplace and employer brand both in Kotipizza Group and the Kotipizza chain. On Group level, we continued to document the company's corporate culture and to develop the Group's internal processes based on the findings of culture due diligence analysis, carried out previously. In the Kotipizza chain, work was continued during the review period to update the franchisee training curriculum and franchisee manual. In both, supporting the franchisees' understanding of the labour code and capabilities to take better care of their employees' well-being will be given more emphasis that previously.

During the review period, an initiative was launched to measure and reduce food waste in Kotipizza restaurants. The initiative will first be piloted in restaurants in the capital region. The goal is to use the findings from the pilot in tackling food waste nationwide as part of the Kotipizza concept later in the current year. Food waste has also been incorporated as one of the themes emphasized in Kotipizza's consumer communications.

**PERSONNEL**

At the end of the review period, Kotipizza Group employed 98 people, all of whom worked in Finland. At the end of the previous financial year on 31 January 2018, the Company employed 63 people, all of whom worked in Finland.

Kotipizza Group announced on 9 May 2018 that Kotipizza Oyj, part of Kotipizza Group Oyj, started employee co-operation negotiations concerning eight employees. The reason for the negotiations was the need to reorganise the Group's operations in a situation where Kotipizza Group is growing rapidly, and where new chains and concepts had been established alongside the Kotipizza chain. Behind the negotiations was a plan to concentrate Kotipizza's operations in Kotipizza Group. This did not entail a need to reduce the total number of people employed by the Group. The negotiations concerned eight employees and came to an end 28 May 2018. As a result of the negotiations, the total number of people employed by the Group increased by one.

**BUSINESS ARRANGEMENTS**

There were no business arrangements in the review period.

**CHANGES IN THE MANAGEMENT**

There were no changes in the management in the review period. The company announced after the review period on 7 February 2019 that Kotipizza Group Oyj's Chief Financial Officer and Deputy to the CEO, M.Sc. (Econ.) Timo Pirskanen will leave the company on 31 March 2019 and begin employment with another company.

**MANAGEMENT BOARD**

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

**SHARES AND SHARE CAPITAL**

Kotipizza Group Oyj's share capital was at the end of the review period EUR 80,000.00 and it comprised 6,351,201 shares. At the beginning of the review period 1 February 2018, the number of shares was 6,351,201. At the end of the period, the Company had 404 (3091) shareholders. The Company does not hold any treasury shares.

The Board of Directors of Kotipizza Group Oyj resolved on 6 May 2016 upon a long-term share-based incentive program intended for the executive board. According to the rules of the plan, the program materialises in full in a change of control situations like Orkla ASA commencing the recommended public cash tender offer for all shares in Kotipizza Group Oyj. A total cost of MEUR 1.4 equalling a maximum amount of number of shares to be distributed in accordance with the long-term share-based incentive program has been booked in the fourth quarter of the financial year.

Information about the company's shareholder structure by sector and size of holding, as well as the largest shareholders can be viewed on the company's website at www.kotipizzagroup.com.

**FLAGGING NOTICES**

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Orkla ASA on 22 November 2018, per which its holding in Kotipizza Group Oyj had gone above the threshold of (5) percent (1/20) of the share capital. Exact proportion Orkla ASA totalled 435.257 shares representing 6.85% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Orkla ASA on 24 November 2018, per which its holding in Kotipizza Group Oyj had gone above the threshold of (10) percent (1/10) of the share capital. Exact proportion Orkla ASA totalled 649.079 shares representing 10.22% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Danske Bank A/S on 26 November 2018, per which its holding in Kotipizza Group Oyj had gone below the threshold of (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of 23 November 2018: The shares managed by Danske Bank A/S totalled 180.748 shares representing 2.85% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Swedbank Robur Fonder AB on 21 January 2019, per which its holding in Kotipizza Group Oyj had gone below the threshold of (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of 21 January 2019: The shares managed by Swedbank Robur Fonder AB totalled 0 shares representing 0.00% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Evli Pankki Oyj on 22 January 2019, per which its holding in Kotipizza Group Oyj had gone below the threshold of (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of 22 January 2019: The shares managed by Evli Pankki Oyj totalled 0 shares representing 0.00% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Orkla ASA on 22 January 2019, per which its holding in Kotipizza Group Oyj had gone above the threshold of (90) percent (9/10) of the share capital. Exact proportion Orkla ASA totalled 6.264.398 shares representing 98.63% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Keskinäinen Työeläkevakuutusyhtiö Elo on 22 January 2019, per which its holding in Kotipizza Group Oyj had gone below the threshold of (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of 22 January 2019: The shares managed by Keskinäinen Työeläkevakuutusyhtiö Elo totalled 0 shares representing 0.00% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Axxion S.A. on 24 January 2019, per which its holding in Kotipizza Group Oyj had gone below the threshold of (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of 24 January 2019: The shares managed by Axxion S.A. totalled 0 shares representing 0.00% of total share capital and total voting rights.

**RESOLUTIONS OF THE GENERAL MEETINGS**

Kotipizza Group's Annual General Meeting held on 16 May 2018 resolved that no dividend is paid for the financial period ending 31 January 2018, but EUR 0.65 per share was decided to be paid from the fund for invested unrestricted equity.

The AGM confirmed the financial statements for the financial year ending 31 January 2018 and discharged the members of the Board of Directors and CEO from liability for the financial year ending 31 January 2018.

The AGM resolved the number of Board members to be six. The current members of the Board of Directors Dan Castillo, Kim Hanslin, Virpi Holmqvist, Minna Nissinen, Petri Parvinen, and Kalle Ruuskanen were re-elected as members of the Boards of Directors. Furthermore, the Board of Directors re-elected Kalle Ruuskanen as Chairman of the Board of Directors.

The AGM resolved that the members of the Board of Directors will be paid as follows: Chairman EUR 4 300 per month (EUR 51 600 per year) and members EUR 2 800 per month (EUR 33 600 per year). Separate meeting remuneration is not paid for meetings of the Board of Directors nor committee meetings, but EUR 400 per month (EUR 4 800 per year) is paid to each chairman of the committees of the Board of Directors.

The AGM resolved that the remuneration for the auditor is paid according to invoice approved by the company. The AGM resolved to elect auditing firm BDO Oy as the auditor for the term continuing until the end of the next Annual General Meeting.

The AGM resolved to authorize the Board of Directors to decide on a repurchase of the company's own shares on following terms: A maximum of 635 000 shares can be repurchased and/or accepted as pledge. The shares shall be repurchased at fair value at the date of repurchase, which shall be the prevailing market price in the trading at the regulated market organized by Nasdaq Helsinki Ltd. The shares may be repurchased other than pro rata to shareholders' existing holdings. The share purchase will decrease the company's distributable unrestricted equity. The authorization is valid until 31 July 2019.

The AGM resolved to authorize the Board of Directors to decide, in one or more transactions, on the issuance of shares and the issuance of options and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Companies under the following conditions:

1. The number of shares to be issued based on the authorization may in total amount to a maximum of 635 000 shares.
2. The Board of Directors decides on all the terms and conditions of the issuances of shares, options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares.
3. The issuance of shares, options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue), in case there is a weighty financial reason to do so, such as in order to finance or carry out acquisitions or other business transactions, to develop the company's capital structure, or in order to implement the company's incentive schemes.
4. Based on the authorization, the Board of Directors is also authorized to decide on a share issue without payment directed to the company itself, provided that the number of shares held by the company after the issue would be a maximum of 10 per cent of all shares in the company. This amount includes shares held by the company and its subsidiaries in the manner provided for in Chapter 15, Section 11 (1) of the Companies Act.
5. The authorization will cancel the authorization to decide upon share issues given to the Board of Directors on 17 May 2017 and is valid until 31 July 2019.

The Extraordinary General Meeting of Shareholders of Kotipizza Group Oyj, held on 12 February 2019, and the subsequent Constitutive Meeting of the Board of Directors, passed the following resolutions.

It was resolved that all members are paid EUR 25,000 annually. However, no remuneration shall be paid to the members of the Board of Directors who are employed by Orkla ASA or its group companies. Separate meeting remuneration shall not be paid for meetings of the Board of Directors nor for committee meetings. All members of the Board of Directors shall be compensated for travel and other expenses directly related to their Board work.

It was resolved that the number of members of the Board of Directors is six.

It was resolved that the following persons are elected as members of the Board of Directors for a term of office that lasts until the end of the next Annual General Meeting: Rabbe Wikström, Aaron Moore-Saxton, Kalle Ruuskanen, Johanna Paavola, Terje Andersen and Viktor Söderberg. Rabbe Wikström was elected as Chairman of the Board of Directors.

It was resolved that the Audit and Remuneration Committees are discontinued.

It was resolved that the company will, in the future, publish only a half-year report and financial statements bulletin.

## RISKS AND UNCERTAINTIES

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

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

Kotipizza Group is currently launching new restaurant concepts in the Group’s new fast casual chains. Kotipizza Group acquired the majority of shares in Day After Day Oy, currently operating as The Social Burger Joint Oy, that operates the Social Burgerjoint restaurants and the Social Food food truck with the aim of building Social Burgerjoint into a nationwide hamburger restaurant chain. The Group has also launched No Pizza, a pizza restaurant concept aimed at international markets. The first No Pizza restaurant has been opened in Helsinki, Finland. The chain will first expand its business to the Nordic countries and then to other international markets based on the master franchising business model. The Group has also announced that it has developed and plans to launch a new Tasty Market lunch restaurant concept in which the consumer can pick and choose their lunch from the selection offered by several fast casual brands.

Launching new business concepts has several risks related e.g. anticipation of consumer needs, habits, taste and behaviour in target markets. Additionally, there is a risk of not reaching an established position in the market and not gaining a well-established customer base. Potential failure in launching new concepts generates costs to the company and has a significantly adverse impact on the company’s brand, financial position and financial result.

## EVENTS AFTER THE REPORT PERIOD

The company announced in a stock exchange release on 5 February 2019 preliminary results of the subsequent offer period of Orkla ASA's public cash tender offer for Kotipizza Group Oyj. Together with the shares tendered during the actual offer period and otherwise acquired by the Orkla ASA through market purchases, the shares acquired by Orkla ASA in connection with the tender offer represent approximately 99.29% of all the shares and votes in Kotipizza. The announcement as a whole can be read at the Company’s internet pages.

The company announced in a stock exchange release on 6 February 2019 final results of the subsequent offer period of Orkla ASA's public cash tender offer for Kotipizza Group Oyj. Together with the shares tendered during the actual offer period and otherwise acquired by the Orkla ASA through market purchases, the shares acquired by Orkla ASA in connection with the tender offer represent approximately 99.30% of all the shares and votes in Kotipizza. The announcement as a whole can be read at the Company’s internet pages.

The company announced on 7 February 2019 that Kotipizza Group Oyj’s Chief Financial Officer and Deputy to the CEO, M.Sc. (Econ.) Timo Pirskanen will leave the company on 31 March 2019 and begin employment with another company.

The company announced on 7 February 2019 that Kotipizza Group Oyj and Orkla ASA have agreed upon a financial arrangement in which Orkla ASA have lended Kotipizza Group Oyj 14,000,000 euros. This is a related party transaction since Orkla ASA owns approximately 99,3 percent of shares in Kotipizza Group Oyj. Kotipizza Group Oyj will use the funds to be received from Orkla ASA for restructuring Kotipizza Group Oyj’s debts. Kotipizza Group Oyj’s Board of Directors has assessed that the conditions of the related party transaction are fair and reasonable for all shareholders, considering in particular that the conditions of financing offered by Orkla ASA are significantly more favourable for Kotipizza Group Oyj compared to the conditions of the company’s current debt financing. Subsequent to carrying out the financial arrangement, the future financing costs of Kotipizza Group Oyj will therefore decrease.

The company held extraordinary general meeting of shareholders on 13 February 2019. Resolutions of the meeting have been listed under the *RESOLUTIONS OF THE GENERAL MEETINGS* section in this report.

**OUTLOOK FOR THE FINANCIAL YEAR 2020**

According to the Finnish Hospitality Association MaRa, Finnish restaurant businesses continued to see positive development in 2018. The total net sales of restaurant businesses is estimated to have grown by five per cent. In spite of the positive development, it should be noted that the Finnish tourism and restaurant industry went through “a lost decade” after 2008–2009, and it is only in the past two years that service demand has returned to the levels seen before the financial crisis.

Growth has been particularly strong in the fast food market. MaRa estimates that the sales of fast food restaurants in Finland increased by as much as nearly 10 per cent in 2018.

The total value of the Finnish restaurant market is approximately 5.3 billion euros. The most important factors influencing the development of the sector include the general economic development, consumers’ disposable income, taxation and government regulations. Consumers’ preferences and, increasingly, food trends influence financial development within the sector.

The growth of the combined sales of the Kotipizza Group’s chains and the Kotipizza chain, in particular, has continuously outperformed the growth of the entire restaurant market and the fast food market in recent years. It can even be estimated that the strong growth of the Kotipizza chain has contributed to the more positive development of the fast food market compared with the rest of the restaurant market.

According to MaRa, the growth of sales in the restaurant sector will remain favourable in 2019, supported by favourable trends in the Finnish national economy and consumer confidence, although it appears that the peak of this growth period has already been passed. Development will be particularly strong in the fast food sector, as fast food restaurants account for a considerable proportion of restaurant dining.

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

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

The Group estimates for the full financial year started 1 February 2019 that the total chain sales of its restaurant concepts will increase as compared to previous year and that comparable EBITDA will increase as compared to previous year.

**ACCOUNTING POLICIES**

Kotipizza Group’s unaudited interim report for the twelve-month period ending 31 January 2019, including the audited comparison figures for the twelve-month period ending 31 January 2018, have been prepared according to IAS 34. The same accounting principles that were used in the previous audited full year financial statements have been applied. IASB has issued new and revised standards and interpretations. The Group adopts them as they become effective, or if the effective date differs from the reporting date, starting from the first financial year after the effective date. The Group does not expect the new or revised standards to have a significant effect on the Group's financial results, comprehensive income or the presentation of the financial statements.

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

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

The Group has assessed its contracts with customers to identify the impacts of the new standard. According to the assessments, the new standard does not have any material impact on the Group’s financial result.

According to IFRS 16, lessees must recognise a lease liability for the lease payments to be paid in the future and a right-of-use asset on its balance sheet for almost all leases. IFRS 16 is effective from 1 January 2019. The new IFRS 16 standard will supersede the current IAS 17 standard. The Group has assessed the potential effects of the standard and it will be implemented starting 1 February 2019.

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

Kotipizza Group Oyj is currently assessing the potential effects of the application of the new and revised standards. Other issued but not yet effective IFRS standards or IFRIC interpretations are not estimated to have material impacts on the consolidated financial statements.

## SUMMARY OF THE FINANCIAL STATEMENT AND NOTES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| | 000 € | 000 € | 000 € | 000 € |
| **Net sales** | **25 434** | **21 894** | **96 517** | **84 089** |
| Other income | 53 | 23 | 54 | 105 |
| Change in inventory of raw materials and finished goods (+/–) | 150 | -648 | 470 | 1 014 |
| Raw materials and finished goods (–) | -18 596 | -15 977 | -72 073 | -65 173 |
| Employee benefits/expenses (–) | -3 108 | -1 445 | -7 449 | -4 489 |
| Depreciations (–) | -479 | -342 | -1 599 | -1 360 |
| Impairments (–) | -468 | - | -468 | |
| Other operating expenses (–) | -4 028 | -2 102 | -11 435 | -7 764 |
| **Operating profit** | **-1 042** | **1 403** | **4 017** | **6 421** |
| Finance income | 297 | 13 | 329 | 47 |
| Finance costs | -204 | -85 | -449 | -738 |
| **Loss / profit before taxes** | **-948** | **1 331** | **3 897** | **5 731** |
| Income taxes | 188 | -387 | -729 | -1 252 |
| **Loss / profit for the period** | **-760** | **943** | **3 168** | **4 479** |
| Earnings per share, EUR: | | | | |
| Basic profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments) | -0.12 | 0.15 | 0.50 | 0.71 |
| Basic profit for the period attributable to ordinary equity holders of the parent | -0.12 | 0.15 | 0.50 | 0.71 |

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

| | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| | 000 € | 000 € | 000 € | 000 € |
| **Profit (loss) for the period** | **-760** | **943** | **3 168** | **4 479** |
| **Other comprehensive income:** Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | | |
| Cash flow hedges | - | -32 | - | - |
| Taxes related to other comprehensive income | - | 6 | - | - |
| | | | - | - |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | **-** | **-25** | **-** | **-** |
| **Other comprehensive income for the period, net of tax** | **-** | **-25** | **-** | **-** |
| **Total comprehensive income for the period, net of tax** | **-760** | **918** | **3 168** | **4 479** |
| **Attributable to:** | | | | |
| Owners of the company | -735 | 928 | 3 315 | 4 504 |
| Non-controlling interest | -26 | -10 | -147 | -26 |
| | -760 | 918 | 3 168 | 4 479 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 31/01/2019 | 31.1.2018 |
|---|---|---|
| **Assets** | **000 €** | **000 €** |
| **Non-current assets** | | |
| Property, plant and equipment | 836 | 939 |
| Goodwill | 36 846 | 37 299 |
| Intangible assets | 3 686 | 3 113 |
| Non-current financial assets | 2 | 2 |
| Non-current receivables | 1 848 | 1 316 |
| Deferred tax assets | 147 | 21 |
| **Total non-current assets** | **43 365** | **42 689** |
| **Current assets** | | |
| Inventories | 4 274 | 4 088 |
| Trade and other receivables | 7 601 | 6 707 |
| Current tax receivables | - | 4 |
| Cash and cash equivalents | 4 394 | 7 982 |
| **Total current assets** | **16 269** | **18 781** |
| **Assets classified as held for sale** | 13 | 13 |
| **Total assets** | **59 647** | **61 483** |

| | 31/01/2019 | 31/01/2018 |
|---|---|---|
| | **000 €** | **000 €** |
| **Equity and liabilities** | | |
| Share capital | 80 | 80 |
| Fund for invested unrestricted equity | 20 291 | 24 419 |
| Retained earnings | 10 675 | 7 519 |
| Total equity attributable to equity holders of the parent company | 31 045 | 32 019 |
| Non-controlling interests | -188 | -41 |
| **Total equity** | **30 858** | **31 978** |
| **Non-current liabilities** | | |
| Interest bearing loans and borrowings | 13 745 | 14 289 |
| Financial liabilities at fair value through profit or loss | 170 | 193 |
| Other non-current liabilities | 3 958 | 3 650 |
| Deferred tax liabilities | 188 | 171 |
| **Equity and liabilities** | **18 061** | **18 303** |
| **Current liabilities** | | |
| Interest bearing loans and borrowings | 204 | 1 492 |
| Trade and other payables | 10 372 | 9 015 |
| Current tax liabilities | 153 | 696 |
| | **10 729** | **11 202** |
| Liabilities related to assets held for sale | **-** | **-** |
| **Total liabilities** | **28 790** | **29 505** |
| **Total shareholders' equity and liabilities** | **59 647** | **61 483** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity attributable to owners of the company | | | | | |
|---|---|---|---|---|---|---|
| EUR THOUSAND | Share capital | Fund for invested unrestricted equity | Retained earnings | Total | Non-controlling interest | Total equity |
| 1 February 2018 | 80 | 24 419 | 7 519 | 32 018 | -41 | 31 978 |
| Result for the period | | | 3 370 | 3 370 | -147 | 3 224 |
| Other comprehensive income | | | | - | - | - |
| Total incomprehensive income for the period | - | - | 3 370 | 3 370 | -147 | 3 224 |
| Transactions with owners | | | | | | |
| Management incentive scheme | - | - | -188 | -188 | - | -188 |
| Other change | | | -28 | -28 | | -28 |
| Return of capital | - | -4 128 | | -4 128 | - | -4 128 |
| Transactions with owners total | - | -4 128 | -216 | -4 344 | | -4 344 |
| 31 January 2019 | 80 | 20 291 | 10674 | 31 045 | -188 | 30 858 |

| | Equity attributable to owners of the company | | | | | |
|---|---|---|---|---|---|---|
| EUR THOUSAND | Share capital | Fund for invested unrestricted equity | Retained earnings | Total | Non-controlling interest | Total equity |
| 1 February 2017 | 80 | 27 595 | 2 989 | 30 664 | -91 | 30 573 |
| Result for the period | - | - | 4 504 | 4 504 | -26 | 4 479 |
| Other comprehensive income | - | - | - | - | - | - |
| Total incomprehensive income for the period | - | - | 4 504 | 4 504 | -26 | 4 479 |
| Transactions with owners | | | | | | |
| Management incentive plan | | | 61 | 61 | | 61 |
| Dividends | - | -3 176 | - | -3 176 | - | -3 176 |
| Other change | | | -35 | -35 | | |
| Acquisitions | | | | | 76 | |
| Transactions with owners total | - | -3 176 | 26 | -3 150 | 76 | -3 115 |
| 31 January 2018 | 80 | 24 419 | 7 519 | 32 018 | -41 | 31 978 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2/18-1/19 | 2/17-1/18 |
|---|---|---|
| **Operating activities** | **000 €** | **000 €** |
| Profit before tax | 3 897 | 5 731 |
| | | |
| **Adjustments to reconcile profit before tax to net cash flows** | | |
| Depreciation of property, plant and equipment | 511 | 636 |
| Depreciation and impairment of intangible assets | 1 530 | 724 |
| Unrealised exchange gains and losses | 30 | |
| Other non-cash adjustments | 209 | 15 |
| Gain on disposal of property, plant and equipment | - | 11 |
| Finance income | -14 | -47 |
| Finance costs | 544 | 738 |
| | | |
| **Change in working capital** | | |
| Change in trade and other receivables (+/–) | -1 422 | -940 |
| Change in inventories (+/–) | -186 | -995 |
| Change in trade and other payables (+/–) | 649 | 1 617 |
| Change in provisions (+/–) | | |
| | | |
| Interest paid (–) | -411 | -722 |
| Interest received | 14 | 47 |
| Income tax paid (–) | -692 | -1 212 |
| **Net cash flows from operating activities** | **4 660** | **5 603** |
| | | |
| **Investment cash flows** | | |
| Investments for tangible assets (–) | -470 | -34 |
| Investments for non-tangible assets (–) | -1 592 | -1 370 |
| Other long term receivables | | 1 |
| Acquisition of subsidiaries | -72 | -522 |
| Acquired business operations | | -750 |
| Proceeds from the sale of tangible assets | | |
| **Net cash flows used in investing activities** | **-2 133** | **-2 675** |
| | | |
| **Financing activities** | | |
| Return of capital | -4 128 | -3 176 |
| Loans withdrawal | | - |
| Loans repayments (–) | -1 614 | -1 150 |
| Finance lease payments (+/–) | -373 | -270 |
| **Net cash flow used in financing activities** | **-6 115** | **-4 596** |
| | | |
| Net change in cash and cash equivalents | -3 588 | -1 668 |
| Cash and cash equivalents at the beginning of the period | 7 982 | 9 650 |
| **Cash and cash equivalents at the end of the period** | **4 394** | **7 982** |

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. SEGMENT INFORMATION

**KOTIPIZZA SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 4 441 | 4 174 | 16 991 | 15 105 |
| Net sales | 5 777 | 5 063 | 22 019 | 19 335 |
| | | | | |
| Comparable gross margin / EBITDA | 2 561 | 2 007 | 9 652 | 8 024 |
| Depreciation and impairments | -711 | -206 | -1 420 | -865 |
| Comparable EBIT | 1 850 | 1 801 | 8 232 | 7 160 |
| Gross margin / EBITDA | 2 508 | 2 178 | 9 268 | 7 925 |
| EBIT | 1 797 | 1 971 | 7 849 | 7 060 |

**FOODSTOCK SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 18 360 | 16 523 | 71 079 | 64 185 |
| Net sales | 18 360 | 16 523 | 71 079 | 64 185 |
| | | | | |
| Comparable gross margin / EBITDA | 564 | 425 | 2 462 | 1 980 |
| Depreciation and impairments | -49 | -44 | -196 | -176 |
| Comparable EBIT | 515 | 381 | 2 266 | 1 804 |
| Gross margin / EBITDA | 521 | 413 | 2 419 | 1 936 |
| EBIT | 472 | 369 | 2 223 | 1 760 |

**CHALUPA SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 110 | 115 | 480 | 375 |
| Net sales | 110 | 115 | 480 | 375 |
| | | | | |
| Comparable gross margin / EBITDA | -131 | 8 | -301 | -15 |
| Depreciation and impairments | -19 | -1 | -27 | -6 |
| Comparable EBIT | -149 | 7 | -328 | -21 |
| Gross margin / EBITDA | -131 | 6 | -301 | -23 |
| EBIT | -149 | 5 | -328 | -29 |

**SOCIAL BURGERJOINT SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 1 020 | 194 | 2 558 | 194 |
| Net sales | 1 020 | 194 | 2 558 | 194 |
| | | | | |
| Comparable gross margin / EBITDA | 133 | 38 | 75 | 38 |
| Depreciation and impairments | -56 | -21 | -92 | -21 |
| Comparable EBIT | 77 | 17 | -17 | 17 |
| Gross margin / EBITDA | 133 | 38 | 22 | 38 |
| EBIT | 77 | 17 | -70 | 17 |

**NO PIZZA SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 167 | 0 | 381 | 0 |
| Net sales | 167 | 0 | 381 | 0 |
| | | | | |
| Comparable gross margin / EBITDA | -86 | 0 | -311 | 0 |
| Depreciation and impairments | -42 | 0 | -64 | 0 |
| Comparable EBIT | -128 | 0 | -375 | 0 |
| Gross margin / EBITDA | -86 | 0 | -365 | 0 |
| EBIT | -128 | 0 | -429 | 0 |

**OTHERS SEGMENT**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 0 | 0 | 0 | 0 |
| Net sales | 0 | 0 | 0 | 0 |
| | | | | |
| Comparable gross margin / EBITDA | -781 | -423 | -2 188 | -1 505 |
| Depreciation and impairments | -69 | -70 | -268 | -293 |
| Comparable EBIT | -850 | -493 | -2 456 | -1 797 |
| Gross margin / EBITDA | -3 041 | -889 | -4 960 | -2 095 |
| EBIT | -3 110 | -959 | -5 228 | -2 387 |

**ALL SEGMENTS TOGETHER**

| EUR THOUSAND | 11/18-1/19 | 11/17-1/18 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Comparable net sales | 24 098 | 21 005 | 91 489 | 79 858 |
| Net sales | 25 434 | 21 894 | 96 517 | 84 089 |
| | | | | |
| Comparable gross margin / EBITDA | 2 261 | 2 055 | 9 389 | 8 523 |
| Depreciation and impairments | -947 | -342 | -2 067 | -1 360 |
| Comparable EBIT | 1 314 | 1 713 | 7 322 | 7 163 |
| Gross margin / EBITDA | -95 | 1 745 | 6 084 | 7 781 |
| EBIT | -1 042 | 1 403 | 4 017 | 6 421 |

**NOTE 2. NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND ACQUIRED OPERATIONS**

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

The major classes of assets related to discontinued operations:

| | 31/01/2019 | 31/01/2018 |
|---|---|---|
| **Assets** | **000 €** | **000 €** |
| Inventories | - | - |
| Trade receivable and other receivables | 13 | 13 |
| **Assets related to discontinued operations** | **13** | **13** |

**NOTE 3. RELATED PARTY TRANSACTIONS**

Parties are considered to be related when a party has control or significant influence over the other party relating to decision-making in connection to its finances and business. The Group's related parties include the parent company, subsidiaries, members of the board of directors and management board, managing director and their family members. The key management comprises the members of the management board. The table below presents the total amounts of related party transactions carried out during the period. The terms and conditions of the related party transactions correspond to the terms and conditions applied to transactions between independent parties.

| | Sales to related parties | Purchases from related parties | Outstanding trade payables | Outstanding trade receivables | Paid interests |
|---|---|---|---|---|---|
| **2/18-1/19** | 000 € | 000 € | 000 € | 000 € | 000 € |
| Key management of the group | - | - | - | - | - |
| Other related parties | - | - | - | - | - |
| Controlling entities | - | - | - | - | - |
| Companies controlled by the members of the Board | - | 177 | 12 | - | - |
| **2/17-1/18** | | | | | |
| Key management of the group | - | - | - | - | - |
| Other related parties | - | - | - | - | - |
| Controlling entities | - | - | - | - | - |
| Companies controlled by the members of the Board | - | 142 | 10 | - | - |

**NOTE 4. EMPLOYEE BENEFITS EXPENSE**

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

| | 2/18-1/19 | 2/17-1/18 |
|---|---|---|
| | 000 € | 000 € |
| Wages and salaries | 6 456 | 3 724 |
| Social security costs | 129 | 97 |
| Pension costs (defined contribution plans) | 864 | 656 |
| **Total employee benefits expense** | **7 449** | **4 478** |

**NOTE 5. CONTINGENT LIABILITIES**

| **Commitments** | **31/01/2019** | **31/01/2018** |
|---|---|---|
| | 000 € | 000 € |
| Leasing commitments | 168 | 187 |
| Secondary commitments | 0 | 0 |
| Rental guarantees | 1211 | 972 |
| Bank guarantees | 443 | 420 |
| Rental commitments for premises | 2657 | 3518 |
| Loans from financial institutions | 13600 | 14813 |
| Guarantees for other than Group companies | 0 | 3 |
| | | |
| **Guarantees** | | |
| Pledged deposits | 0 | 146 |
| Business mortgages | 17500 | 17500 |
| Guarantees | 0 | 12 |
| Pledged shares, book value | 44236 | 44236 |
| General guarantee for other Group companies | unlimited | unlimited |

**NOTE 6: ALTERNATIVE PERFORMANCE MEASURES (APMs)**

Kotipizza Group presents APMs to describe the underlying business performance and to enhance comparability between financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. APMs used by Kotipizza Group are listed and defined in this note.

**CHAIN-BASED NET SALES**

Chain-based net sales are the total combined net sales of the company's franchisees, based on which the company's franchising fees are invoiced monthly.

**COMPARABLE NET SALES**

Net sales items affecting comparability:

| EUR thousand | 11/18-1/19 | 11/17-1/19 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| Net sales | 25 434 | 21 894 | 96 517 | 84 089 |
| Items affecting comparability | -1 336 | -889 | -5 028 | -4 230 |
| Comparable net sales | 24 098 | 21 005 | 91 489 | 79 858 |

Items affecting comparability in 11/18-1/19, 11/17-1/19, 2/18-1/19 and 2/17-1/18 all related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through the Kotipizza segment's P&L without result effect.

**COMPARABLE EBIT**

EBIT items affecting comparability:

| EUR thousand | 11/18-1/19 | 11/17-1/19 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| EBIT | -1 042 | 1 403 | 4 017 | 6 421 |
| Items affecting comparability | 2 824 | 310 | 3 773 | 742 |
| Comparable EBIT | 1 782 | 1 713 | 7 790 | 7 163 |

The following items have been treated as items affecting comparability in 11/18-1/19, 11/17-1/19, 2/18-1/19 and 2/17-1/18. According to the rules of the management's long term share based incentive plan introduced on 6 May 2016, the plan materialises in full in a change of control situations like Orkla ASA commencing the recommended public cash tender offer for all shares in Kotipizza Group Oyj. Thus, total costs amounting MEUR 1.4 have been treated as items affecting comparability. All transaction costs totalling MEUR 0.8 related to the recommended public cash tender offer made by Orkla ASA have also been treated as items affecting comparability. Also, 330 thousand euros of costs related to piloting a new phone service for pizza orders have been treated as items affecting comparability. Since the pilot was stopped in December 2018, similar costs will not occur in the same period in the following financial year. Development costs of a concept aimed at international markets, No Pizza, and of Social Burgerjoint, and remuneration costs related to employee co-operation negotiations held in the spring have been treated as items affecting comparability. Additional purchase price related to the acquisition of Social Burgerjoint, have been treated as items affecting comparability.

Items affecting comparability are material items or transactions, which are relevant for understanding the financial performance of Kotipizza Group when comparing profit of the current period with previous periods. These items can include, but are not limited to, capital gains and losses, significant write-downs, provisions for planned restructuring and other items that are not related to normal business operations from Kotipizza Group's management's viewpoint. Such items are always listed in euros in Kotipizza Group's interim, half-year and full-year financial reports for the whole Group and for its operating segments.

**EBITDA**

EBIT, depreciation and impairments:

| EUR thousand | 11/18-1/19 | 11/17-1/19 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| EBIT | -1 042 | 1 403 | 4 017 | 6 421 |
| Depreciation and impairments | 947 | 342 | 2 067 | 1 360 |
| EBITDA | -95 | 1 745 | 6 084 | 7 781 |

**COMPARABLE EBITDA**

| EUR thousand | 11/18-1/19 | 11/17-1/19 | 2/18-1/19 | 2/17-1/18 |
|---|---|---|---|---|
| EBIT | -1 042 | 1 403 | 4 017 | 6 421 |
| Depreciation and impairments | 947 | 342 | 2 067 | 1 360 |
| Items affecting comparability | 2 356 | 310 | 3 305 | 742 |
| Comparable EBITDA | 2 261 | 2 055 | 9 389 | 8 523 |

Items affecting comparability have been detailed earlier in this Note in the section *COMPARABLE EBIT*.

**COMPARABLE EBITDA OF NET SALES, %**

$$\frac{\text{Comparable EBITDA}}{\text{Net sales}} * 100$$

**NET DEBT**

Long-term ja short-term interest-bearing debt – cash and cash equivalents:

| EUR thousand | 31/01/2019 | 31.1.2018 |
|---|---|---|
| Long-term interest bearing debt | 13 745 | 14 289 |
| Short-term interest bearing debt | 204 | 1 492 |
| Cash and cash equivalents | 4 394 | 7 982 |
| Net debt | 9 555 | 7 799 |

**NET GEARING, %**

$$\frac{\text{Net debt}}{\text{Total equity}} * 100$$

**EQUITY RATIO, %**

$$\frac{\text{Total equity}}{\text{Total assets}} * 100$$

In Helsinki 19 March 2019

Kotipizza Group Oyj's Board of Directors

Further information: CEO Tommi Tervanen, tel. +358 207 716, and CFO and Deputy to the CEO Timo Pirskanen, tel. +358 207 716 747