KOTIPIZZA GROUP OYJ HALF-YEAR REPORT 1 FEBRUARY 2018 – 31 JULY 2018

STRONG GROWTH CONTINUED IN THE SECOND QUARTER, START-UP COSTS OF NEW BRANDS REFLECTED IN EBITDA. COMPARABLE NET SALES INCREASED 15% AND EBITDA 8% COMPARED TO PREVIOUS YEAR

May 2018–July 2018 (5/18-7/18)

- Chain-based net sales grew 16.2 % (16.4 %).
- Comparable net sales were 23.0 MEUR (20.1). Growth was 14.8%.
- Comparable EBITDA was 2.71 MEUR (2.52). Growth was 7.6%.
- Net sales were 24.3 MEUR (21.1). Growth was 15.1%.
- EBIT was 2.00 MEUR (2.06).

February 2018–July 2018 (2/18-7/18)

- Chain-based net sales grew 16.7% (16.1%).
- Comparable net sales were 43.4 MEUR (38.3). Growth was 13.3%.
- Comparable EBITDA was 4.64 MEUR (4.17). Growth was 11.1%.
- Net sales were 45.8 MEUR (40.4). Growth was 13.6%.
- EBIT was 3.49 MEUR (3.33).
- Net gearing was 40.1 % (39.4%).
- Equity ratio was 51.8 % (50.7%).

Outlook for the second quarter of 2019 unchanged

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

KEY FIGURES, TEUR

	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable figures					
Comparable net sales	23 015	20 053	43 425	38 335	79 858
Comparable EBITDA	2 710	2 519	4 637	4 173	8 523
Comparable EBITDA of net sales, %	11.8	12.6	10.7	10.9	10.7
Comparable EBIT	2 331	2 145	3 909	3 503	7 163
Chain-based net sales*	31 617	27 218	60 641	51 948	106 281
Reported figures					
Net sales	24 307	21 123	45 837	40 348	84 089
EBIT	1 999	2 062	3 488	3 331	6 421
Earnings per share	0.22	0.23	0.42	0.36	0.71
Net cash flows from operating activities			620	588	5 603
Net cash used in investment activities			-1 244	-1 589	-2 675
Net gearing, %			40.1	39.4	24.4
Equity ratio, %			51.8	50.7	52.0

*The 2/17-1/18 figures for chain-based net sales include solely the chain-based net sales of the Kotipizza chain.

Tommi Tervanen, CEO of Kotipizza Group

”Kotipizza's chain-based net sales continued their strong growth in the second quarter of the financial year. The chain's net sales presented excellent development in terms of both same-store sales and the average purchase. In the second quarter, the chain-based net sales of Kotipizza restaurants grew by 16.2% (16.4%) compared to the same period in the previous year and was 31.6 MEUR (27.2).

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, the work to redesign the chain’s home delivery concept continued as per our strategy and more new home delivery vehicles were introduced. They are equipped with special heat box technology which ensures that the pizza is delivered hot. As part of investments in the chain’s digital customer experience, Kotipizza piloted during the review period a modernised online store. The store was opened to the public after the review period.

During the review period, Kotipizza Group invested in future growth and new fast casual concepts by opening a proof-of-concept restaurant for No Pizza, a restaurant concept aimed at international markets, in the Citycenter shopping mall in Helsinki. In addition, we continued to build the Social Burgerjoint restaurant, acquired in the previous financial year, into a chain. Its second restaurant was opened in the same Citycenter shopping mall. The purpose of No Pizza’s proof-of-concept restaurant is to hone the concept. Later on, the restaurant will showcase No Pizza as we look for partners with whom to build it into an international chain based on the master franchising business model. The restaurant has received a positive welcome from customers, stakeholders and media. Investments in corporate stores temporarily affects the company’s risk profile.

We believe that a fast casual hamburger chain that emphasises high-quality ingredients and a unique customer experience will disrupt Finland’s hamburger market and be successful nationwide. Already, the hamburger market has presented strong growth, and the sales in Social Burgerjoint restaurants have exceeded our expectations. After the review period, a third restaurant in the Social Burgerjoint chain was opened. Following our roadmap, four Social Burgerjoint restaurants in total are intended to be in operation by the end of the financial year.

The demand Mexican food did not match our expectations. However, we have updated the Chalupa chain’s product portfolio based on customer feedback and have invested in strengthening the chain’s visibility so as to lift customer volumes.

Comparable net sales of the Group grew 148% in the second quarter of the year and were 23.0 MEUR (20.1). Comparable EBITDA was 2.71 MEUR (2.52) in the second quarter, representing an increase of 8%. Costs related to opening restaurants for our new brands, No Pizza and Social Burgerjoint, weakened the company’s traditionally solid operating leverage. Yet, the Group still has a solid financial standing at the end of the quarter with net gearing at 40 percent and equity ratio of 52 percent. In the review period, the Group paid out 4.1 MEUR (3.2) of distribution from the fund for invested unrestricted equity.

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

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

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

GROUP NET SALES

Chain sales May 2018–July 2018

Kotipizza chain	**5/18-7/18**	**5/17-7/17**	**Change (%)**
Chain sales, total	30 455	26 525	14.8
Brick-and-mortar restaurants	25 102	21 700	15.7
Shop-in-shop restaurants	5 354	4 825	11.0
Online sales	2 897	1 819	59.3
Average number of restaurants	274	266	3.0
Average number of restaurants offering delivery	77	70	9.5
Chalupa chain	**5/18-7/18**	**5/17-7/17**	**Change (%)**
Chain sales, total	575	458	25.5
Average number of restaurants	13	8	62.5
Social Burgerjoint restaurants	**5/18-7/18**	**5/17-7/17**	**Change (%)**
Sales, total	504	235	114.5
No Pizza restaurant	**5/18-7/18**	**5/17-7/17**	**Change (%)**
Sales, total	83	-	-
Chain sales, total	31 617	27 218	16.2

Chain-based net sales grew 16.2% (16.4%) year on year and were 31.6 MEUR (27.2) in the second quarter of the year.

Chain sales in the Kotipizza chain grew 14.8% compared to the previous year, driven by good sales development in brick-and-mortar restaurants and online sales. First, in June, in the review period a new record was set for monthly sales in the chain as sales reached 10.3 MEUR. This record was quickly broken in July as monthly chain sales reached 11.1 MEUR. The previous record, 10.2 MEUR, dated from March 2018. Average purchase in brick-and-mortar restaurants increased 7.5%, and the number of customers remained at previous year's level. The Kotipizza chain's online sales grew 59.3% compared to the previous year. In the online store, both the average purchase and customer volumes increased significantly from previous year. During the second quarter, 2 brick-and-mortar restaurants and 4 shop-in-shop restaurant were opened, and no shop-in-shop restaurants were closed.

Chain sales in the Chalupa chain increased by 25.5% compared to the previous year, driven mainly by restaurant openings. At the end of the review period, the chain had 13 (8) restaurants. Average purchase grew by 1.0%, and the number of customers per restaurant decreased by 20.9%. The demand Mexican food did not match our expectations. However, we have updated the Chalupa chain's product portfolio based on customer feedback and have invested in strengthening the chain's visibility so as to lift customer volumes. During the second quarter, no new restaurants were opened in the Chalupa chain.

Sales in the Social Burgerjoint chain increased 114.5% compared to the previous year. The reported sales also included sales of the Social Burgerjoint food truck for the period of April–August 2018, totaling 122 thousand euros. During the summer months, the food truck toured various events. Average purchase in the restaurant grew 4.4% and the number of customers 15.9%. The total chain sales were boosted by a new restaurant opening in the Citycenter shopping mall in Helsinki.

Sales of the No Pizza restaurant, opened at the end of the previous quarter, were EUR 83 thousand in the review period.

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–July 2018

Kotipizza chain	**2/18-7/18**	**2/17-7/17**	**Change (%)**
Chain sales, total	58 695	50710	15.7
Brick-and-mortar restaurants	49 111	41989	17.0
Shop-in-shop restaurants	9 585	8720	9.9
Online sales	5 693	3855	47.7
Average number of restaurants	271	265	2.5
Average number of restaurants offering delivery	78	69	12.0
Chalupa chain	**2/18-7/18**	**2/17-7/17**	**Change (%)**
Chain sales, total	1 113	835	33.3
Average number of restaurants	13	8	66.0
Social Burgerjoint chain	**2/18-7/18**	**2/17-7/17**	**Change (%)**
Sales, total	750	403	86.1
No Pizza restaurant	**2/18-7/18**	**2/17-7/17**	**Change (%)**
Sales, total	83	-	-
Chain sales, total	60 641	51 948	16.7

Chain-based net sales grew 16.7% (16.1%) year on year and were 60.6 MEUR (52.0) in the first half of the year.

Chain sales in the Kotipizza chain grew 15.7% 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. The previous record, 10.02 MEUR, dated from December 2017. Average purchase in brick-and-mortar restaurants increased 7.8%, and the number of customers remained at previous year's level. The Kotipizza chain's online sales grew 47.7% compared to the previous year. During the first half of the financial year, 6 brick-and-mortar restaurants and 5 shop-in-shop restaurant were opened, and 2 shop-in-shop restaurants were closed.

Chain sales in the Chalupa chain increased 33.3% compared to the previous year, driven mainly by restaurant openings 13 (8). Average purchase in Chalupa restaurants grew 2.9%, and the number of customers per restaurant decreased by 22.1%. During the first half of the year, one new restaurant was opened.

Sales in the Social Burgerjoint chain increased 86.1% compared to the previous year. Average purchase in the restaurant grew 5.5% and the number of customers 25.0%. The total chain sales were boosted by a new restaurant opening in the Citycenter shopping mall in Helsinki.

Sales of the No Pizza restaurant, opened at the end of the previous quarter, were EUR 83 thousand in the review period.

Net sales May 2018–July 2018

Group comparable net sales in the second quarter were 23.0 MEUR (20.1) and grew 14.8% compared to the same period in the previous year. Net sales were 24.3 MEUR (21.1). The reported sales included 1.3 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 11.3% year on year in the second quarter of the financial year. The Kotipizza segment's net sales increased 15.9% compared to the same period in the previous year and were 5.7 MEUR (4.9). The Chalupa segment's net sales in the second quarter were 112 thousand euros (99 thousand). The Social Burgerjoint segment's net sales in the second quarter were 498 thousand euros and the No Pizza segment's 72 thousand euros.

Net sales February 2018–July 2018

Group comparable net sales in the first half of the year were 43.4 MEUR (38.3) and grew 13.3% compared to the same period in the previous year. Net sales were 45.8 MEUR (40.4). The reported sales included 2.4 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 10.8% year on year in the second 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 10.7 MEUR (9.4). The Chalupa segment's net sales in the first half of the year were 224 thousand euros (175 thousand). The Social Burgerjoint segment's net sales in the first half of the year were 711 thousand euros and the No Pizza segment's 72 thousand euros.

GROUP EBIT

May 2018–July 2018

Comparable EBIT of the Group was 2.33 MEUR (2.15) in the second quarter. EBIT was 2.00 MEUR (2.06). EBIT included EUR 333 thousand of items affecting comparability. Development costs of a concept aimed at international markets, No Pizza, and of Social Burgerjoint, together with additional purchase price related to the acquisition of Social Burgerjoint, have been treated as items affecting comparability as they have been booked as costs. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have also been treated as items affecting comparability.

The EBIT improved mainly due to improved net sales. Operative costs related to launching new units and concepts in the No Pizza and Social Burgerjoint chain had a negative impact on the EBIT.

February 2018–July 2018

Comparable EBIT of the Group was 3.91 MEUR (3.50) in the second quarter. EBIT was 3.49 MEUR (3.33). EBIT included EUR 421 thousand of items affecting comparability. Development costs of a concept aimed at international markets, No Pizza, and of Social Burgerjoint, together with additional purchase price related to the acquisition of Social Burgerjoint, have been treated as items affecting comparability as they have been booked as costs. Calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have also been treated as items affecting comparability.

The EBIT improved mainly due to improved net sales. Operative costs related to opening new No Pizza and Social Burgerjoint restaurants, together with clearly higher depreciations compared to the previous year (non-cash items), had a negative impact on the EBIT. The gross investments for the period amounted to MEUR 1.24 (1.59).

SALES AND EBITDA OF SEGMENTS

KOTIPIZZA SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	4 369	3 816	8 254	7 337	15 105
Net sales	5 660	4 885	10 666	9 350	19 335
Comparable gross margin / EBITDA	2 653	2 220	4 581	3 800	8 024
Depreciation and impairments	-233	-244	-462	-434	-865
Comparable EBIT	2 420	1 976	4 119	3 365	7 160
Gross margin / EBITDA	2 653	2 220	4 581	3 800	7 925
EBIT	2 420	1 976	4 119	3 365	7 060

Heidi Stirkkinen, COO of Kotipizza Group

"In the second quarter, Kotipizza's chain-based net sales increased in total by 14.8% 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 7.5% compared to the same period in the previous year and customer volumes remained at the same level as compared to previous year. At the end of the review period, the chain had 275 (269) restaurants in total.

In the review period, our main focus was developing the online store and delivery service. The Kotipizza chain's renewed online store was piloted during the review period and it was opened to the public after the review period. The sales of the online store increased by 59.3% compared to previous year and thereby exceeded by a significant margin the average growth of the Finnish fast food market. Orders made through the online store amounted to roughly a tenth 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.

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.

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 only one Pizzataxi restaurant converted into a Kotipizza restaurant has thus far been opened. According to current plans, 7 conversions will be carried out. The remaining restaurants will continue to operate as Pizzataxi restaurants until the end of their contract period, after which they will be closed down or sold to the franchisees running the restaurants. Franchising fees of the Pizzataxi restaurant chain were 59 thousand euros in the first half of the financial year.

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."

May 2018–July 2018
Comparable net sales of the Kotipizza chain in the second quarter were 4.37 MEUR (3.82) and increased 14.5% compared to same period in the previous year. Net sales of the Kotipizza chain in the second quarter were 5.66 MEUR (4.89) and increased 15.9% 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 2.65 MEUR (2.22) in the second quarter and grew 19.5% 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 2.65 MEUR (2.22) in the second quarter. EBITDA did not include items affecting comparability.

February 2018–July 2018
Comparable net sales of the Kotipizza chain in the first half of the year were 8.25 MEUR (7.34) and increased 12.5% compared to same period in the previous year. Net sales of the Kotipizza chain in the first half of the year were 10.67 MEUR (9.35) and increased 14.1% compared to the same period in the previous year. The sales included MEUR 2.41 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 4.58 MEUR (3.80) in the first half of the year and grew 20.6% 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 4.58 MEUR (3.80) in the first half of the year. EBITDA did not include items affecting comparability.

FOODSTOCK SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	17 965	16 139	34 164	30 823	64 185
Net sales	17 965	16 139	34 164	30 823	64 185
Comparable gross margin / EBITDA	679	620	1 200	988	1 980
Depreciation and impairments	-49	-50	-98	-84	-176
Comparable EBIT	630	571	1 102	904	1 804
Gross margin / EBITDA	679	620	1 200	988	1 936
EBIT	630	571	1 102	904	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."

May 2018–July 2018
Net sales of Foodstock in the second quarter were 17.97 MEUR (16.14) and grew 11.3% 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 0.68 MEUR (0.62) in the second quarter and grew 9.4% compared to the same period in the previous year. Foodstock's EBITDA was 0.68 MEUR (0.62) in the second quarter. Improvement in the EBITDA was related to the increase in sales volumes. EBITDA did not include items affecting comparability.

February 2018–April 2018
Net sales of Foodstock in the first half of the year were 34.16 MEUR (30.82) and grew 10.8% 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 1.20 MEUR (0.99) in the first half of the year and grew 21.4% compared to the same period in the previous year. Foodstock's EBITDA was 1.20 MEUR (0.99) in the first half of the year. Improvement in the EBITDA was related to the increase in sales volumes. EBITDA did not include items affecting comparability.

CHALUPA SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	112	99	224	175	375
Net sales	112	99	224	175	375
Comparable gross margin / EBITDA	-33	1	-52	-3	-15
Depreciation and impairments	-3	-2	-5	-3	-6
Comparable EBIT	-35	-1	-57	-6	-21
Gross margin / EBITDA	-33	1	-52	-3	-23
EBIT	-35	-1	-57	-6	-29

Iman Gharagozlu, Creative Director of Chalupa

“Chalupa’s chain-based net sales increased by 25.5% compared to the same period in the previous year, mainly as a result of opening new restaurants in the chain. The average purchase grew by 1.0%. Customer volumes per restaurant dropped by 20.9% compared to the same period in the previous year. However, there are significant differences in customer volumes between restaurants. No new restaurants were opened or closed during the second quarter of the financial year, so the total number of restaurants was 13 (8) at the end of the review period. After the review period, the restaurant located in Tampere was closed and a new restaurant was opened in the Redi shopping mall in Helsinki.

The demand Mexican food did not match our initial expectations. However, we have updated the Chalupa chain’s product portfolio based on customer feedback. We have also taken action in order to lift customer volumes by increasing our efforts to make the chain better-known and by examining the operations of our current locations more critically. Investments in opening new restaurants will continue only once comparable net sales are back on the path of growth.

During the review period, we started work 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 even quality in restaurants operations, whereby we can pave way for future growth.”

May 2018–July 2018
Chalupa’s net sales were EUR 112 thousand (99 thousand) in the second quarter. 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 -33 thousand EUR (1 thousand) in the second quarter. Chalupa’s EBITDA was -33 thousand EUR (1 thousand) in the second quarter. EBITDA did not include items affecting comparability.

February 2018–July 2018
Chalupa’s net sales were EUR 224 thousand (175 thousand) in the first half of the 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 -52 thousand EUR (-3 thousand) in the first half of the year. Chalupa’s EBITDA was -52 thousand EUR (-3 thousand) in the first half of the year. EBITDA did not include items affecting comparability.

SOCIAL BURGERJOINT SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	498	0	711	0	194
Net sales	498	0	711	0	194
Comparable gross margin / EBITDA	-72	0	-129	0	38
Depreciation and impairments	-15	0	-20	0	-21
Comparable EBIT	-87	0	-149	0	17
Gross margin / EBITDA	-122	0	-180	0	38
EBIT	-137	0	-200	0	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 a new restaurant in Helsinki's Citycenter shopping mall. In the second quarter of the financial year, chain sales grew by 114.5%. During the summer months, the Social Burgerjoint food truck also toured various events.

In addition to developing the chain's first restaurants, the work to hone the concept and to open new Social Burgerjoint restaurants was continued during the review period. The chain's third new restaurant was opened in Helsinki's Redi shopping mall after the review period.

During the review period, we started 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 even quality in restaurants operations, whereby we can pave way for future growth."

May 2018–July 2018

Social Burgerjoint's net sales were EUR 498 thousand in the second quarter. Average purchase grew 4.4% and the number of customers per restaurant 15.9% compared to the same period in the previous financial year. Social Burgerjoint's comparable EBITDA was -72 thousand in the second quarter. Social Burgerjoint's EBITDA was EUR -122 thousand in the second quarter. Cost related to comprehensive concept renewal, which will be applied to all future restaurant openings, have been booked as operative costs and treated as items affecting profitability. The negative EBITDA was mainly due to operative costs related to opening a new restaurant in Helsinki city centre.

February 2018–July 2018

Social Burgerjoint's net sales were EUR 711 thousand in the first half of the year. Average purchase grew 5.5% and the number of customers 25.0% compared to the same period in the previous financial year. Social Burgerjoint's comparable EBITDA was -129 thousand in the first half of the year. Social Burgerjoint's EBITDA was EUR -180 thousand in the first half of the year. Cost related to comprehensive concept renewal, which will be applied to all future restaurant openings, have been booked as operative costs and treated as items affecting profitability. The negative EBITDA was mainly due to operative costs related to opening a new restaurant in Helsinki city centre.

NO PIZZA SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	72	0	72	0	0
Net sales	72	0	72	0	0
Comparable gross margin / EBITDA	-90	0	-90	0	0
Depreciation and impairments	-11	0	-11	0	0
Comparable EBIT	-101	0	-101	0	0
Gross margin / EBITDA	-116	0	-116	0	0
EBIT	-126	0	-126	0	0

Riikka Ahtiainen, Head of Development of No Pizza

"No Pizza's proof-of-concept restaurant was opened in the review period in the Citycenter shopping mall in Helsinki. The restaurant received a positive welcome from customers, stakeholders and media. Developing a wholly new concept from scratch always requires investments and resources before the concept begins to operate with the intended results. In honing the service concept, we have paid particular attention to the functionality of digital ordering."

May 2018–July 2018
No Pizza's net sales were EUR 72 thousand in the second quarter. No Pizza's comparable EBITDA was -90 thousand in the second quarter. No Pizza's EBITDA was EUR -116 thousand in the second quarter. 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. The negative EBITDA was mainly due to operative costs related to opening a new restaurant in Helsinki city centre.

February 2018–July 2018
No Pizza's net sales were EUR 72 thousand in the second quarter. No Pizza's comparable EBITDA was -90 thousand in the second quarter. No Pizza's EBITDA was EUR -116 thousand in the second quarter. 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. The negative EBITDA was mainly due to operative costs related to opening a new restaurant in Helsinki city centre.

OTHERS SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	0	0	0	0	0
Net sales	0	0	0	0	0
Comparable gross margin / EBITDA	-427	-322	-874	-612	-1 505
Depreciation and impairments	-69	-78	-132	-148	-293
Comparable EBIT	-495	-401	-1 006	-760	-1 797
Gross margin / EBITDA	-683	-405	-1 218	-784	-2 095
EBIT	-752	-484	-1 350	-932	-2 387

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

May 2018–July 2018
Net sales of the Others segment were 0.00 MEUR (0.00) in the second quarter. Comparable EBITDA was -0.43 MEUR (-0.32). EBITDA was -0.68 MEUR (-0.41). EBITDA included EUR 257 thousand of items affecting comparability. Additional purchase price related to the Social Burgerjoint acquisition, which has been booked as cost, has been treated as an 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 also been treated as items affecting comparability.

February 2018–July 2018

Net sales of the Others segment were 0.00 MEUR (0.00) in the second quarter. Comparable EBITDA was -0.87 MEUR (-0.61). EBITDA was -1.22 MEUR (-0.78). EBITDA included EUR 344 thousand of items affecting comparability. Additional purchase price related to the Social Burgerjoint acquisition, which has been booked as cost, has been treated as an 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 also been treated as items affecting comparability.

FINANCIAL ITEMS AND RESULT

Group finance costs in the second quarter were MEUR -0.19 (-0.25).

Group taxes were MEUR -0.42 (-0.39) in the second quarter of the financial year.

Result in the second quarter was MEUR 1.40 (1.43).

Earnings per share were EUR 0.22 (0.23) in the second quarter.

THE GROUP'S FINANCIAL POSITION

Kotipizza Group's balance sheet total was MEUR 59.1 (58.7) at the end of the second quarter. The Group's non-current assets amounted to MEUR 43.3 (42.3) in total, and the current assets amounted to MEUR 15.8 (16.4) in total.

Group's net cash flow from operating activities in the review period was MEUR 0.62 (0.59). Of net working capital MEUR 0.09 was tied (released 1.68).

The net cash flow from investment activities in the period was MEUR -1.24 (-1.59). Investments in tangible and intangible assets for the period amounted to MEUR 1.17 (0.84).

The net cash flow from financing activities was MEUR -4.93 (-3.87). The Group distributed MEUR 4.1 (3.2) funds from fund for invested unrestricted equity to its shareholders during the period.

The Group's equity ratio was 51.8% (50.7%).

Interest-bearing debt amounted to MEUR 14.7 (16.5), of which current debt accounted for MEUR 0.89 (0.91).

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 1.24 (1.59). 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 1.17 (0.84).

CORPORATE RESPONSIBILITY

During the review period, we continued the work to develop the Group's corporate responsibility reporting. In future reporting, we intend to employ the ESG framework, designed for listed companies in Nordic and Baltic countries. First, it will be piloted in the Kotipizza chain's reporting. Our aim to is drive corporate responsibility efforts with knowledge, 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 in Kotipizza Group and the Kotipizza chain. On Group level, we carried out an analysis of the company's corporate culture. Based on the findings, we have continued work after the review period to develop our corporate culture. In the Kotipizza chain, an initiative was launched during the review period to update the franchisee training curriculum and franchisee manual. In both, the franchisees' understanding of the labour code and capabilities to take care of their employees' well-being will be given more emphasis than previously.

PERSONNEL

At the end of the review period, Kotipizza Group employed 87 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.

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 3295 (2398) shareholders. The Company does not hold any treasury shares.

The Board of Directors of Kotipizza Group Oyj resolved on 6 May 2016 upon a long-term share-based incentive program intended for the executive board. The program covers three three-year earning periods. Based on the plan, the company may give performance shares for the review periods. According to the initial plan, for the earning periods of 1 February 2017–31 January 2020 and 1 February 2018–31 January 2021, the company could have given also discretionary matching shares based on the key employees' shareholding in addition to the performance shares. However, the Board of Directors of Kotipizza Group Oyj resolved on 20 March 2018 that such matching shares will not be given.

Based on the earning period of 1 February 2016–31 January 2019, at maximum 47 204 performance shares can be given as reward, which includes a cash payment portion of the reward. Based on the earning period of 1 February 2017–31 January 2020, at maximum 30 742 performance shares can be given as reward, which includes a cash payment portion of the reward. Based on the earning period of 1 February 2018–31 January 2021, at maximum 24 782 performance shares can be given as reward, which includes a cash payment portion of the reward. The potential reward is to be paid as a combination of shares (50%) and cash payment (50%). The cash payment portion is aimed to cover taxes and tax-like charges to be paid by the key employee.

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

FLAGGING NOTICES

There were no flagging notices in the review period.

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.

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 restaurant 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 was recently 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 received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Danske Bank A/S on 27 August 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 August 2018: The shares managed by Danske Bank A/S totaled 315.166 shares representing 4.96% 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 27 August 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 of share capital and voting rights as of 24 August 2018: The shares managed by Axxion S.A. totaled 336.660 shares representing 5.30% of total share capital and total voting rights.

OUTLOOK FOR THE FINANCIAL YEAR 2019

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

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

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

The growth of sales in the Kotipizza chain has continuously outperformed the growth of both the entire restaurant market and the fast food market. It can even be estimated that the strong growth of the Kotipizza chain has contributed to the more positive development of the fast food market compared with the rest of the restaurant market.

According to MaRa, the growth of sales in the restaurant sector will remain favourable in 2018, supported by the growth of the Finnish national economy and increased consumer confidence. Development will be particularly strong in the fast food sector, as fast food restaurants account for a considerable proportion of restaurant dining.

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

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

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

ACCOUNTING POLICIES

Kotipizza Group’s unaudited interim report for the three-month period ending 30 April 2018, including the audited comparison figures for the three-month period ending 30 April 2017, have been prepared according to IAS 34. The same accounting principles that were used in the previous audited full year financial statements have been applied.

IASB has issued new and revised standards and interpretations. The Group adopts them as they become effective, or if the effective date differs from the reporting date, starting from the first financial year after the effective date. The Group does not expect 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 will apply the standard 1 February 2018 and will apply the standard fully retroactively.

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

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

According to IFRS 16, lessees must recognise a lease liability for the lease payments to be paid in the future and a right-of-use asset on its balance sheet for almost all leases. IFRS 16 is effective from 1 January 2019. The new IFRS 16 standard will supersede the current IAS 17 standard. The Group is currently assessing the potential effects of the standard. IFRS 16 will slightly increase the Group’s gearing, primarily due to the recognition of leases on properties.

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

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

	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
	000 €	000 €	000 €	000 €	000 €
Net sales	**24 307**	**21 123**	**45 837**	**40 348**	**84 089**
Other income	0	32	0	33	105
Change in inventory of raw materials and finished goods (+/–)	584	1 692	376	1 533	1 014
Raw materials and finished goods (–)	-18 728	-17 753	-34 800	-32 290	-65 173
Employee benefits/expenses (–)	-1 323	-848	-2 641	-1 832	-4 489
Depreciations (–)	-379	-374	-728	-670	-1 360
Impairments (–)		-	-	-	
Other operating expenses (–)	-2 463	-1 809	-4 555	-3 790	-7 764
Operating profit	**1 999**	**2 062**	**3 488**	**3 331**	**6 421**
Finance income	10	7	23	25	47
Finance costs	-187	-247	-138	-449	-738
Loss / profit before taxes	**1 821**	**1 822**	**3 372**	**2 908**	**5 731**
Income taxes	-419	-392	-694	-639	-1 252
Loss / profit for the period	**1 402**	**1 430**	**2 678**	**2 268**	**4 479**
Earnings per share, EUR:					
Basic profit for the period attributable to ordinary equity holders of the parent (no dilutive instruments)	0.22	0.23	0.42	0.36	0.71
Basic profit for the period attributable to ordinary equity holders of the parent	0.22	0.23	0.42	0.36	0.71

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
	000 €	**000 €**			**000 €**
Profit (loss) for the period	**1 402**	**1 430**	**2 678**	**2 268**	**4 479**
Other comprehensive income: Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Cash flow hedges		21	-	36	-
Taxes related to other comprehensive income	-	-4	-	-7	-
			-	-	
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-**	**17**	**-**	**29**	**-**
Other comprehensive income for the period, net of tax	**-**	**17**	**-**	**29**	**-**
Total comprehensive income for the period, net of tax	**1 402**	**1 447**	**2 678**	**2 297**	**4 479**
Attributable to:					
Owners of the company	1 490	1 447	2 806	2 303	4 504
Non-controlling interest	-88	-1	-127	-6	-26
	1 402	1 447	2 678	2 297	4 479

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	**31.7.2018** **000 €**	**31.7.2017** **000 €**	**31.1.2018** **000 €**
Non-current assets			
Property, plant and equipment	946	1 099	939
Goodwill	37 299	36 521	37 299
Intangible assets	3 560	3 194	3 113
Non-current financial assets	2	2	2
Non-current receivables	1 410	1 027	1 316
Deferred tax assets	59	401	21
	43 276	**42 245**	**42 689**
Current assets			
Inventories	4 912	5 227	4 088
Trade and other receivables	8 433	6 392	6 707
Current tax receivables	-	4	4
Cash and cash equivalents	2 432	4 774	7 982
	15 776	**16 397**	**18 781**
Assets classified as held for sale	**13**	13	13
Total assets	**59 065**	**58 656**	**61 483**

	31.7.2018 **000 €**	**31.7.2017** **000 €**	**31.1.2017** **000 €**
Equity and liabilities			
Share capital	80	80	80
Fund for invested unrestricted equity	20 291	24 419	24 419
Retained earnings	10 390	5 323	7 519
Total equity attributable to equity holders of the parent company	30 761	29 822	32 019
Non-controlling interests	-168	-97	-41
Total equity	**30 592**	**29 725**	**31 978**
Non-current liabilities			
Interest bearing loans and borrowings	13 811	15 587	14 289
Financial liabilities at fair value through profit or loss	188	262	193
Other non-current liabilities	3 682	3 437	3 650
Deferred tax liabilities	183	73	171
	17 865	**19 359**	**18 303**
Current liabilities			
Interest bearing loans and borrowings	888	911	1 492
Trade and other payables	9 108	8 109	9 015
Current tax liabilities	612	552	696
	10 608	**9 572**	**11 202**
Liabilities related to assets held for sale	**-**	**-**	**-**
Total liabilities	**28 473**	**28 931**	**29 505**
Total shareholders' equity and liabilities	**59 065**	**58 656**	**61 483**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR THOUSAND	Equity attributable to owners of the company Share capital	Fund for invested unrestricted equity	Retained earnings	Total	Non-controlling interest	Total equity
1 February 2018	80	24 419	7 519	32 018	-41	31 978
Result for the period			2 806	2 806	-127	2 678
Other comprehensive income				-	-	-
Total incomprehensive income for the period	-	-	2 806	2 806	-127	2 678
Transactions with owners						
Management incentive scheme	-	-	55	55	-	55
Dividends	-	-4 128	10	-4 119	-	-4 119
Transactions with owners total	-	-4 128	65	-4 064		-4 064
31 July 2018	80	20 291	10390	30 760	-168	30 592

EUR THOUSAND	Equity attributable to owners of the company Share capital	Fund for invested unrestricted equity	Retained earnings	Total	Non-controlling interest	Total equity
1 February 2017	80	27 595	2 989	30 664	-91	30 573
Result for the period	-	-	2 275	2 275	-6	2 268
Other comprehensive income	-	-	29	29	-	29
Total incomprehensive income for the period	-	-	2 303	2 303	-6	2 297
Transactions with owners						
Management incentive plan			31	31		31
Dividends	-	-3 176		-3 176	-	-3 176
Transactions with owners total	-	-3 176	31	-3 145	-	-3 145
31 July 2017	80	24 419	5 323	29 822	-97	29 725

CONSOLIDATED STATEMENT OF CASH FLOWS

Operating activities	2-7/18 000 €	2-7/17 000 €	2/17-1/18 000 €
Profit before tax	3 372	2 908	5 731
Adjustments to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment	228	304	636
Depreciation and impairment of intangible assets	500	366	724
Other non-cash adjustments	210	-	15
Gain on disposal of property, plant and equipment		-47	11
Finance income	-23	-25	-47
Finance costs	123	449	738
Change in working capital			
Change in trade and other receivables (+/–)	-1 739	-631	-940
Change in inventories (+/–)	-824	-2 134	-995
Change in trade and other payables (+/–)	-826	-175	1 617
Change in provisions (+/–)	-	-	
Interest paid (–)	-304	-451	-722
Interest received	5	25	47
Income tax paid (–)	-104	-1	-1 212
Net cash flows from operating activities	**620**	**588**	**5 603**
Investment cash flows			
Investments for tangible assets (–)	-347	-32	-34
Investments for non-tangible assets (–)	-825	-807	-1 370
Other long term receivables			1
Acquisition of subsidiaries	-72		-522
Acquired business operations		-750	-750
Net cash flows used in investing activities	**-1 244**	**-1 589**	**-2 675**
Financing activities			
Dividends	-4 128	-3 176	-3 176
Loans withdrawal		-	-
Loans repayments (–)	-605	-575	-1 150
Finance lease payments (+/–)	-193	-124	-270
Net cash flow used in financing activities	**-4 926**	**-3 874**	**-4 596**
Net change in cash and cash equivalents	-5 550	-4 876	-1 668
Cash and cash equivalents at the beginning of the period	7 982	9 650	9 650
Cash and cash equivalents at the end of the period	**2 432**	**4 774**	**7 982**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SEGMENT INFORMATION

KOTIPIZZA SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	4 369	3 816	8 254	7 337	15 105
Net sales	5 660	4 885	10 666	9 350	19 335
Comparable gross margin / EBITDA	2 653	2 220	4 581	3 800	8 024
Depreciation and impairments	-233	-244	-462	-434	-865
Comparable EBIT	2 420	1 976	4 119	3 365	7 160
Gross margin / EBITDA	2 653	2 220	4 581	3 800	7 925
EBIT	2 420	1 976	4 119	3 365	7 060

FOODSTOCK SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	17 965	16 139	34 164	30 823	64 185
Net sales	17 965	16 139	34 164	30 823	64 185
Comparable gross margin / EBITDA	679	620	1 200	988	1 980
Depreciation and impairments	-49	-50	-98	-84	-176
Comparable EBIT	630	571	1 102	904	1 804
Gross margin / EBITDA	679	620	1 200	988	1 936
EBIT	630	571	1 102	904	1 760

CHALUPA SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	112	99	224	175	375
Net sales	112	99	224	175	375
Comparable gross margin / EBITDA	-33	1	-52	-3	-15
Depreciation and impairments	-3	-2	-5	-3	-6
Comparable EBIT	-35	-1	-57	-6	-21
Gross margin / EBITDA	-33	1	-52	-3	-23
EBIT	-35	-1	-57	-6	-29

SOCIAL BURGERJOINT SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	498	0	711	0	194
Net sales	498	0	711	0	194
Comparable gross margin / EBITDA	-72	0	-129	0	38
Depreciation and impairments	-15	0	-20	0	-21
Comparable EBIT	-87	0	-149	0	17
Gross margin / EBITDA	-122	0	-180	0	38
EBIT	-137	0	-200	0	17

NO PIZZA SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	72	0	72	0	0
Net sales	72	0	72	0	0
Comparable gross margin / EBITDA	-90	0	-90	0	0
Depreciation and impairments	-11	0	-11	0	0
Comparable EBIT	-101	0	-101	0	0
Gross margin / EBITDA	-116	0	-116	0	0
EBIT	-126	0	-126	0	0

MUUT SEGMENT

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	0	0	0	0	0
Net sales	0	0	0	0	0
Comparable gross margin / EBITDA	-427	-322	-874	-612	-1 505
Depreciation and impairments	-69	-78	-132	-148	-293
Comparable EBIT	-495	-401	-1 006	-760	-1 797
Gross margin / EBITDA	-683	-405	-1 218	-784	-2 095
EBIT	-752	-484	-1 350	-932	-2 387

ALL SEGMENTS TOGETHER

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	23 015	20 053	43 425	38 335	79 858
Net sales	24 307	21 123	45 837	40 348	84 089
Comparable gross margin / EBITDA	2 710	2 519	4 637	4 173	8 523
Depreciation and impairments	-379	-374	-728	-670	-1 360
Comparable EBIT	2 331	2 145	3 909	3 503	7 163
Gross margin / EBITDA	2 378	2 436	4 216	4 001	7 781
EBIT	1 999	2 062	3 488	3 331	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:

	31/7/2018	31/7/2017
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
2/18-7/18	000 €	000 €	000 €	000 €	000 €
Key management of the group	-	-	-	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	107	10	-	-
2/17-7/17					
Key management of the group	-	-	-	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	90	10	-	-

NOTE 4. EMPLOYEE BENEFITS EXPENSE

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

	2-7/18	2-7/17
	000 €	000 €
Wages and salaries	2 203	1 519
Social security costs	33	23
Pension costs (defined contribution plans)	406	290
Total employee benefits expense	**2 641**	**1 832**

NOTE 5. CONTINGENT LIABILITIES

Commitments	31/07/2018	31/07/2017
	000 €	000 €
Leasing commitments	163	304
Secondary commitments		
Rental guarantees	997	913
Bank guarantees	468	420
Rental commitments for premises	2 897	3 256
Loans from financial institutions	14 238	15 388
Guarantees for other than Group companies	-	3
Guarantees		
Pledged deposits	146	146
Business mortgages	17 500	17 500
Guarantees	12	12
Pledged shares, book value	44 236	44 236
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	5-7/18	5-7/17	2-7/18	2-7/18	2/17-1/18
Net sales	24 307	21 123	45 837	40 348	84 089
Items affecting comparability	-1 292	-1 069	-2 412	-2 013	-4 230
Comparable net sales	23 015	20 053	43 425	38 335	79 858

Items affecting comparability in 5-7/18, 5-7/17, 2-7/18, 2-7/18 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	5-7/18	5-7/17	2-7/18	2-7/18	2/17-1/18
EBIT	1 999	2 062	3 488	3 331	6 421
Items affecting comparability	333	83	421	172	742
Comparable EBIT	2 331	2 145	3 909	3 503	7 163

Development costs of a concept aimed at international markets, No Pizza, and of Social Burgerjoint, together with additional purchase price related to the Social Burgerjoint acquisition, have been in 5-

7/18, 5-7/17, 2-7/18, 2-7/18 and 2/17-1/18 as items affecting comparability as they have been booked as costs. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have also 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	5-7/18	5-7/17	2-7/18	2-7/18	2/17-1/18
EBIT	1 999	2 062	3 488	3 331	6 421
Depreciation and impairments	379	374	728	670	1 360
EBITDA	2 378	2 436	4 216	4 001	7 781

COMPARABLE EBITDA

EUR thousand	5-7/18	5-7/17	2-7/18	2-7/18	2/17-1/18
EBIT	1 999	2 062	3 488	3 331	6 421
Depreciation and impairments	379	374	728	670	1 360
Items affecting comparability	333	83	395	172	742
Comparable EBITDA	2 710	2 519	4 611	4 173	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 July 2018	31 July 2017	31 Dec 2018
Long-term interest bearing debt	13 811	15 587	14 289
Short-term interest bearing debt	888	911	1 492
Cash and cash equivalents	2 432	4 774	7 982
Net debt	12 268	11 723	7 799

NET GEARING, %

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

EQUITY RATIO, %

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

In Helsinki 25 September 2018

Kotipizza Group Oyj's Board of Directors

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