KOTIPIZZA GROUP OYJ

ANNUAL REPORT / 2017

KOTIPIZZA GROUP

CONTENTS

MAKING THE WORLD A BETTER PLACE, ONE BITE AT A TIME

Kotipizza Group's business is built on people getting together to enjoy delicious food.

For several years now, Kotipizza has declared its mission as making the world a better place, one pizza at a time. This idea has been exceptionally successful: it has simultaneously served as the company's mission, the cornerstone of its marketing communications and a slogan that most Finnish consumers recognise.

KOTIPIZZA Group's mission is now broader than before: we want to make the world a better place, one bite at a time. This reflects Kotipizza Group's expansion into a home of brands. Our strategy of developing fast casual restaurant concepts is taking concrete form as our portfolio expands from Kotipizza and the Mexican-style Chalupa chain to also include the Social Burgerjoint restaurant, our international restaurant concept No Pizza and our Tasty Market lunch restaurant concept. The Kotipizza Go snack concept is also part of our product development.

MAKING the world a better place one bite at a time means that all of Kotipizza Group's concepts are built on the same essential foundation. They are all influenced by the megatrends shaping our planet, such as climate change and accelerating urbanisation. They all respond to these megatrends through the same kind of commitment to responsible business. Behind each of our concepts are the same ideas of high-quality and responsibly produced ingredients, ambitious product development and a dynamic and entrepreneurial franchising model.

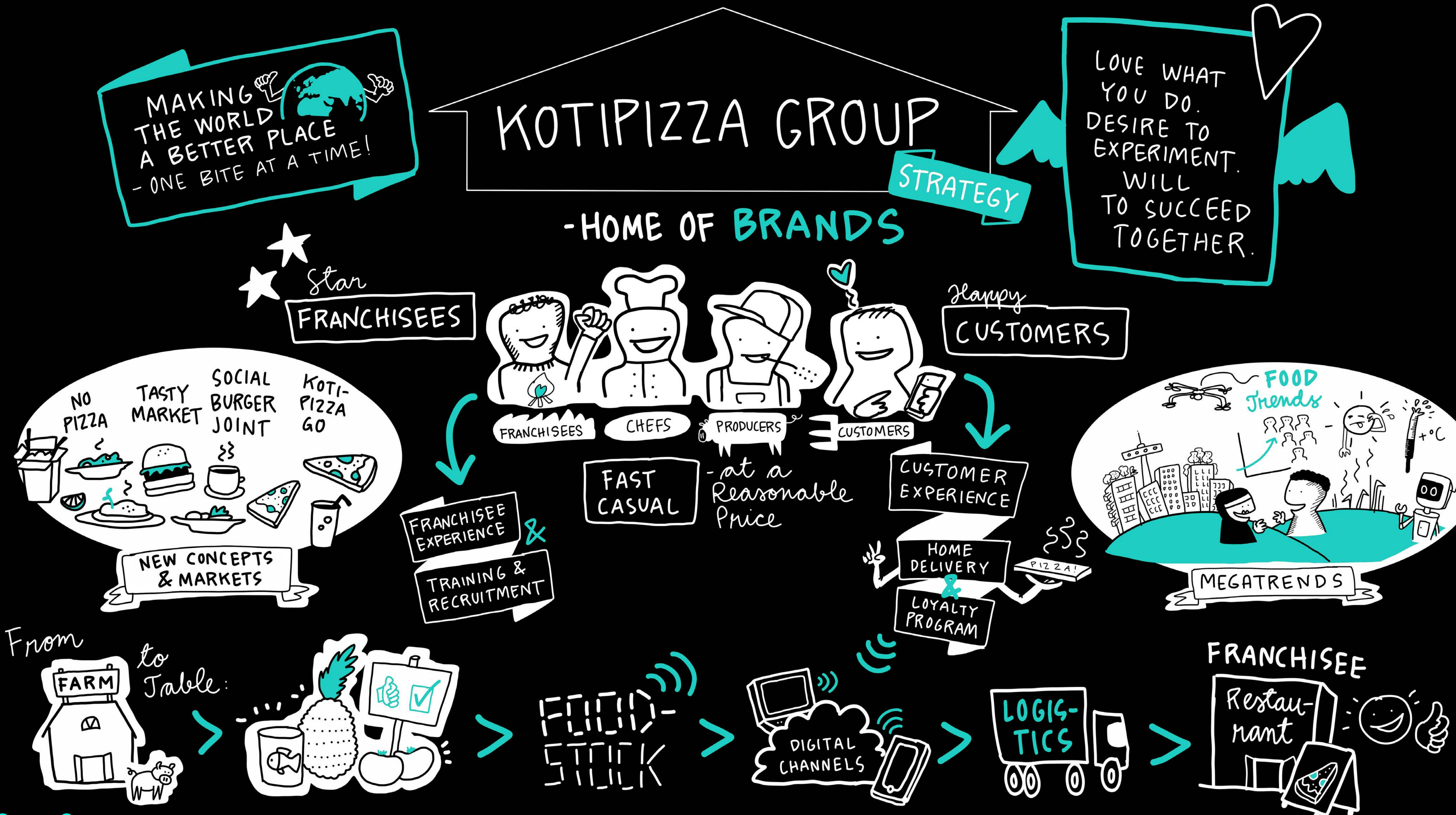
ABOVE all, it is a question of passion. Kotipizza Group creates and fosters successful restaurant concepts because we are passionate about food. We are also passionate about human well-being, which is why we invest in first-class leadership, working culture and customer experience.

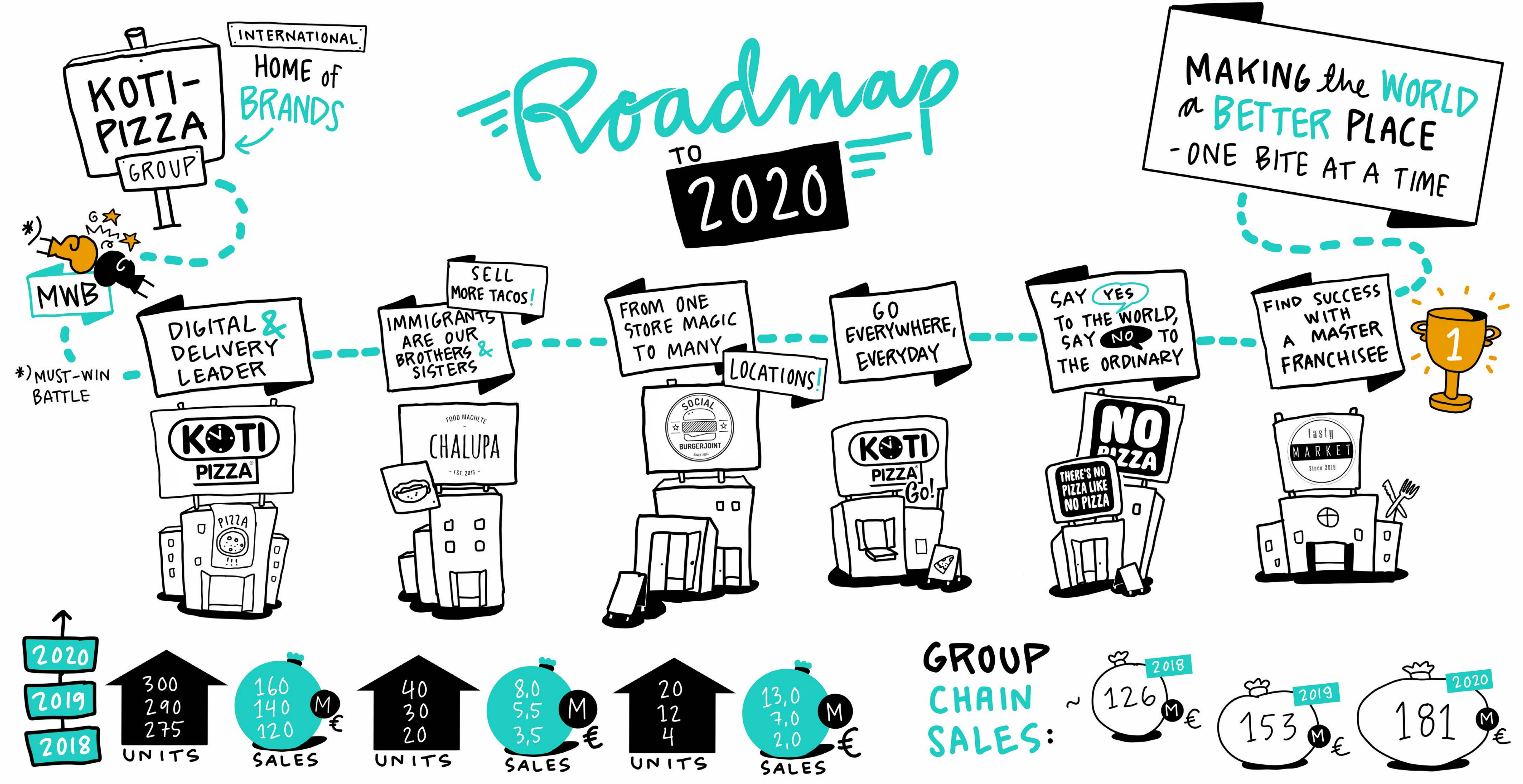
OUR passion for food and people is most clearly evident in our focus on how we encounter our customers. The significance of phenomena such as new digital services, artificial intelligence and food delivery as components of the customer experience is constantly growing, but ultimately it all comes down to something very simple and fundamental: people getting together around delicious food.

THE better Kotipizza Group and its various restaurant concepts can bring people together by providing tasty and responsibly produced food, the more successful our brands will be. And the more effective we will be in making the world a better place, one bite at a time.

"Above all, it is a question of passion."

Kalle Ruuskanen
Chairman of the Board
Kotipizza Group Oyj


KOTIPIZZA GROUP
STRATEGY
- HOME OF BRANDS
MAKING THE WORLD A BETTER PLACE - ONE BITE AT A TIME!
LOVE WHAT YOU DO. DESIRE TO EXPERIMENT. WILL TO SUCCEED TOGETHER.
Star FRANCHISEES
Happy CUSTOMERS
FRANCHISEES
CHEFS
PRODUCERS
CUSTOMERS
NO PIZZA
TASTY MARKET
SOCIAL BURGER JOINT
KOTI-PIZZA GO
NEW CONCEPTS & MARKETS
FRANCHISEE EXPERIENCE &
TRAINING & RECRUITMENT
FAST CASUAL
- at a Reasonable Price
CUSTOMER EXPERIENCE
HOME DELIVERY & LOYALTY PROGRAM
PIZZA!
FOOD Trends
+°C
MEGATRENDS
From FARM to Table:
FOOD-STOCK
DIGITAL CHANNELS
LOGIS-TICS
FRANCHISEE Restau-rant


KOTI-PIZZA GROUP
INTERNATIONAL
HOME of BRANDS
Roadmap
TO 2020
MAKING the WORLD a BETTER PLACE - ONE BITE AT A TIME
MWB
*) MUST-WIN BATTLE
DIGITAL & DELIVERY LEADER
KOTI PIZZA
PIZZA
IMMIGRANTS ARE OUR BROTHERS & SISTERS
SELL MORE TACOS!
FOOD MACHETE
CHALUPA
EST. 2015
FROM ONE STORE MAGIC TO MANY LOCATIONS!
SOCIAL BURGERJOINT
GO EVERYWHERE, EVERYDAY
KOTI PIZZA Go!
SAY YES TO THE WORLD, SAY NO TO THE ORDINARY
NO PIZZA
THERE'S NO PIZZA LIKE NO PIZZA
FIND SUCCESS WITH A MASTER FRANCHISEE
tasty MARKET
Since 2018
1
2020
2019
2018
300
290
275
UNITS
160
140
120
M €
SALES
40
30
20
UNITS
8,0
5,5
3,5
M €
SALES
20
12
4
UNITS
13,0
7,0
2,0
M €
SALES
GROUP CHAIN SALES:
~ 126 M € 2018
153 M € 2019
181 M € 2020

A HOME OF BRANDS

Kotipizza Group's family of brands has shared values.

When Kotipizza chain turned 30 last year, the birthday was celebrated with family and friends. We threw a party at Vanajanlinna, with many of our franchisees and the partners we have worked with through the years in attendance.

The word "family" is also of wider significance when it comes to Kotipizza Group's past financial year. Having had a little brother in 2015 in the form of the Mexican-style Chalupa chain, Kotipizza got several more siblings during the past year. We acquired the Social Burgerjoint restaurant, which will be developed into a nationwide chain of burger restaurants, and we launched the international No Pizza restaurant concept as well as the Kotipizza Go concept for eating on the go. We followed these moves by announcing the Tasty Market lunch restaurant concept after the end of the financial year.

KOTIPIZZA Group is now a home of brands. A home of brands is not only a place for brands to live. It is a place for brands to grow.

Playing the role of parents, we in the Group's management provide our young brands with love and guidance. At least equally important in raising the young ones are their big brothers and sisters, meaning the Group's older and larger chains. Kotipizza's success and growth story now serve as signposts in the growth stories of Chalupa, Social Burgerjoint, No Pizza and Tasty Market.

A FAMILY should also have shared values. In Kotipizza Group, these shared values are "love what you do", "desire to experiment, will to succeed" and "together". They are not just empty phrases. They genuinely guide our operations and give us the opportunity to learn from each other. The team spirit of Kotipizza franchisees serves as an example for the new concepts to follow. Conversely, the members of the Kotipizza chain can learn a lot from the desire to experiment, positive entrepreneurial spirit and ambition of Iman and Amin Gharagozlu, the leaders of the Chalupa chain, and Herkko Volanen and Mika "Pikkis" Tuomonen, the creators of Social Burgerjoint.

GOOD parenting also means setting limits and clear goals. Our Roadmap to 2020 marks the first time we have set growth targets for the number of restaurants and the development of chain sales for the Kotipizza, Chalupa and Social Burgerjoint chains.

THE roadmap shows that even though Kotipizza will always be the first-born in our family of brands, its younger siblings will gradually begin to push it to even greater heights. You can never be sure about the future, but I dare to predict that this home of brands will look completely different in 2020.

Tommi Tervanen
CEO
Kotipizza Group Oyj

"Kotipizza Group is now a home of brands. A home of brands is not only a place for brands to live. It is a place for brands to grow."

LEADERSHIP CREATES A COMPETITIVE ADVANTAGE

Concept reforms increased the sales of the 30-year-old Kotipizza chain and improved franchisee satisfaction.

The past financial year was a special one for Kotipizza. We celebrated the chain's 30th anniversary and revised its concept to deliver an even better customer experience in our digital channels as well as our restaurants. The renewal measures also strengthened our role as a forerunner in responsible business. Kotipizza received the Franchising Chain of the Year award from the Finnish Franchising Association.

SALES continued to see strong growth in the financial year 2017. The chain's monthly sales record was broken three times, and in December monthly sales exceeded ten million euros for the first time. Cumulative chain sales grew by 18.2 per cent, more than twice as fast as the fast food market on average. This trend shows that the fast casual segment is outpacing traditional fast food in the Finnish restaurant industry.

The most significant renewal measures of the year utilised digital solutions and technology. We were the first in Finland to launch a chatbot, Kotibotti, for ordering and buying food via instant messages. We continued the development and testing of our online store. The demand for our delivery services increased. Our new technology-assisted delivery vehicles deliver pizzas hot thanks to built-in warming boxes.

THE core of our business is still our delicious product. Our restaurants deployed a digital self-monitoring system to ensure that ingredients are fresh and safe to eat. We created a new plank pizza that is topped with sustainably farmed Finnish rainbow trout, and the Kotipizza Go pizza slice product to reach customers on trains and ferries as well as at service stations. Our messages centered on our domestic and clean food, hit home with our customers.

At the end of the financial year, the chain included 266 (258) restaurants. We believe that there is still room in the market for the expansion of Kotipizza, especially in growth centres. By the end of the next financial year, the number of restaurants should have reached 275.

OUR consistent focus on interaction between the chain and the franchisees has led to increased franchisee satisfaction. A survey conducted in autumn 2017 indicated that the relationship between the chain and the franchisees is stronger than ever.

Our development efforts will continue. Leadership in key areas will continue to be our most important competitive advantage in the growing fast casual dining market.

"The relationship between the chain and its franchisees is better than ever."

Heidi Stirkkinen
COO
Kotipizza Group Oyj

A YEAR OF GROWTH

Investments in customer service elevated customer satisfaction to a record level.

The past year was characterised by very strong sales and performance for Foodstock. The recipe for our success is no secret: our customers are Finland's best and fastest-growing restaurant chains, and we have helped them expand their operations nationwide. When our customers achieve success, we have succeeded in what we do.

Our growth during the past financial year was driven especially by our newest customers, such as Espresso House and Fafa's, which opened new branches across Finland. Growth was further boosted by the Kotipizza and Chalupa chains, which are part of our parent company. Kotipizza's sales saw tremendous growth and Chalupa expanded its network of restaurants. We also acquired one new customer as we started managing the flow of goods for the Street Gastro restaurant chain.

GOING forward, Foodstock's operations and result will be increasingly affected by the parent company's new restaurant chains. The first of these is Social Burgerjoint, which became our customer during the year. We support the expansion of restaurant chains and supply them with responsibly produced food that is of uniform quality.

During the past year, we invested in customer service. Key aspects of our service include our responsiveness and problem-solving ability. We recruited new professionals into our customer service, sales and logistics teams to provide even more comprehensive service than before. Our customer satisfaction rose to a record level during the past financial year.

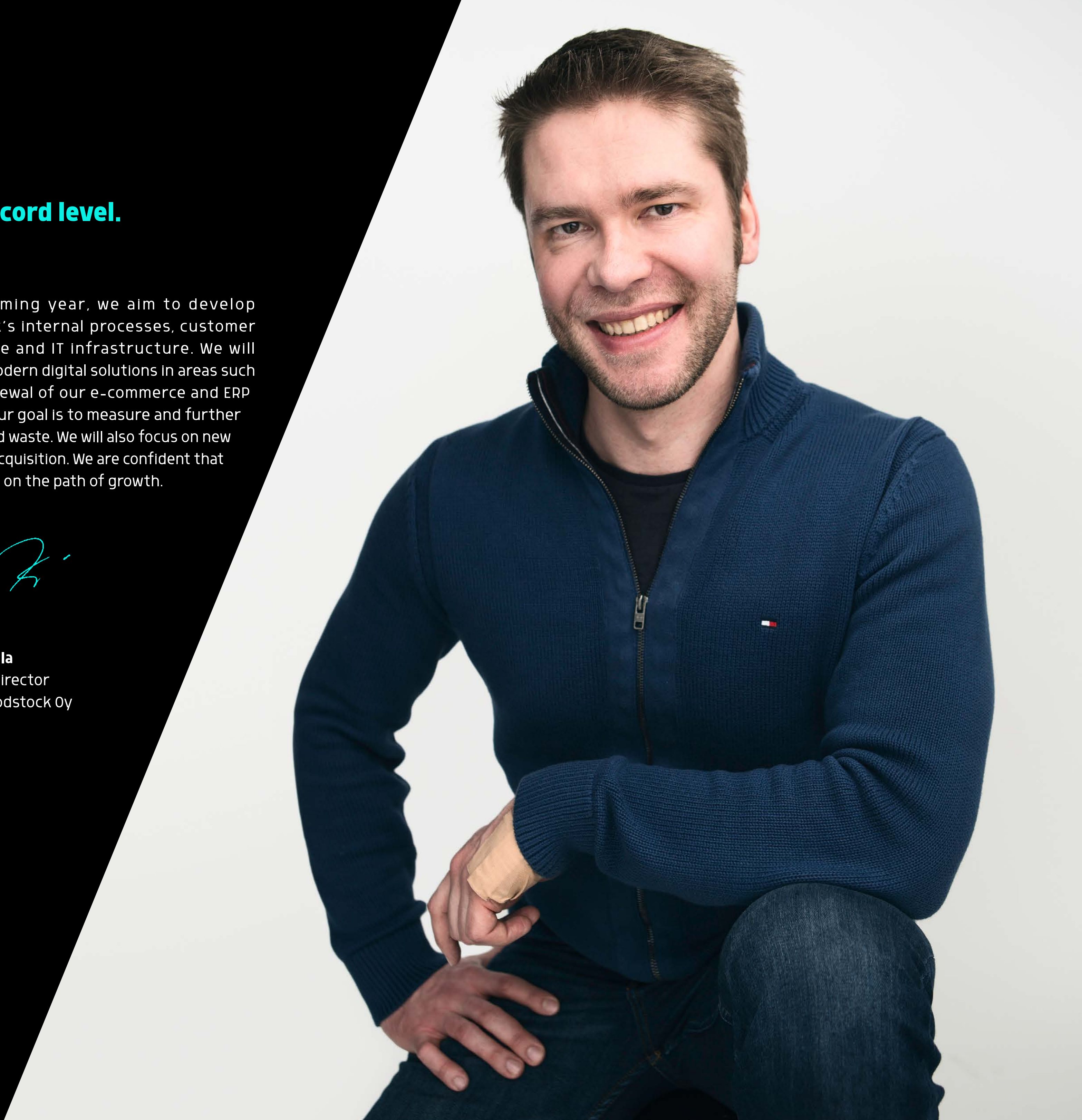
RESPONSIBILITY is a key building block in our operations. We are forerunners in introducing responsibly produced ingredients in chain-managed companies and, consequently, the consumer market. We continued to promote sustainable fishing by introducing Finnish Benella rainbow trout to the Kotipizza chain. The fish is sourced from contract farmers, with environmental and health-related considerations emphasised in the way it is farmed.

CONSUMERS value domestic food. We added new domestic products to our selection and we are always looking for domestic product alternatives. One significant achievement we made in promoting cleaner and more natural food last year was eliminating a large number of additives from our private label products.

"Responsibility is a key building block in our operations."

IN the coming year, we aim to develop Foodstock's internal processes, customer experience and IT infrastructure. We will harness modern digital solutions in areas such as the renewal of our e-commerce and ERP systems. Our goal is to measure and further reduce food waste. We will also focus on new customer acquisition. We are confident that we will stay on the path of growth.

Anssi Koivula
Managing Director
Helsinki Foodstock Oy



NATIONAL AND INTERNATIONAL

Chalupa continues its expansion to become a nationwide chain.

When the Mexican-style restaurant chain Chalupa started its operations as part of Kotipizza Group in autumn 2015, some doubted the chain's growth potential and capacity for success outside the Helsinki metropolitan area. These doubts have proved to be unfounded. By the end of the financial year 2017, the chain had grown to include 13 restaurants and a food truck that appears at various events. Chalupa now operates outside the Helsinki metropolitan area in Tampere, Jyväskylä and Lahti.

THERE is more growth to come. Kotipizza Group's Roadmap to 2020 sets clear targets for Chalupa: the number of restaurants should reach 20 by the end of 2018 and 40 by the end of 2020. The target for the chain's sales for the same period is brisk growth to reach 8 million euros.

THIS means that a growing number of Finns will get access to Chalupa's tacos, burritos and salads. Chalupa will not identify itself with Helsinki, the capital region or even Southern Finland. It will become a genuinely national chain.

AT the same time, Chalupa will maintain its roots as an immigrant-driven chain. The international background of most of our franchisees makes the chain dynamic and entrepreneurial and helps it establish an identifiable profile. The recommendations of our existing franchisees help us find new ones.

CHALUPA restaurants and their menus are a combination of Finnishness and internationality. As part of Kotipizza Group, Chalupa benefits from Foodstock's expertise in sourcing and finding new ingredients. We also cooperate closely with Kotipizza and the Group's other units in the development of new products and the customer experience.

CHALUPA'S menu has continued to evolve into an attractive combination of traditional Mexican street food and modern fast casual fare. The menu's guiding principles are still freshness and healthy eating. Of all the ingredients, 85 per cent are now vegetarian and 75 per cent vegan. The percentage of domestic ingredients is also increasing after we have introduced Finnish chicken, pork, tofu and seitan, for example.

THE ongoing development of our food and customer experience is vital as we continue our growth as part of Kotipizza Group. The Group's roadmap sets ambitious targets for our growth, and the Group provides crucial support to help us reach our lofty goals.

"Chalupa will become a genuinely national chain."

Iman Gharagozlu
Creative Director
Chalupa Oy

SUCCESS COMES FROM WORKING TOGETHER

Staff satisfaction is based on shared values.

In 2017, Kotipizza Group expanded with new concepts, franchisees and employees, and new talent joined the group's management. This growth would not have been possible without shared values. We are brought together by a desire to experiment and a love for what we do.

Last year, Kotipizza Group recruited talent in the areas of marketing, product and concept development as well as operative functions. These investments supported the rebranding of the Kotipizza and Chalupa chains and the development of new restaurant concepts.

"Different backgrounds make us stronger."

AT the end of the financial year, Kotipizza Group had a total of 20 employees, three of whom were women. Two employees had a fixed-term contract. 19 people were working in the Kotipizza chain management, five of whom were women. 16 of these employees had a permanent contract, while three had a fixed-term contract. Foodstock had 12 employees, 6 of whom were women, and all had permanent contracts. Both Chalupa and Social Burgerjoint management included two men. In total, 55 people worked in the Group management at the end of the year.

Kotipizza restaurants were run by almost 300 franchisees, who in total had approximately 1,700 employees. On average, each restaurant employed 6 people, some of whom may have been working on a part-time basis. The 13 Chalupa restaurants run by franchisees employed a total of 20 people. The Social Burgerjoint restaurant employed 10 people.

A growing number of the Group chain franchisees originate from outside of Finland. Franchising helps immigrants find work and integrate in society, while having different backgrounds makes our teams stronger. Chalupa is an entirely immigrant-led chain, and approximately 10% of Kotipizza franchisees are immigrants. These franchisees were in charge of a third of Kotipizza restaurants opened last year.

WE aim to constantly invest in the well-being of both the Group's employees and the franchisees as well as their employees. The Group management has carried on with the Year of Fitness program, which aims to strengthen the staff's mental and physical well-being. The Kotipizza chain has also developed further the collaboration between the chain and its franchisees. The relationship between chain management and franchisees is now stronger than ever. This was evident in the record-breaking results of the annual franchisee satisfaction survey. As many as 77% of Kotipizza franchisees would recommend becoming a franchisee.

PART of our investment in well-being, commitment and pride in one's work was giving consumers a closer look at what we do. Both Kotipizza franchisees and chain management were active on social media, telling followers about their work, and a widely publicised documentary on multi-franchisee Ibrahim Khalil was produced.

"We have reason to believe that the growth of restaurant dining will continue in the coming years."

DRIVER FOR MARKET GROWTH

The Kotipizza chain's sales have grown at a faster rate than the Finnish restaurant and fast food market on average.

According to the Finnish Hospitality Association MaRa, tourism and restaurant businesses saw strong revenue 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. Consumers' preferences and, increasingly, food trends influence financial development within 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.

CREATING VALUE THROUGH OUR WORK

Responsibility creates value throughout Kotipizza Group's business.

Nowadays, responsible business increasingly often means more profitable business. Pioneering companies stand out from the competition as attractive service providers, employers and partners. The responsibility of a pioneer stems from the company's mission and guides all its operations.

THIS is precisely what Kotipizza Group aims to achieve. We want to be the forerunner, not only in fast casual, but also society at large. During the past financial year, we continued the renewal started in 2015 in which we place social, financial and environmental responsibility at the heart of the Group's decision-making. Consumers see the change in the fresh, Finnish and responsibly produced ingredients and safe food served by the Group's restaurant chains and in the sustainable choices made by the chains.

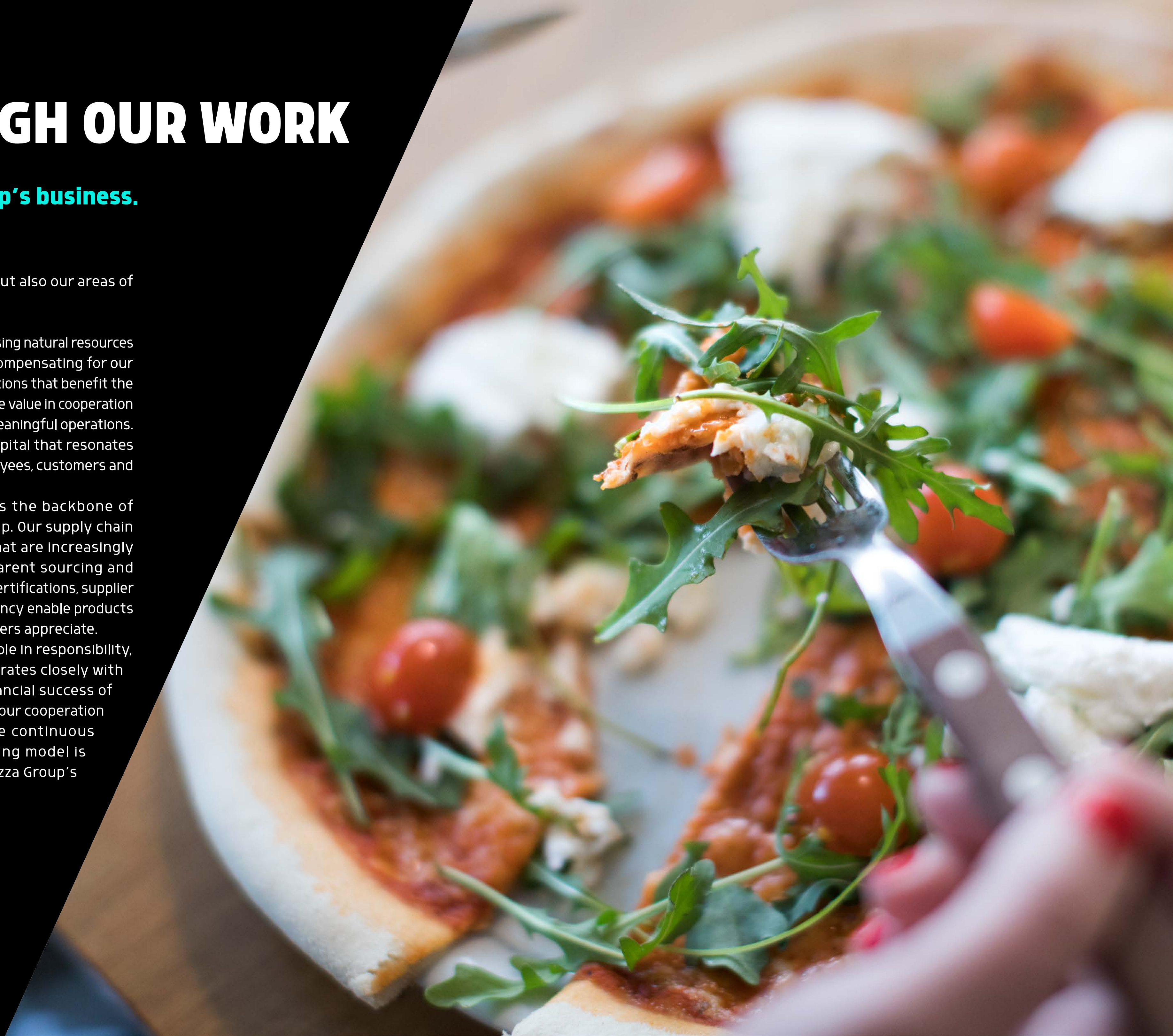
In the financial year 2017, we focused on responsibility efforts driven by values. In practice, this means that we targeted our investments to measures that are both responsible and financially effective. Because financial and social responsibility are intertwined, our value-driven work for responsibility both creates value in our financial result and benefits society and the environment. Approaching corporate responsibility from the point of view of value creation allows us to see not only our successes but also our areas of development.

THE creation of value is based on using natural resources as sustainably as possible and compensating for our environmental impact through actions that benefit the environment and society. We create value in cooperation with our stakeholders through meaningful operations. Our actions turn into positive capital that resonates with our franchisees, their employees, customers and the Group personnel.

Our reliable supply chain is the backbone of responsibility at Kotipizza Group. Our supply chain allows us to use ingredients that are increasingly responsible and safer. Transparent sourcing and development measures such as certifications, supplier inspections and enhanced efficiency enable products that our franchisees and customers appreciate.

Franchisees also play a key role in responsibility, and the parent company cooperates closely with them. The satisfaction and financial success of Kotipizza franchisees show that our cooperation has yielded good results. The continuous development of the franchising model is an important element in Kotipizza Group's success.

"Value-driven business creates value for us, society and the environment."



THE business of both the Group and the franchisees focuses on customers and their experience. We give our customers good reason to keep returning to the responsible food we serve, and an opportunity to eat safely and with a clean conscience.

Kotipizza has increased the percentage of Finnish ingredients continuously. This is a concrete example of responsibility work that has positive effects on the supply chain, the franchisees and customers. Local sourcing means shorter distances in transport, which makes it easier to monitor suppliers and reduces emissions. The revenue stays in Finland, which creates jobs in the area. Our customers appreciate local ingredients, and eating local food makes them feel good. Franchisees love selling products that make them proud and their customers happy.

In addition to the value-driven approach to responsibility, we aim to make our responsibility efforts more comprehensive, for example, by promoting human rights, protecting the environment and creating employment. The graph enclosed contains some examples from the Kotipizza chain the past financial year.

OUR work is just starting. We strive to do our best and share both our successes and shortcomings openly. Not all achievements are measurable. Healthy fish stock and franchisees who find a sense of meaning in their work have an intrinsic value that goes beyond financial value.

We believe that our investments in responsibility will increase the value of our brand. In our view, our responsibility efforts have already had a positive effect on the sales figures of Kotipizza and the value of Kotipizza Group for investors.

We are making the world a better place, one bite at a time. During the current financial year, we will increase the percentage of domestic ingredients used at the chain restaurants, develop our packaging materials and waste treatment, reduce food waste and use responsibility themes in our product-related communications.

Kotipizza franchisees include 45 immigrants

We reduced plastic waste by 36 000 kg

We paid 100% of our taxes to Finland

We used 36 of the more than 330 food additives permitted for use in Finland

A 16-year-old girl worked as Kotipizza Group's CEO for 1 day

We sold 307% more vegetarian pizzas online

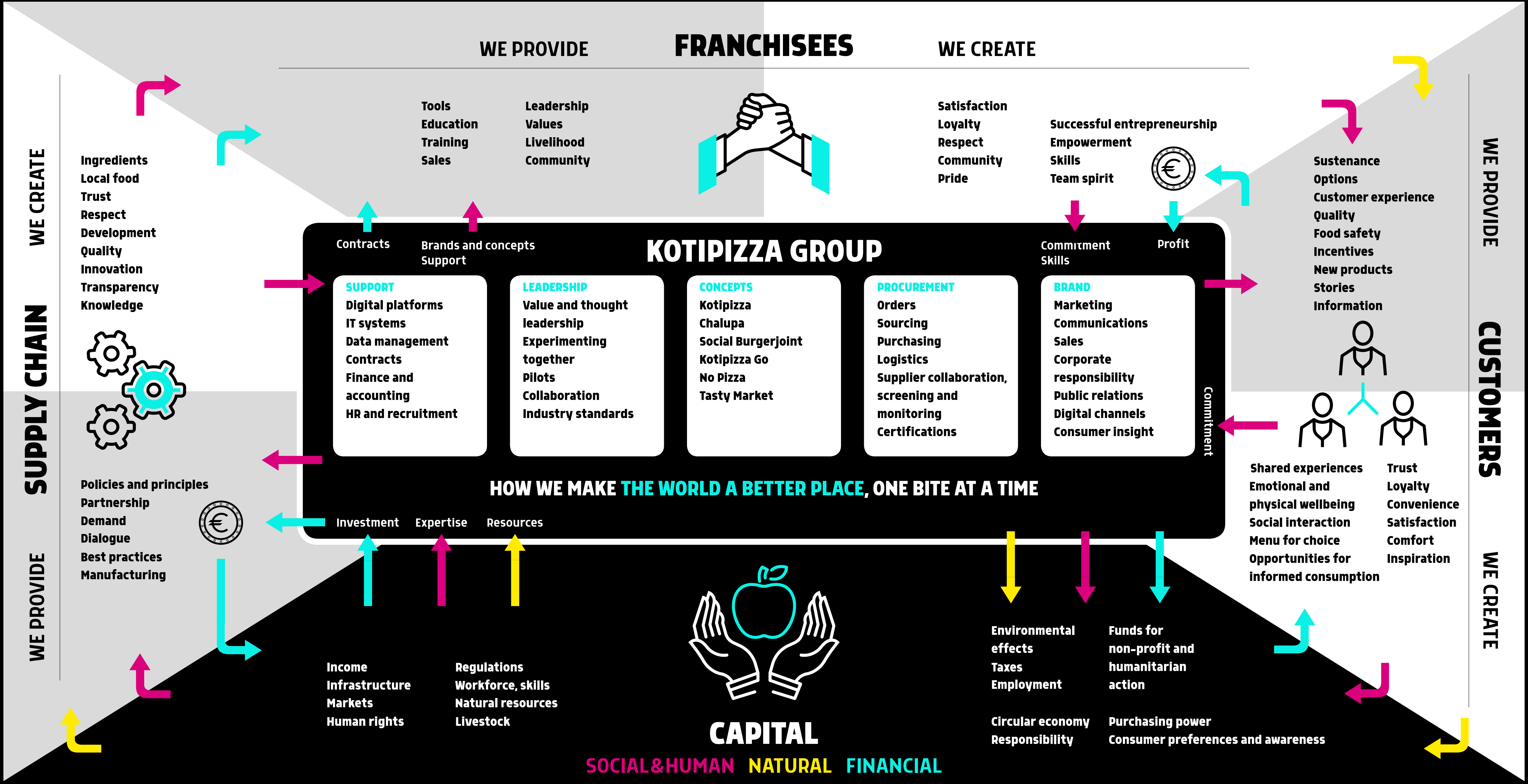
33/49 of our pizza toppings were vegetarian

We employed 70 domestic dairy farms

77% of our franchisees would recommend Kotipizza franchising to interested parties

63% of our ingredients were domestic

Our online store sold 67 368 pizzas topped with MSC tuna or prawn



FRANCHISEES
WE PROVIDE
Tools
Education
Training
Sales
Leadership
Values
Livelihood
Community
WE CREATE
Satisfaction
Loyalty
Respect
Community
Pride
Successful entrepreneurship
Empowerment
Skills
Team spirit
SUPPLY CHAIN
WE CREATE
Ingredients
Local food
Trust
Respect
Development
Quality
Innovation
Transparency
Knowledge
WE PROVIDE
Policies and principles
Partnership
Demand
Dialogue
Best practices
Manufacturing
CUSTOMERS
WE PROVIDE
Sustenance
Options
Customer experience
Quality
Food safety
Incentives
New products
Stories
Information
WE CREATE
Shared experiences
Emotional and physical wellbeing
Social interaction
Menu for choice
Opportunities for informed consumption
Trust
Loyalty
Convenience
Satisfaction
Comfort
Inspiration
KOTIPIZZA GROUP
Contracts
Brands and concepts
Support
Commitment
Skills
Profit
SUPPORT
Digital platforms
IT systems
Data management
Contracts
Finance and accounting
HR and recruitment
LEADERSHIP
Value and thought leadership
Experimenting together
Pilots
Collaboration
Industry standards
CONCEPTS
Kotipizza
Chalupa
Social Burgerjoint
Kotipizza Go
No Pizza
Tasty Market
PROCUREMENT
Orders
Sourcing
Purchasing
Logistics
Supplier collaboration, screening and monitoring
Certifications
BRAND
Marketing
Communications
Sales
Corporate responsibility
Public relations
Digital channels
Consumer insight
Commitment
HOW WE MAKE THE WORLD A BETTER PLACE, ONE BITE AT A TIME
Investment
Expertise
Resources
Income
Infrastructure
Markets
Human rights
Regulations
Workforce, skills
Natural resources
Livestock
CAPITAL
SOCIAL&HUMAN
NATURAL
FINANCIAL
Environmental effects
Taxes
Employment
Circular economy
Responsibility
Funds for non-profit and humanitarian action
Purchasing power
Consumer preferences and awareness

GROUP CHAINS IN NUMBERS

KOTI PIZZA

In financial year 2017, there were 266 restaurants in Finland

The chain had 1 food truck

There were 281 franchisees

Average purchase in a brick-and-mortar restaurant was 18.87 €

Average purchase online was 27.88 €

Number of online orders with home delivery grew by 20.2%

Sales in the chain increased by 18.2%

Average restaurant purchase grew by 4.2%

FOOD MACHETE CHALUPA EST. 2015

In financial year 2017, there were 13 restaurants in Finland

The chain had 1 food truck

There were 15 franchisees

Average purchase in a brick-and-mortar restaurant was 16 €

Sales in the chain increased by 100 %

Average restaurant purchase grew by 13 %

On the menu, 3/6 of fillings were vegetarian

60 % of customers were women

SOCIAL BURGERJOINT SINCE 2016

In financial year 2017, there was 1 restaurant in Finland

The chain had 1 food truck

There were 2 franchisees

Average purchase in a brick-and-mortar restaurant was 18.39 €

On the menu, 2 out of 6 burgers were vegetarian

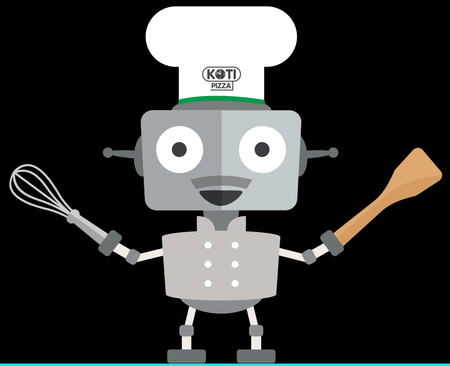
2/3 burgers were enjoyed with fries

During the year, 61,200 burgers were sold

Over 1,800 orders were delivered

KOTIPIZZA GROUP'S YEAR IN BRIEF

Kotipizza had a year of great achievements, such as becoming the first Finnish company to win the Star of 2017 award.



FEBRUARY
Kotipizza Group acquires the Pizzataxi restaurant chain, comprising 22 restaurants in Southern Finland.

Foodstock acquires a new customer in the Street Gastro restaurant chain.

MARCH
Kotipizza receives the Franchising Chain of the Year award from the Finnish Franchising Association. Multi-franchisee Ibrahim Khalil is selected as Kotipizza Franchisee of the Year.

APRIL
The annual Talvipäivät winter event is held in Ruka, with Kotipizza franchisees and their families participating in large numbers. Franchisees receive awards for strong development in sales and customer volumes as well as for long careers as members of the chain.

JUNE
Kotipizza Group changes its guidance and issues a positive profit warning.

Kotipizza launches the Kotibotti chatbot, the first instant messaging-based payment application in Finland.

SEPTEMBER
Heidi Stirkkinen joins Kotipizza Group as the new COO and a member of the Management Team.

The Kotipizza chain celebrates its 30th anniversary in Vanajanlinna. The gala is attended by selected guests and Kotipizza franchisees, who receive awards for strong development in sales and customer volumes as well as for long careers as members of the chain. The Kotipizza 30th Anniversary Book is published at the event.

Kotipizza launches Kotipizza Go, a pizza slice product sold in the restaurant cars of long-distance trains, on the Tallinn ferry and at Neste K service stations.

Kotipizza Group changes its guidance for the second time and issues a positive profit warning.

OCTOBER
Timo Pirskanen, CFO and Deputy CEO of Kotipizza Group, wins the CFO Award 2017 awarded by Finance Monthly.

NOVEMBER
Kotipizza Group acquires the Social Burgerjoint restaurant in Helsinki.

Kotipizza Group wins the Star of 2017 prize at the European Small and Mid-Cap Awards in Brussels, becoming the first Finnish company to do so.

Kotipizza Group is selected as the best investment in the small cap category in the Private Investor's Choice competition.

DECEMBER
The Kotipizza chain's monthly sales exceed ten million euros for the first time.

Kotipizza Group launches No Pizza, a new restaurant concept aimed at the international markets.

Kotipizza Group changes its guidance again and issues a positive profit warning.

EXECUTIVE BOARD

TOMMI TERVANEN
Chief Executive Officer

TIMO PIRSKANEN
Chief Financial Officer and Deputy to the CEO

ANTTI ISOKANGAS
Chief Communications and Corporate Responsibility Officer

HEIDI STIRKKINEN
Chief Operative Officer

ANSSI KOIVULA
Chier Procurement Officer

BOARD OF DIRECTORS

KALLE RUUSKANEN
The Chairman of the Board of Directors

DAN CASTILLO
Member of the Board of Directors

KIM HANSLIN
Member of the Board of Directors

VIRPI HOLMQVIST
Member of the Board of Directors

MINNA NISSINEN
Member of the Board of Directors

PETRI PARVINEN
Member of the Board of Directors

KEY FIGURES

EUR thousands	2017	2016	2015	2014	2013
Chain-based net sales	106 300	89 900	77 266	69 771	69 962
Comparable net sales	79 858	66 580	56 370	52 226	52 724
Annual growth, %	19.9%	18.1%	7.9%	-0.9%	-1.6%
Comparable EBITDA	8 523	6 726	5 026	4 196	4 756
% of comparable net sales	10.7%	10.1%	8.9%	8.0%	9%
Reported EBITDA	7 781	6 225	4 187	4 272	4 756
% of comparable net sales	9.7%	9.3%	7.4%	8.2%	9%
Reported EBIT	6 421	5 246	3 435	3 794	3 732
Loss/profit for the period from continuing operations	4 4 79	3 464	328	383	-16
Earnings per share EUR	0.71	0.55	0.05	-0.43	-0.00
Net gearing, %	24.4%	24.0%	31.8%	634.2%	599%
Equity ratio, %	52.0%	51.7%	51.8%	9.3%	10.5%

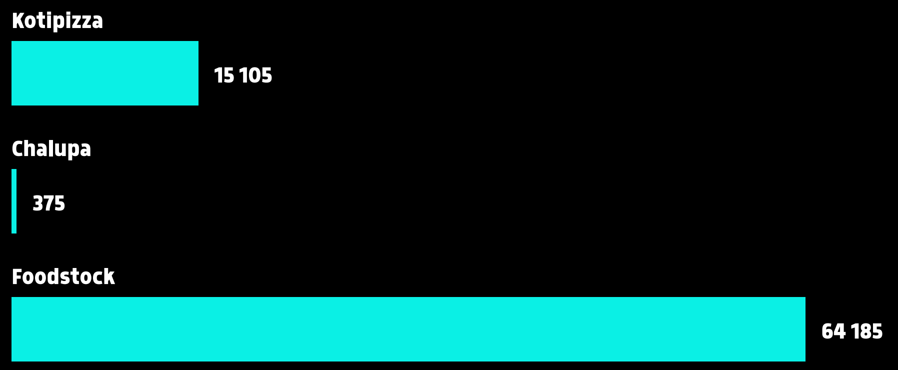
Company dividend policy

The Kotipizza Group aims to distribute 60-80 percent of profits gained during the financial year to its shareholders. In accordance with the Finnish Limited Liability Companies Act, the General Meeting decides whether dividends will be paid based on the Board's proposal. Dividends are usually paid out once in a financial year after the General Meeting has approved the financial statement.

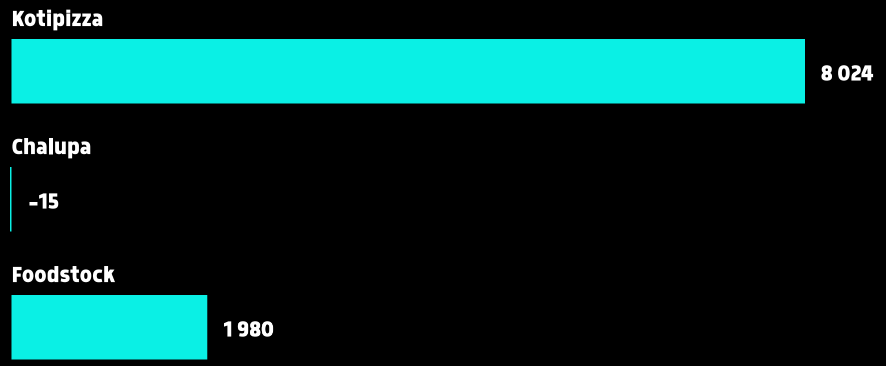
Key figures per business unit

In the financial year 2017, the total number of restaurants in the Kotipizza chain rose to 266 (258). The total number of restaurants in the Chalupa chain rose to 13 (6).

Comparable net sales (TEUR)



Comparabe EBITDA



FINANCIAL STATEMENT
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Kotipizza Group Oyj is the parent company of the Group.

Corporate relations

Kotipizza Group Oyj owned 100% of both Kotipizza Oyj and Helsinki Foodstock Oy during the financial year. In addition, the Group also owned 60% of Chalupa Oy, of which Think Drinks Oy owned the remaining 40%. On 30 November 2017, Kotipizza Group Oyj acquired 51% of shares in Day After Day Oy which will now continue operating as part of the Group under the name The Social Burger Joint Oy. The remaining 49% of shares in The Social Burger Joint Oy are owned in equal share by Finnish citizens Mika Tuomonen and Herkko Volanen.

Kotipizza Oyj's 10 Biggest domestic owners 31. January 2018

Shareholders		Shares	% of shares
1	Keskinäinen Työeläkevakuutusyhtiö Elo	513,200	8.08
2	Sr Evli Suomi Pienyhtiöt	367,079	5.78
3	Keskinäinen työeläkevakuutusyhtiö Varma	200,000	3.15
4	Sr Danske Invest Arvo Finland Value	172,539	2.72
5	Sr Säästöpankki Pienyhtiöt	160,000	2.52
6	Sr Alfred Berg Suomi Fokus	133,703	2.11
7	Kirkon Eläkerahasto	110,000	1.73
8	Sr Danske Invest Suomen Pienyhtiöt	106,115	1.67
9	Sr eQ Pohjoismaat Pienyhtiö	100,000	1.57
10	Sr Aktia Nordic Small Cap	87,981	1.39
	10 biggest domestic shareholders total	**1,950,617**	**30.71**
	Nominee-registered	**3,062,883**	**48.22**
	Others	**1,337,701**	**21.07**
	Total	**6,351,201**	**100.00**

A list of the biggest shareholders, updated monthly, can be found on the Kotipizza Group Oyj's website: http://kotipizzagroup.com/investors.

Kotipizza Oyj Biggest international owners

31. January 2018

Shareholders		Shares	% of shares
1	Swedbank Robur AB	488,974	7.70
2	Financière de l'Echiquier	346,041	5.45

Operations of subsidiaries

Kotipizza Oyj operates a pizza franchise in Finland. Helsinki Foodstock Oy is a wholesaler, and its customers include the Kotipizza chain and other significant fast-food operators. Chalupa Oy engages in restaurant operations through its own restaurants and through franchising operations. The Social Burger Joint Oy engages in restaurant operations through its own restaurant.

Kotipizza Group (1,000 EUR):	**31 January 2018**	**31 January 2017**
	(12 months)	(12 months)
	Parent company	**Parent company**
	FAS	FAS
Turnover	1,260	1,246
Operating loss	-2,575	-1,545
Net result (continuing operations)	7,475	-585
Total assets on the balance sheet	54,895	52,272

	(12 months)	(12 months)
	Group	**Group**
	IFRS (continuing operations)	IFRS (continuing operations)
Turnover	84,089	68,737
Operating profit	6,421	5,246
Net result (continuing operations)	4,479	3,464
Total assets on the balance sheet	61,483	59,156

	31.1.2018	**31.1.2017**
	Parent company	**Parent company**
Operating profit, %	negative	negative
Return on equity, %	negative	negative
Equity ratio	55.8	50.3
Average number of employees	15	13
Salaries and fees	1,763	1,134
Number of shares	6,351,201	6,351,201

The company has one share class. All shares carry equal rights to dividends and the company's assets. The shares do not have nominal value.

	Group	**Group**
Operating profit, %	7.6	7.6
Return on equity, %	14.0	11.6
Equity ratio	52.0	51.7
Average number of employees	50.0	40
Salaries and fees	3,481	3,130

The company has one share class. All shares carry equal rights to dividends and the company's assets. On 31 January 2018, the number of shares was 6 351 201. The shares do not have nominal value. At the end of the financial period, the Company had 3091 (1615) shareholders. The shareholdings of the Board of Directors and CEO of Kotipizza Group Oyj as well as the shareholdings in entities under their control can be viewed on the Kotipizza Group's website: http://kotipizzagroup.com/investors.

Share-based key figures	**31 January 2018**	**31 January 2017**	**31 January 2016**
Earnings per share	0.71	0.55	0.05
Equity per share	5.04	4.83	4.61
Distribution from fund for invested unrestricted equity per share	0.65	0.50	0.35
Distribution from fund for invested unrestricted equity, % of earnings	92%	91%	700%

Other statutory share-based key figures can be found on the Kotipizza Group's website: http://kotipizzagroup.com/investors.

Group net sales

Chain-based net sales grew 18.2% (16.3%) year on year and were 106.3 MEUR (89.9). Average purchase in brick-and-mortar restaurants grew 4.2% and the number of customers 10.2% compared to the same period in the previous year. During the financial year, 18 brick-and-mortar restaurants and 7 shop-in-shop restaurants were opened, and 3 brick-and-mortar restaurants together with 14 shop-in-shop restaurants were closed.

The 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. It also includes sales of the restaurants owned directly by the group.

Group comparable net sales in the financial year were 79.9 MEUR (66.6) and they grew 19.9% compared to the same period in the previous year. Net sales were 84.1 MEUR (68.7). Sales growth was mainly based on Foodstock's increased sales volume to Kotipizza, underpinned by the good chain-based sales development. Foodstock's other, third-party customers also boosted net sales. The net sales of Foodstock grew 20.7% year on year in the last quarter of the financial year. The Kotipizza segment's net sales increased 28.5% compared to the same period in the previous year and were 19.3 MEUR (15.1). The Chalupa segment's net sales in the financial year were 375 thousand euros (487 thousand).

Beginning from the first interim report in the financial year started on 1 February 2018, the company will report the figures of all its restaurant concepts that have ongoing business operations as independent segments. For each of these operative segments, key IFRS figures such as net sales and EBIT, as well as alternative indicators including comparable net sales, EBITDA and comparable EBITDA, will be reported. In addition, the monthly chain-based net sales of the restaurant concepts that have ongoing business operations are reported in monthly press releases from 1 February 2018 onwards.

Group EBIT

Comparable EBIT of the Group was 7.16 MEUR (5.75) in the financial year. EBIT was 6.42 MEUR (5.25). EBIT included MEUR 0.74 of items affecting comparability. Development costs of a new concept aimed at international markets, No Pizza, 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 been treated as items affecting comparability.

The EBIT improved mainly due to improved net sales. 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 3.54 MEUR (0.45).

Financial items and result

Group finance costs in the financial year were -0.74 MEUR (-0.81). Group taxes in the financial year were MEUR -1.25 (-1.01). The result for the financial year was 4.48 MEUR (3.46). Earnings per share were 0.71 EUR (0.55) in the financial year.

The Group's financial position

Kotipizza Group's balance sheet total was 61.5 MEUR (59.2) at the end of the financial year. The Group's non-current assets amounted to 42.7 MEUR (40.6) in total, and the current assets amounted to 18.8 MEUR (18.5) in total. The Group's net cash flow from operating activities in the last quarter was 5.18 MEUR (5.28). Of working capital 0.16 MEUR was released (released 1.19).

The net cash flow from investment activities in the period was -1.35 MEUR (-0.45). During the review period, Kotipizza Oyj acquired all business operations of Helsinki Pizzapalvelu Oy, operating 22 Pizzataxi restaurants in the Helsinki region and Southern Finland. The Kotipizza Group acquired the majority of shares in the Social Food Street Burgerjoint in November 2017. In the acquisition, the company acquired a 51 percent stake in Day After Day Oy. The former Day After Day Oy, current The Social Burger Joint Oy, operates the Social Food Street Burgerjoint restaurant, situated in the Sörnäinen district of Helsinki, and the Social Food food truck. Investments in tangible and intangible assets for the review period amounted to MEUR 0.63 (0.85) and proceeds from sales of tangible assets were 0.01 MEUR (0.40).

The net cash flow from financing activities was -4.62 MEUR (-3.28). The Group's equity ratio was 52.0% (51.7%). Interest-bearing debt amounted to 15.8 MEUR (17.0), of which current debt accounted for 1.49 MEUR (1.17).

Investments

The gross investments for the period amounted to 3.54 MEUR (0.45). Kotipizza Oyj acquired all business operations of Helsinki Pizzapalvelu Oy that operates 22 Pizzataxi restaurants in the Helsinki region and Southern Finland. Kotipizza Group acquired the majority of shares in the Social Food Street Burgerjoint in November 2017. In the acquisition, the company acquired a 51 percent stake in Day After Day Oy. The former Day After Day Oy, now operating under the name The Social Joint Burger Joint Oy, operates the Social Food Street Burgerjoint restaurant, situated in the Sörnäinen district of Helsinki, and the Social Food food truck. The company's investments in fixed assets, related mainly to IT systems, amounted to 0.63 MEUR (0.85).

Research and development costs

Research and development costs of the Group amounted to 421,000 euros (132,000 in 2017). Research and development costs are related to the training of Kotipizza franchisees and to the development of new product recipes. In the financial year 2017, a comprehensive concept reform was continued. Costs related to the reform have been either activated on the balance sheet or recognised as annual costs.

Management and auditors

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

Kalle Ruuskanen	Chairman of the Board, Member of the Board since 2 June 2015
Dan Castillo	Member of the Board since 17 May 2017
Kim Hanslin	Member of the Board since 2 June 2015
Virpi Holmqvist	Member of the Board since 17 May 2017
Minna Nissinen	Member of the Board since 2 June 2015
Petri Parvinen	Member of the Board since 2 June 2015

Tommi Tervanen is the CEO. Other members of the manager are Timo Pirskanen, Chief Financial Officer, Heidi Stirkkinen, Chief Operating Officer, Anssi Koivula, Chief Procurement Officer and Antti Isokangas, Chief Communications and Corporate Responsibility Officer.

Auditor: Ernst & Young Oy, Authorised Public Accountants.

Antti Suominen, Authorised Public Accountant, serves as the principal auditor.

Resolutions of the General Meeting

Kotipizza Group's Annual General Meeting held on 17 May 2017 resolved that no dividend is paid for the financial period ending 31 January 2017, but EUR 0,50 per share was decided to be paid from the fund for invested unrestricted equity.

The AGM confirmed the financial statements for the financial year ending 31 January 2017 and discharged the members of the Board of Directors and CEO from liability for the financial year ending 31 January 2017.

The AGM resolved the number of Board members to be six. The current members of the Board of Directors Minna Nissinen, Petri Parvinen, Kim Hanslin and Kalle Ruuskanen were re-elected as members of the Board of Directors, and Virpi Holmqvist as well as Dan Castillo were elected as new members of the Board of Directors for the term continuing until the end of the next Annual General Meeting. Furthermore, the Board of Directors elected Kalle Ruuskanen as Chairman of the Board of Directors.

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

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

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

1. The authorization may be used in full or in part by issuing shares in Kotipizza Group Oyj in one or more issues so that the maximum number of shares issued is 635 000 shares.

2. The Board of Directors may also decide on a directed share issue in deviation from the shareholders' pre-emptive rights in case there is a weighty financial reason to do so, such as in order to finance or carry out acquisitions or other business transactions, develop the company's capital structure, or in order to use the shares for an incentive scheme. The Board of Directors would be authorized to decide to whom and in which order the shares will be issued. In the share issues shares may be issued for subscription against payment or without charge.

3. Based on the authorization, the Board of Directors is also authorized to decide on a share issue without payment directed to the company itself, provided that the number of shares held by the company after the issue would be a maximum of 10 per cent of all shares in the company. This amount includes shares held by the company and its subsidiaries in the manner provided for in Chapter 15, section 11 (1) of the Companies Act.

4. This authorization includes the right for the Board of Directors to decide on the terms and conditions of the share issues and measures related to the share issues in accordance with the Companies Act, including the right to decide whether the subscription price will be recognized in full or in part in the invested unrestricted equity reserve or as an increase to the share capital.

5. The authorization is valid until 31 July 2018.

6. The authorization will supersede the authorization to decide upon share issues given to the company's Board of Directors on 11 May 2016.

Corporate governance

Kotipizza Group follows the Finnish listed companies' Corporate Governance Code prepared by the Securities Market Association in its governance. The Code is available on the Securities Market Association's website (http://cgfinland.fi/). The company publishes a separate Corporate Governance Statement available on its website. If Kotipizza Group deviates from the recommendations of the Corporate Governance Code, it will explain the exception and justify it appropriately.

The supreme decision-making body of Kotipizza Group Oyj is the general meeting where shareholders use their decision of power. The Board of Directors is responsible for the administration of the company and the appropriate organisation of its operations. According to the Articles of Association, the Board of Directors consists of a minimum of five (5) and a maximum of ten (10) members. The term of office of the members expires when the next Annual General Meeting after their election ends. The Board of Directors has prepared a written charter. The charter is prepared and reviewed annually. The tasks of the Board of Directors include appointing the CEO and the management team. The Board of Directors regularly monitors the result and financial standing of the company. Moreover, the Board of Directors monitors the management of Kotipizza Group Oyj's business and other risks and the compliance of governance.

The CEO takes care of the executive management of the company in accordance with the instructions and orders of the Board of Directors. The CEO shall provide the Board of Directors and its members with the information necessary for the performance of the duties of the Board of Directors. The CEO is also liable for the legality of the company's accounting and reliable organisation of financial administration.

Kotipizza Group's internal control is based on the Finnish Limited Liability Companies Act, Securities Market Act, Articles of Association and the company's internal operational principles. The management and control of the company are divided between the general meeting, Board of Directors and CEO. Internal control refers to all procedures, systems and methods with which the company's management aims to ensure efficient, economical and reliable operations. The Board of Directors of Kotipizza Group is liable for arranging internal control, and it has ratified the internal control, risk management and internal audit principles followed by the Group.

Kotipizza Group Oyj applies Nasdaq OMX Helsinki's insider guidelines, which entered into force on 1 July 2013. The company maintains public and company-specific insider registers using Euroclear Finland Oy's Sire system.

Board of Directors' proposal for the distribution of profit

The board of directors proposes 0.65 euros per share distribution from fund for invested unrestricted equity for the financial year of 1 February 2017-31 January 2018.

Kotipizza Oyj's development and future outlook

Comparable net sales of Kotipizza for the financial year were 15.11 MEUR (12.89) and they increased 17.1% compared to same period in the previous year. Net sales of Kotipizza for the financial year were 19.34 MEUR (15.05) and they increased 28.5% compared to the same period in the previous year. Franchising fees of the Pizzataxi chain, acquired in February, were 233 thousand euros during the review period. The sales included 4.23 MEUR 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 and, consequently, all franchising contract-based net sales increased.

Kotipizza's comparable EBITDA was 8.02 MEUR (6.63) in the financial year and it grew 21.0% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due favourable development in chain-based net sales of Kotipizza. EBITDA was 7.93 MEUR (6.52) in the financial year. EBITDA included MEUR 0.10 of items affecting comparability. 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 items affecting comparability.

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. Consumers' preferences and, increasingly, food trends influence financial development within 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 the Kotipizza chain'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.

Helsinki Foodstock Oy's development and future outlook

Net sales of Foodstock in in the financial year were 64.19 MEUR (53.20) and they grew 20.7 % compared to same period in the previous year. The growth in net sales was mainly due to favourable development of Kotipizza's chain-based net sales, which gave a positive boost to Foodstock's delivery volumes to the chain. Also, sales to the other customers of Foodstock developed favourably.

Foodstock's comparable EBITDA was 1.98 MEUR (1.60) in the financial year and it grew 24.1% compared to the same period in the previous year. Improvement in the comparable EBITDA was due to operational gearing related to the increase in sales volume. Foodstock's EBITDA was 1.94 MEUR (1.57) in the financial year. EBITDA included 44 thousand euros of items affecting comparability. 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 items affecting comparability.

In the next financial year, Foodstock will continue to pursue profitable growth by acquiring new chain companies as clients. Currently, chain clients make up for over 90 % of the company's turnover. In the financial year just ended, Helsinki Foodstock signed a contract with one new client.

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. In result, the growth of Helsinki Foodstock's existing clients and the subsequent growth in the company's delivery volumes are expected to follow or even outperform the general development of restaurant sales in 2018.

Responsibility and its importance in procurement will continue to increase in 2018.

Chalupa Oyj's development and future outlook

Chalupa's comparable net sales were 375 thousand euros (487 thousand euros) in the financial year and comparable EBITDA was -15 thousand euros (-161 thousand euros). Chalupa's net sales were 375 thousand euros (487 thousand euros) in the financial year and EBITDA was -23 thousand euros (-169 thousand euros). Decline in net sales compared to the previous year was due to all Chalupa restaurants having been owned by Chalupa franchisees in the beginning of the review period. Chalupa's revenue recognition is now reported in accordance with the reporting principles used in franchising. EBITDA included 8 thousand euros of items affecting comparability. 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 items affecting comparability.

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. In result, the sales development in Chalupa restaurants is expected to follow the average development of restaurant sales in 2018.

Risks and uncertainties

In the long term, Kotipizza Group's operative risks and uncertainties relate to a possible failure in predicting consumer preferences and in creating attractive new concepts, as well as to new business risks related to possible expansion to new cities and abroad. The competitive situation is expected to remain harsh in the fast food industry. Company's management cannot affect the general market development and consumer behaviour with its actions. Restaurant openings also have a material impact on the company's franchising and rent income, income received from selling raw materials and supplies and transport and flow of goods related income and thus to the company's financial result.

Kotipizza Group is currently launching new restaurant concepts, both under the Chalupa segment and in the form of the Group's new fast casual chains. After the review period, the Kotipizza Group acquired the majority of shares in Day After Day Oy, now operating under the name The Social Burger Joint Oy, that operates the Social Food Street Burgerjoint restaurant and the Social Food food truck. The Group aims to build Social Burger 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 is planned to open in the summer 2018 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 clientele. Possible 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.

Material events after the financial year

Kotipizza Group Oyj announced on 5 February 2018 it updated strategy and financial goals for the next three years, as well as the new Tasty Market lunch restaurant concept. 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 increasing popularity of home delivery. The company's new mission is to 'make the world a better place, one bite at a time'. 'Love what you do', 'desire to experiment, will to succeed' and 'together' remain as company values. In the Roadmap to 2020 document, released alongside the new strategy, the company has defined the critical factors for success and must-win battles for its different restaurant chains. Furthermore, the company has set targets for chain sales and the number of restaurant units for the next three financial years.

Kotipizza	Number of units	Chain sales (in euro millions)
2018	275	120
2019	290	140
2020	300	160

Chalupa	Number of units	Chain sales (in euro millions)
2018	20	3,5
2019	30	5,5
2020	40	8

Social Burgerjoint	Number of units	Chain sales (in euro millions)
2018	4	2
2019	12	7
2020	20	13

Total chain-bases net sales (in euro millions)	
2018	126
2019	153
2020	181

Launched in tandem with the new strategy, the company also announced the Tasty Market lunch restaurant concept in which the consumer can pick and choose their lunch from the selection offered by several fast casual brands in a cosy environment. In the kick-off phase, Tasty Market will have products on its menu from at least Kotipizza and Chalupa. The interior design of Tasty Market is made up of separate elements, thanks to which the concept can be modified depending on the surroundings and brands involved. The Kotipizza Group is looking for partners for the Tasty Market lunch restaurant project with whom to open restaurants in, for instance, business parks, office buildings and institutions of education. The concept is estimated not to have a significant impact on the Kotipizza Group's earnings in 2018.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Financière de l'Echiquier on 6 February 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 6 February 2018: The shares managed by Financière de l'Echiquier totaled 284.629 shares representing 4.48% of total share capital and total voting rights.

Consolidated income statement

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

1,000 EUR	Note	1 Feb 2017-31 Jan 2018	1 Feb 2016-31 Jan 2017
Continuing operations			
Turnover	2	**84,089**	**68,737**
Other operating income	4	105	96
Change in inventory of raw materials and finished goods		1,014	- 3
Raw materials and finished goods		-65,173	-52,872
Employee benefits/expenses (-)	6	-4,489	-3,887
Depreciation (-)		-1,360	-978
Other operating expenses (-)	5	-7,764	-5,846
Operating profit		**6,421**	**5 246**
Financial income	7	47	35
Financial expenses	7	- 738	- 812
Profit/loss before taxes from continuing operations		**5,731**	**4,469**
Income taxes	8	-1,252	-1,005
Profit/loss for the period from continuing operations		**4,479**	**3,464**
Profit/loss for the period		**4,479**	**3,464**
Breakdown of profit/loss			
Attributable to the equity holders of the parent company		4,504	3,541
Attributable to non-controlling interest		- 26	- 77
		4,479	**3,464**
Earnings per share (EUR):			
Undiluted earnings for the period attributable to ordinary equity holders of the parent	24	0.71	0.55
Earnings per share (EUR) for continuing operations:			
Diluted earnings per share	24	0.71	0.55

Items of other comprehensive income

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

1,000 EUR	Note	1 Feb 2017–31 Jan 2018	1 Feb 2016–31 Jan 2017
Profit (loss) for the period		**4,479**	**3,464**
Items of other comprehensive income:			
Items of other comprehensive income to be transferred to be recognised through profit or loss:			
Cash flow hedging	7	-	69
Taxes related to items of other comprehensive income		-	- 14
Items of other comprehensive income (net) to be transferred to be recognised through profit or loss			
		-	**56**
Items of other comprehensive income for the period, net of tax			
		-	**56**
Total comprehensive income for the period, net of tax		**4,479**	**3,520**
Breakdown of comprehensive income for the period			
Attributable to the equity holders of the parent company		4,504	3,597
Attributable to non-controlling interest		- 26	- 77
		4,479	**3,520**

Consolidated balance sheet

31 JANUARY 2018

1,000 EUR	Note	31 January 2018	31 January 2017
Assets			
Non-current assets			
Property, plant and equipment	9	939	1,138
Goodwill	10	37,299	35,819
Intangible assets	10	3,113	2,321
Non-current financial assets	17	2	2
Non-current trade and other receivables	17	1,316	872
Deferred tax assets	8	21	488
		42,689	**40,641**
Current assets			
Inventories	11	4,088	3,087
Trade and other receivables	12,17	6,707	5,761
Current tax receivables		4	4
Cash and cash equivalents	13,17	7,982	9,650
		18,781	**18,502**
Assets classified as held for sale	**3**	**13**	**13**
Total assets		**61,483**	**59,156**

Consolidated balance sheet

31 JANUARY 2018

1,000 EUR	Note	31 January 2018	31 January 2017
Shareholders' equity and liabilities			
Share capital	22	80	80
Reserve for invested unrestricted equity	22	24,419	27,595
Retained earnings		7,519	2,989
Attributable to non-controlling interest		- 41	- 91
Total shareholders' equity		**31,978**	**30,573**
Non-current liabilities			
Interest-bearing loans and borrowings	15, 17	14,289	15,829
Financial liabilities recognised at fair value through profit or loss	15, 17,18	193	298
Other non-current liabilities	17	3,650	2,745
Deferred tax liabilities	8	171	66
		18,303	**18,938**
Current liabilities			
Interest-bearing loans and borrowings	15, 17	1,492	1,165
Trade and other payables	16	9,711	8,480
		11,202	**9,645**
Total liabilities		**29,505**	**28,583**
Total shareholders' equity and liabilities		**61,483**	**59,156**

Consolidated statement of changes in equity

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

Attributable to the equity holders of the parent company

1,000 EUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total	Attributable to non-controlling interest	Total shareholder 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
Items of other comprehensive income	-	-	-	-		-
Total comprehensive income	**-**	**-**	**4,504**	**4,504**	**- 26**	**4,479**
Transactions with shareholders						
Share issue	-	-	61	61	-	61
Payments received for the issue of shares	-	- 3,176	-	- 3,176	-	- 3,176
Other changes			- 35	- 35	-	- 35
Acquisition of operations				-	76	76
Transaction with shareholders in total	-	-3,176	26	-3,149	76	-3,073
31 Jan 2018	**80**	**24,419**	**7,519**	**32,019**	**-41**	**31,978**

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2017

Attributable to the equity holders of the parent company

1,000 EUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total	Attributable to non-controlling interest	Total shareholder equity
1 February 2016	80	29,818	- 624	29,274	- 14	29,260
Result for the period	-	-	3,541	3,541	- 77	3,464
Items of other comprehensive income	-	-	56	56	-	56
Total comprehensive income	**-**	**-**	**3,597**	**3,597**	**- 77**	**3,520**
Transactions with shareholders						
Share issue	-	-	16	16	-	16
Payments received for the issue of shares	-	-2,223	-	- 2,223	-	- 2,223
Transaction with shareholders in total	-	- 2,223	-	- 2,207	-	- 2,207
31 Jan 2017	**80**	**27,595**	**2,989**	**30,664**	**- 91**	**30,573**

Consolidated cash flow statement

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

1,000 EUR	2018	2017
Cash flow from business operations		
Profit before taxes	5,731	4,469
Adjustments to reconcile profit before taxes to net cash flows:		
Depreciation on property, plant and equipment	636	453
Depreciation and impairment on intangible assets	724	525
Other non-cash adjustments	15	16
Gain on disposal of property, plant and equipment	11	- 70
Financial income	- 47	- 35
Financial expenses	738	812
Change in working capital:		
Change in trade and other receivables (+/-)	- 940	- 557
Change in inventories (+/-)	- 995	299
Change in trade and other payables (+/-)	1,617	1,443
Change in provisions (+/-)		- 90
Interest paid (-)	-722	- 816
Interest received	47	35
Income taxes paid (-)	- 1,212	- 1,206
Net cash flows from operating activities	**5,603**	**5,278**
Cash flow from investing activities		
Investments in tangible assets (-)	- 34	- 121
Investments in non-tangible assets (-)	- 1,370	- 728
Other non-current receivables	1	
Acquisition of subsidiaries	- 522	
Acquisition of operations	- 750	
Proceeds from the sale of property, plant and equipment		400
Net cash flows used in investing activities	**- 2,675**	**- 448**
Cash flow from financing activities		
Payments received for the issue of shares	- 3,176	- 2,223
Loan repayments (-)	- 1,150	- 850
Financial lease payment (-/+)	-270	- 207
Net cash flows used in financing activities	**-4,596**	**- 3,280**
Change in cash and cash equivalents	- 1,668	1,550
Cash and cash equivalents on 1 February 2017	9,650	8,099
Cash and cash equivalents on 31 January 2018	**7,982**	**9,650**

Notes to the consolidated financial statements

FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

1. Accounting policies applied to the Group financial statements

1. Corporate information

The consolidated financial statements of Kotipizza Group Oyj and its subsidiaries (hereinafter collectively referred to as the "Group") for the financial year ended 31 January 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 24 April 2018. Kotipizza Group Oyj is domiciled in Finland. Its registered address is Hermannin Rantatie 2 B, 00580 Helsinki, Finland. This is also the visiting address.

The general meeting of shareholders is entitled to amend the financial statements.

The Group is primarily engaged in the franchising, wholesale and fast casual restaurant business. Information about the Group's structure is presented in Note 21. Information about other stakeholders is presented in Note 23.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the EU, and are in line with the IAS and IFRS standards as well as SIC and IFRIC interpretations in force on 31 January 2018.

International Financial Reporting Standards refer to the standards approved in the Finnish Accounting Act and its regulations, that have been approved to be applied within the European Union according to the principles of procedure decreed in the EU Regulation (EC) No 1606/2002, and the interpretations of these standards.

The consolidated financial statements comprise the financial statements on 31 January 2018 of the parent company and all of the subsidiaries, in which the parent company has directly or indirectly 50 per cent of the number of votes or otherwise controlling interest in the company.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group no more controls the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

The attribution of profit or loss to the equity holders of the parent company and non-controlling interests is presented in a separate income statement. The attribution of comprehensive income to the equity holders of the parent company and non-controlling interests is presented in connection with the statement of comprehensive income, even if it results in the share attributable to non-controlling interests being negative. The portion of shareholders' equity attributable to non-controlling interests is presented as a separate item on the balance sheet as part of shareholders' equity.

2.2 Adopted standards and new standards for subsequent application

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 that the new or revised standards 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 five-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.. 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.

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 standard is not expected to have any material impact on the Group's financial result.

Kotipizza Group Oyj is currently assessing the 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. IFRS 16 will increase the Group's gearing, primarily due to the recognition of leases on properties. Current rental commitments are presented in Note 19.

2.3 Summary of significant accounting policies

a) Goodwill and contingent considerations

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

Goodwill is initially measured at cost. The difference between a subsidiary's acquisition cost and the equity portion corresponding to the acquired ownership share is recorded as consolidated goodwill.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment as compared to the situation at the end of the financial year.

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

Current versus non-current classification

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

- Expected to be realised within 12 months after the reporting period

The Group classifies all other assets as non-current. A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

b) Foreign currency items

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

Transactions and balances

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

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

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

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

c) Fair value measurement

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

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

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

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

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

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Group's management determines the policies and procedures for fair value measurement. At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by comparing the information in the valuation calculations to agreements and other relevant documents.

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

d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rendering of services

Revenue from rendering of services is recognised in the accounting periods in which the services are rendered.

Royalties from franchisees will be charged each month, based on monthly sales, and recognised in revenues for the month concerned.

Interest income

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

Dividends

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

e) Government grants

Government grants are related to the development of a new concept and the training of franchisees. Government grants are included in the adjustments of other operational costs.

f) Taxes

Current income tax

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

Deferred tax

Deferred tax is measured on temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are however not recognized when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax is measured on investments in subsidiaries, except in cases where the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

In the Group, the most significant temporary differences arise from the depreciation on property, plant and equipment, the recognition of derivative financial instruments at fair value, unused tax losses and adjustments based on fair value carried out upon acquiring operations.

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

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized. Deferred tax assets are however not recognized when the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The grounds for measuring deferred tax assets are assessed on the final date of each reporting period.

g) Discontinued operations and assets held for sale, and assets related to them

The Group classifies an operation or unit as discontinued or available for sale when the decision of the discontinuation or transfer has been made.

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

A disposal group qualifies as discontinued operation if:

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

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

Additional information is provided in Note 3. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

h) Property, plant and equipment

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

Depreciation periods are:

- Long-term expenses	4-10 years
- Buildings and structures	5-10 years
- Machinery and equipment	3-5 years

i) Leases

The Group has both lease agreements classified as financial leases and other lease agreements. Other lease agreements are presented in the profit and loss according to their nature, terms and conditions and contract period. Financial lease agreements are recognised on the balance sheet, and such agreements include leases of furniture and cars which are considered to meet the criteria of the IAS17 standard

j) Intangible assets

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

The useful lives of intangible assets are considered finite.

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

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

k) Financial assets

Initial recognition and measurement

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

Subsequent measurement

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

- Loans and other receivables
- Assets classified as held for sale

Financial assets measured at fair value through profit or loss

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

Loans and other receivables

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

Available-for-sale (AFS) financial assets

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

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

Derecognition

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

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

l) Impairment of financial assets

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

m) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities recognised at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Loans and borrowings

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

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

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

Derecognition

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

n) Derivative instruments and hedge accounting

Initial recognition and subsequent measurement

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss with regard to contracts not included in hedge accounting and to other items of comprehensive income with regard to contracts included in hedge accounting.

o) Inventories

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

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

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

p) Impairment of non-financial assets

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

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

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

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

The following assets have specific characteristics for impairment testing:

Goodwill

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

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

q) Cash and short-term deposits

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

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

r) Provisions and contingent liabilities

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

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

s) Pensions and other post-employment benefits

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

Key employees of the Group participate in share-based incentive programmes, which have been categorised as share based programmes paid out as equity. In these programmes, employees perform their work against equity capital instruments (shares).

The program covers three three-year earning periods. Based on the plan, the company may give performance shares in the earning period of 1 February 2016-31 January 2019. For the earning periods of 1 February 2017-31 January 2020 and 1 February 2018-31 January 2021, the company may give also discretionary matching shares based on the key employees' shareholding in addition to the performance shares. The Board of Directors of the company confirms the performance measures, the type and maximum number of the reward shares as well as eligible key employees at the beginning of each earning period.

The performance measures applied in for the review period of 1 February 2016-31 January 2019 are the average growth of the Kotipizza chain's total sales and earnings per share in the Kotipizza Group in the three-year earning period.

For the review period, the maximum of 47.204 performance shares can be given as reward, including the cash payment portion of the reward. For the review period of 1 February 2017 - 31 January 2020, the maximum of 30.742 performance shares can be given as reward, ncluding the cash payment portion of the reward. The potential reward is to be paid as combination of shares (50%) and a cash payment (50%). The cash payment is intended for covering taxes and tax-like charges to be paid by the employee. The Board of Directors thus anticipates that the maximum dilutive effect on the number of the company's registered shares for the first and second earning period is 1.23%. If the employment of a key employee terminates before the payment of the reward, the reward will not, as a rule, be paid.

3. Significant accounting judgements, estimates and assumptions

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

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

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

Estimates and assumptions

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

Impairment of non-financial assets

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

2. Segment information

The Group has two reporting segments, the franchising and the whosale segment. The franchising segment includes the Kotipizza business unit, the Chalupa business unit and the Social Burgerjoint business unit which provide services to the entrepreneurs in the Group's franchises and operate the restaurants owned by the Group. The wholesale segment includes the Foodstock business unit which operates as a wholesaler to the Group's other business units and third party clients. Transfer pricing between the segments is based on market price bases.

Business units 2018	**External revenues**	**Internal revenues**	**Total**	**EBITDA**
1,000 EUR				
Kotipizza	19,335	2,327	21,661	7,925
Foodstock	64,185	544	64,729	1,936
Chalupa	375	42	416	- 23
Other	194	1,260	1,454	- 2,057
Eliminations	-	- 4,172	- 4,172	-
Total	**84,089**	**0**	**84,089**	**7,781**

Business units 2018	**External revenues**	**Internal revenues**	**Total**	**EBITDA**
1,000 EUR				
Kotipizza	15,051	1,834	16,884	6,517
Foodstock	53,198	536	53,735	1,566
Chalupa	487	36	524	- 169
Other	-	1,246	1,246	- 1,690
Eliminations	-	- 3,652	- 3,652	-
Total	**68,737**	**-**	**68,737**	**6,225**

Figures for the Social Burgerjoint business unit are included in the 'Other'.
Over 10% of Helsinki Foodstock's net sales come from one third party client.
The assets and liabilities of the business units are not regularly reported to the chief operating decision-maker. Therefore, this information is not disclosed. On 31 January 2018, the Group had business operations geographically only in Finland.

Result	**2018**	**2017**
Result of the reporting segments	5,731	4,469
Result of the Group before taxes, continuing operations	**5,731**	**4,469**

3. Assets held for sale, discontinued operations and acquired operations

The non-current assets held for sale and discontinued operations were related to the Kotipizza business unit's operations in Sweden. They had no effect on the Group's income statement during the review period or the equivalent period in the previous year.

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

1,000 EUR	**2018**	**2017**
Assets		
Inventories	-	-
Trade and other receivables	13	13
Assets related to discontinued operations	**13**	**13**

In 2017-2018, there have been no liabilities related to discontinued operations.

Acquired operations

On 1 February 2017, Kotipizza Group acquired all business operations of Helsinki Pizzapalvelu Oy. At the time of the transaction, the acquisition price was 0.75 MEUR and the transaction included the possibility for contingent consideration. Franchising fees for the Pizzataxi restaurant chain were 233 thousand euros during the financial year. The Pizzataxi restaurant chain comprises 22 restaurants operating in the Helsinki region and Southern Finland. These restaurants will be merged into the Kotipizza chain's operations. The transaction strengthens Kotipizza's home delivery service offering in the capital region.

The scope of the transaction included intangible rights such as the ordering system, trademarks, domain names, company names, auxiliary company names, client registers and separately defined franchise, leasing and other contracts.

The transaction did not cover any of the following items related to business operations:

- financial assets
- trade payables or other other liabilities
- liabilities generated prior to transaction
- personnel.

Kotipizza Group Oyj acquired on 30 November 2017 a 51 percent stake in Day After Day Oy. The company operates the Social Food Street Burgerjoint restaurant, situated in the Sörnäinen district of Helsinki, and the Social Food food truck. The company will continue operations as part of the Kotipizza Group under the name of The Social Burger Joint Oy. Upfront acquisition price was MEUR 0.59 and the transaction included the agreement that Kotipizza Group Oyj has the right, but no obligation, to acquire the remaining 49 percent of the company's shares after 31 January 2023. The non-current and current assets as well as liabilities of the company did not include any significant items that would bear a material impact upon the Group's financial position. The company intends to build Social Burger into a nationwide hamburger chain. We believe that a fast casual hamburger chain that emphasises high-quality ingredients and a unique customer experience can disrupt Finland's hamburger market and be successful across the country.

Had the Pizzataxi chain and the Social Burgerjoint restaurant been integrated in the Group financial statements from the beginning of the financial year, they would not have had any material impact on the Group's net sales nor result.

4. Other operating income

1,000 EUR	2018	2017
Gain on disposal of property, plant and equipment	11	28
Other income	33	68
Insurance compensations	61	-
Total	**105**	**96**

Other income includes rental income from equipment and other contractual charges, among other items.

5. Other operating expenses

1,000 EUR	2018	2017
Rental expenses	214	215
External services	1,281	1,329
Machinery and equipment expenses	825	807
Travel expenses	439	354
Other expense items	5,005	3,140
Total other operating expenses	**7,764**	**5,846**

Auditor's fee

1,000 EUR	2018	2017
Auditing fee	89	79
Other services	36	25
Total	**125**	**104**

Research and development costs

Research and development costs amounted to EUR 421,000 (EUR 132,000 in 2017). Research and development costs are related to the training of Kotipizza entrepreneurs and to developing new product recipes. The comprehensive concept reform was continued in the financial year 2018, and related costs have been either capitalised as long-term expenditure or recognised as annual costs

6. Employee benefits

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

1,000 EUR	2018	2017
Salaries and fees	3,481	3,130
Social security costs	97	132
Pension costs (defined contribution plans)	741	582
Share-based costs	170	43
Total employee benefits	**4,489**	**3,887**

7. Financial income and expenses, items recognised through profit or loss

1,000 EUR	2018	2017
Interest income on trade receivables	14	15
Other financial income from contingent liabilities	0	1
Other financial income	33	18
Total financial income	**47**	**35**

1,000 EUR	2018	2017
Interest on loans and borrowings	405	422
Interest expenses related to financial lease liabilities	125	138
Total interest expense	**529**	**561**
Other financial costs	206	146
Expenses related to loans	18	12
Profit/loss from financial instruments recognised at fair value through profit or loss	- 15	95
Total financial expenses	**738**	**812**

Financial expenses, items of other comprehensive income

The Group parent company has entered into an interest rate swap agreement. The contract has an underlying asset. On the reporting date, the market value of the interest rate derivative instrument was -193 thousand euros.

Cash flow hedging	-	69
Total financial expenses, items of other comprehensive income	**-**	**69**

8. Income tax

The major components of income tax expenses for the financial years that ended on 31 January 2018 and on 31 January 2017 include the following:

Consolidated income statement

1,000 EUR	2018	2017
Current income tax:		
Current income tax charge	762	1,205
Deferred tax:		
Related to origination and reversal of temporary differences	490	- 201
Income tax expenses reported in the income statement	**1,252**	**1,005**

Consolidated statement of other comprehensive income		
Deferred tax liabilities have not been recognised for translation differences.		
Deferred tax liabilities related to cash flow hedging have been taken into account.	-	14
Total taxes related to items of other comprehensive income	**-**	**14**

Total deferred taxes for the period	**490**	**-187**

Reconciliation of tax expenses and the accounting profit multiplied by Finland's domestic tax rate for 2017:

1,000 EUR	2018	2017
Profit/loss before taxes from continuing operations	5,731	4,469
Loss before taxes from discontinued operations	-	-
Accounting profit/loss before taxes	**5,731**	**4,469**
At Finland's statutory income tax rate of 20% (2017: 20 %)	1,146	894
Effect of non-deductible expenses on taxes:		
Other non-deductible expenses	76	19
Other	30	93
Taxes from previous periods and changes to taxes		
	1,252	1,005
Income tax expenses reported for continuing operations in the income statement	1,252	1,005
Effect of discontinued operations on taxes	-	-
	1,252	1,005

Deferred taxes

Deferred taxes are related to the following:

	Consolidated balance sheet		Consolidated income statement	
1,000 EUR	**2018**	**2017**	**2018**	**2017**
Accelerated depreciation for tax purposes	- 92	- 74	- 18	9
Undeductible provision	15	10	4	-
Fair value of derivatives	5	60	-	- 14
Tax losses	- 67	280	- 346	- 116
Capitalised transaction costs	7	10	- 3	13
Intangible assets	- 83	-	- 19	3
Financial lease liabilities	60	27	33	28
Management's incentive schemes	-	109	- 109	- 109
Other	6	-	- 31	-
Deferred taxes, net	**- 150**	**422**	**- 490**	**- 187**

Based on the consolidated balance sheet:		
Deferred tax assets	21	488
Deferred tax liabilities - continuing operations	- 171	- 66
Deferred tax assets, net	**- 150**	**422**

9. Property, plant and equipment

1,000 EUR	Property	Plant and equipment	Total
Acquisition price			
1 February 2016	**251**	**2,615**	**2,866**
Additions		910	910
31 January 2017	**251**	**3,525**	**3,776**
Additions	-	416	416
Reductions/disposals	-	- 72	- 72
31 January 2018	**251**	**3,869**	**4,120**
Depreciation and impairment			
1 February 2017	**- 248**	**- 1,616**	**- 1,864**
Depreciation charge for the year	- 3	- 452	- 455
Reduction/disposals		- 319	- 319
31 January 2018	**- 251**	**- 2,387**	**- 2,638**
Depreciation charge for the year		- 542	- 542
Reduction/disposals			**-**
31 January 2018	**- 251**	**- 2,929**	**- 3,180**
Net book value			
31 January 2018		939	939
31 January 2017		1,138	1,138
31 January 2016	3	999	1,002

Additions of 78 thousand euros in plant and equipment are related to acquisitions and combining of operations carried out during the financial year.

10. Intangible assets

1,000 EUR	Goodwill	Intangible rights	Other long-term expenses	Total
Acquisition price				
31 January 2017	**36,263**	**195**	**3,949**	**40,407**
Additions			859	859
Reduction/disposals			-133	-133
31 January 2018	**36,263**	**195**	**4,675**	**41,133**
Additions	1,480		1,611	3,091
Reduction/disposals				
31 January 2018	**37,743**	**195**	**6,286**	**44,224**
Depreciation and impairment				
31 January 2016	**-444**	**-189**	**-1,837**	**-2,470**
Depreciation		-2	-521	- 522
Impairment				
31 January 2017	**-444**	**-191**	**-2,358**	**-2,992**
Depreciation			-818	-818
31 January 2018	**-444**	**-191**	**-3,177**	**-3,810**
Net book value				
31 January 2018	37,299	4	3,109	40,412
31 January 2017	35,819	4	2,317	38,140
31 January 2016	35,819	6	2,112	37,937

Additions of 286 thousand euros to other long-term expenses are related to acquisitions and combining of operations carried out during the financial year.

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

11. Inventories

1,000 EUR	2018	2017
Raw materials (at cost)	3,717	2,621
Work in process (at cost)	371	375
Finished goods (at cost or net realisable value)	0	90
Total inventories at the lower of cost and net realisable value	**4,088**	**3,087**

There was no impairment on inventories in 2018 or 2017. Impairment is included in the change in inventories in the income statement.

12. Trade and other receivables

1,000 EUR	2018	2017
Trade receivables, current	6,057	5,209
Trade receivables from related parties	0	0
Other receivables	650	553
	6,707	**5,761**

Trade receivables from related parties are normal trade receivables.

Trade receivables are non-interest-bearing and are generally on terms of 7 to 30 days.

Other receivables include pledged bank accounts (for collateral requirements). These amounts were EUR 146,000 in January 2018 (2016: EUR 146,000).

On 31 January 2018, a credit loss provision of EUR 31,000 was recognised for doubtful receivables (2017: EUR 52,000). See below for the changes in impairment on trade receivables (credit loss provision).

	Individually impaired
31 January 2016	**91**
Change for the year	-39
31 January 2017	**52**
Change for the year	-21
31 January 2018	**31**

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

1,000 EUR	2018	2017
Payment not overdue	4,530	4,776
Past due but not impaired		
< 30 days	661	346
> 30 days	866	87
Total	**6,057**	**5,209**

Non-current receivables include trade receivables that will not fall due until more than 12 months after the reporting date.

See Note 20 on the credit risk concerning trade receivables. Note 20 also explains how the Group manages and measures the credit quality of trade receivables that are neither past due nor impaired.

13. Cash and short-term deposits

1,000 EUR	2018	2017
Cash at banks and in hand	7,982	9,650
	7,982	**9,650**

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group does not have any short-term deposits.

The Group has pledged a part of its bank account deposits to fulfil collateral requirements.
In the consolidated financial statements, these bank accounts are shown in Other receivables, not in Cash at banks and in hand.
See Note 12 for further details.

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

1,000 EUR	2018	2017
Cash at banks and in hand	7,982	9,650
Cash and cash equivalents	**7,982**	**9,650**

14. Goodwill impairment testing

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

- Franchising CGU
- Wholesale CGU

Carrying amount of goodwill allocated to each of the CGUs:

1,000 EUR	2018	2017
Franchising CGU	30,899	29,419
Wholesale CGU	6,400	6,400
Total	**37,299**	**35,819**

The Group performed its annual impairment test in January 2018 and January 2017.
The recoverable amounts for each CGU were determined based on the value in use.

Franchising CGU

The recoverable amount of the Franchising CGU (EUR 72,197,000 on 31 January 2018) was determined based on the value used in cash flow projections for financial budgets approved by senior management for a five-year period. The pre-tax discount rate applied to cash flow projections was 7.11% (2017: 6.61%), and cash flows beyond the five-year period were extrapolated using a growth rate of 1% (2017: 1%), which is assessed to match the long-term average growth rate in the franchising sector. The decrease in the discount rate as compared to the previous year resulted from updating the interest rate of the Finnish 10-year government bonds and the CGU's equity-to-net-debt ratio to correspond to the situation at the end of the financial year 2018, as these values are used for calculating the discount rate.

Wholesale CGU

The recoverable amount of the Wholesale CGU (EUR 18,878,000 on 31 January 2018) was determined based on the value used in cash flow projections for financial budgets approved by senior management for a five-year period. The pre-tax discount rate applied to cash flow projections was 7.11% (2017: 6.61%), and cash flows beyond the five-year period were extrapolated using a growth rate of 1% (2017: 1%), which is assessed to match the long-term average growth rate in the wholesale sector. The decrease in the discount rate as compared to the previous year resulted from updating the interest rate of the Finnish 10-year government bonds and the CGU's equity to net debt ratio to correspond the situation at the end of the financial year 2018, as these values are used for calculating the discount rate.

Key assumptions used in value in use calculations

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

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

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

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

15. Financial liabilities

Interest-bearing loans and borrowings

1,000 EUR	Effective interest rate	Maturity	2018	2017	2016
	%				
Current interest-bearing loans and borrowings					
Bank loan	floating	12 months	1,150	1,150	850
Other current loans					
Car instalment credits		12 months	-	-	109
Financial lease liabilities	fixed	12 months	342	15	82
Total current interest-bearing loans and borrowings			**1,492**	**1,165**	**1,041**
Non-current interest-bearing loans and borrowings					
Bank loan	floating	7 August 2021	9,500	9,500	9,500
Bank loan	floating	7 August 2021	1,100	1,500	1,900
Bank loan	floating	7 February 2023	3,063	3,813	4,563
Other non-current loans					
Car instalment credits		more than 12 months	-	-	43
Financial lease liabilities	fixed	more than 12 months	627	1,017	357
Total non-current interest-bearing loans and borrowings			**14,289**	**15,829**	**16,363**
Total interest-bearing loans and borrowings			**15,781**	**16,994**	**17,404**

Bank loans

The parent company has three bank loans withdrawn in August 2015 with a total nominal value of EUR 17 million. The loans are secured against business mortgages and pledged shares of subsidiaries. The 9.5 MEUR bank loan is a bullet loan of EUR 9.5 million and falls due in full on 7 August 2021. The two other bank loans are repaid in accordance with their repayment schedules over their maturity periods. The company's bank loans involve covenants relating to the amount of interest-bearing debt and profitability.

Financial lease liabilities

The Group's agreements that are related to furniture and fixtures at its own restaurants, as well as cars, are considered to fulfil the requirements of IAS 17 for financial leases. On the reporting date, the Group's liabilities related to these amounted to 969,000 euros.

1,000 EUR	2018	2017
Gross financial lease liabilities, minimum rents according to maturity periods		
Within 12 months	455	20
More than 12 months but no more than 5 years	581	1,279
Total	**1,037**	**1,299**
Future accrual of financial expenses	- 68	- 268
Current value of financial lease liabilities	969	1,031
Current value of financial lease liabilities according to maturity periods		
Within 12 months	342	15
More than 12 months but no more than 5 years	627	1,017
Total	**969**	**1,031**

The Group also has agreements that related to furniture and fixtures delivered to the franchisees. These agreements are considered to fulfil the requirements of IAS 17 for financial leases. On the reporting date, the Group's lease receivables and corresponding payments from the financing company related to these agreements amounted to 1,312,000 euros (870,000). On the balance sheet, these are included in non-current receivables and in other non-current liabilities.

Other financial liabilities

1,000 EUR	2018	2017
Financial liabilities at fair value through profit or loss		
Derivatives not designated as hedges		
Interest rate swap contracts not included in hedge accounting	193	298
Total financial liabilities at fair value through profit or loss	**193**	**298**
Total other financial liabilities	**193**	**298**

The Group parent company has entered into an interest rate swap agreement. The contract has an underlying asset.
On the reporting date, the market value of the interest rate derivative instrument was -193 thousand euros.

16. Trade and other payables

1,000 EUR	2018	2017
Trade payables	6,196	4,836
Other payables	3,515	3,645
Total	**9,711**	**8,481**

Terms and conditions of the above financial liabilities:

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

17. Carrying amounts of financial assets and liabilities by category

Values on 31 January 2018

Balance sheet item, 1,000 EUR	Note	Financial assets and liabilities measured at fair value through profit or loss and included in hedge accounting	Loans and other receivables	Available-for-sales (AFS) financial assets and liabilities	Financial assets and liabilities at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Non current receivables			1,318			1,318	1,318
Current financial assets							
Trade and other receivables	12, 3		6,707	13		6,720	6,720
Cash and cash equivalents	13		7,982			7,982	7,982
Carrying amount by category		**-**	**16,006**	**13**	**-**	**16,019**	**16,019**
Non-current financial liabilities							
Interest-bearing liabilities	15				14,289	14,289	14,289
Derivative financial instruments	18	193				-	-
Other non-current liabilities				-	3,650	3,843	3,843
Current financial liabilities							
Interest-bearing liabilities	15				1,492	1,492	1,492
Trade and other payables	16			-	9,711	9,711	9,711
Carrying amount by category		**193**	**-**	**-**	**29,335**	**29,335**	**29,335**

Values on 31 January 2017

Balance sheet item, 1,000 EUR	Note	Financial assets and liabilities measured at fair value through profit or loss and included in hedge accounting	Loans and other receivables	Available-for-sales (AFS) financial assets and liabilities	Financial assets and liabilities at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial assets							
Non current receivables			874			874	874
Current financial assets							
Trade and other receivables	12, 3		5,761	13		5,774	5,774
Cash and cash equivalents	13		9,650			9,650	9,650
Carrying amount by category		**-**	**16,285**	**13**	**-**	**16,298**	**16,298**
Non-current financial liabilities							
Interest-bearing liabilities	15				15,829	15,829	15,829
Derivative financial instruments	18	298				298	298
Other non-current liabilities				-	2,745	2,745	2,745
Current financial liabilities							
Interest-bearing liabilities	15				1,165	1,165	1,165
Trade and other payables	16			-	8,481	8,481	8,481
Carrying amount by category		**298**	**-**	**-**	**28,219**	**28,517**	**28,517**

	2018	2017
Non-current receivables		
Financial support and buy-back commitments	1,313	872
Other receivables	5	2
Total	**1,318**	**874**

	2018	2017
Non-current liabilities		
Guarantees received	1,885	1,870
Other non-current provisions	394	
Financial support and buy-back commitments	1,313	872
Other liabilities	57	3
Total	**3,650**	**2,745**

The non-current assets include trade receivables that will fall due for payment after more than 12 months from the reporting date, as well as rental receivables classified as a financial lease. Other non-current liabilities comprise collateral debts and buy-back commitments classified as financial leases.

Available-for-sale assets include investments in non-listed shares and the receivables related to the divested business of Francount. Current trade receivables available for sale and other receivables of EUR 13,000 are included in the balance sheet for the year 2018 (EUR 13,000 in 2017) in the item "Assets related to divestments". Investments available for sale are measured at acquisition cost, as their fair value cannot be measured reliably.

The management estimates that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instrument transactions principally with financial institutions with a credit rating. Derivatives valued using valuation techniques with market-observable inputs are interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward rates and interest rate curves.

Fair values of the Group's interest-bearing borrowings are determined by using the DCF method with a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

18. Fair value measurement

The following table provides the fair value measurement hierarchy for the Group's assets and liabilities.

The fair value measurement hierarchy including qualitative disclosure for assets on 31 January 2018:

Financial assets and liabilities measured at fair value through profit or loss and included in hedge accounting

		Fair value measurement			
1,000 EUR	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	31 January 2018				
Derivate financial liabilities					
Interest rate swaps		193		193	

Fair value hierarchy for financial instruments measured at fair value on 31 January 2017:

Financial assets and liabilities measured at fair value through profit or loss and included in hedge accounting

1,000 EUR	**Total**	**Level 1**	**Level 2**	**Level 3**
Derivate financial liabilities				
Interest rate swaps	298		298	

19. Commitments and contingencies

Operating lease commitments – Group as lessee

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

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

1,000 EUR	**2018**	**2017**
Within one year	85	50
After one year but no more than five years	75	46
	160	**96**

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

The Group's franchising business operated by Kotipizza Oyj, a subsidiary of the Group, involves providing rental guarantees for premises where Kotipizza Oyj is the main lessee but has subleased the premises out. Kotipizza Oyj has pledged deposits and business mortgages and the parent company Kotipizza Group Oyj has given guarantees as a counter guarantee for the rental guarantees provided.

Helsinki Foodstock Oy, a subsidiary of the Group, has bank guarantees for the goods being imported. As a counter guarantee for the bank guarantees, Helsinki Foodstock Oy has pledged business mortgages and the parent company Kotipizza Group Oyj has provided guarantees. In addition, Helsinki Foodstock Oy has rental commitments related to office facilities, and the company has given a bank guarantee to secure these liabilities.

Chalupa Oy, a subsidiary of the Group, has rental commitments related to restaurant operations. The company has given a bank guarantee to secure these commitments, and the parent company Kotipizza Group Oyj has provided an absolute guarantee with regard to the commitments.

The Social Burger Joint Oy, a subsidiary of the Group, has rental commitments related to restaurant operations. The company has given a bank guarantee to secure these commitments, and the parent company Kotipizza Group Oyj has provided an absolute guarantee with regard to the commitments.

The parent company Kotipizza Group Oyj also has fixed-term rental commitments related to office facilities. A bank guarantee has been given to secure these commitments. The rental agreements are fixed-term, ranging from one to three years.

The amounts of commitments and guarantees on the reporting date:

Commitments

1,000 EUR	**2018**	**2017**
Rental guarantees/rental commitments	4,494	4,368
Bank guarantees	420	420

Guarantees

1,000 EUR		
Pledged deposits	146	146
Business mortgages	17,500	17,500
Guarantees *)	12	12

*) In addition, the parent company Kotipizza Group Oyj has provided guarantees to secure its subsidiaries' liabilities.

Guarantees on behalf of other companies

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

The amounts of guarantees on the reporting date:

The amounts of guarantees on the reporting date:

	2018	**2017**
	3	3

Liabilities secured against business mortgages and pledged shares

During the financial year 2018, the parent company Kotipizza Group Oyj had three bank loans that are secured against business mortgages and pledged shares. The loans have been explained in further detail in Note 15.

The amounts of commitments and guarantees on the reporting date:

Liability

1,000 EUR		**2018**	**2017**
	Loans from financial institutions	14,813	15,963

Guarantee:

1,000 EUR	Business mortgages	17,500	17,500
	Pledged shares, book value	44,236	44,236

20. Financial risk management

The Group's principal financial liabilities are comprised of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables, as well as cash and short-term deposits that derive directly from its operations.

"The Group is exposed to market, credit and liquidity risks. The Group's senior management oversees the management of these risks.

All derivative activities for risk management purposes are carried out by people with the appropriate skills and experience. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Market risk

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

The sensitivity analyses in the following sections relate to the position on 31 January 2018.

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

Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Group's exposure to the risk of changes in market interest rates primarily relates to the fair value of interest rate derivative instruments and fluctuation in market interest rates. The Group manages risks by means of interest rate hedging. For this purpose, the Group enters into interest rate derivative agreements when needed. On 31 January 2018, 50% of the Group's borrowings had been converted into fixed-rate borrowings through an interest rate swap.

Interest rate sensitivity

A shift of 1% in the market interest rate curve would have had an effect of EUR -74,000 on the result on 31 January 2018. Interest rate sensitivity has been calculated assuming that the interest rate curve will rise by 1 percentage point. Sensitivity describes the effect on the result before taxes.

Foreign currency risk

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

On 31 January 2018, the Group did not have any significant exposures in foreign currencies.

Credit risk

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

Trade receivables

The customer credit risk is managed by each business unit in accordance with the Group's established policy, procedures and control concerning customer credit risk management.

Outstanding trade receivables are regularly monitored, and an impairment analysis is performed on each reporting date on an individual basis for major clients. The Group considers the concentration of risk with regard to trade receivables to be low, as its customers are located in several geographical areas and receivables per customer are reasonable.

Financial instruments and cash deposits

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

The limits are intended to minimise the concentration of risks and therefore prevent financial losses resulting from a counterparty's failure to make payments. The Group's maximum exposure to the credit risk for the components of the consolidated balance sheet on 31 January 2018 and on 31 January 2017 corresponds to the carrying amounts presented in Note 17.

Liquidity risk

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

Year ended 31 January 2018

1,000 EUR	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	288	1,204	10,478	3,812	15,781
Other financial liabilities		-	-	3,843	-	3,843
Trade	-	2 636			2	6,196
Other payables		2,830	685			3,515
Derivatives	-	24	73	96	-	193
	-	**9,336**	**1,962**	**14,224**	**3,814**	**29,335**

Year ended 31 January 2017

1,000 EUR	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	288	1,063	14,893	767	17,010
Other financial liabilities		-	-	2,789	-	2,789
Trade	-	4,231		-	-	4,231
Other payables		3,539	645			4,184
Derivatives	-	24	73	223	-	320
	-	**8,082**	**1,781**	**17,904**	**767**	**28,534**

Capital management

For the purpose of the Group's capital management, capital includes issued share capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value. In order to achieve this objective, the Group's capital management aims to ensure that it meets financial covenants related to the interest-bearing loans and borrowings. Failure to meet financial covenants would permit the creditor to immediately call back loans and borrowings. There were no breaches of the financial covenants of any interest-bearing loans and borrowings during the financial period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In practice, the development of the capital structure is monitored monthly using various indicators of the capital structure, which are reported to the company's Board of Directors.

No changes were made to the objectives, policies or processes for managing capital during the financial years that ended on 31 January 2018 and 31 January 2017.

21. Group information and subsidiaries

Information about subsidiaries

The Group's consolidated financial statements include:

			% of equity	
Nimi	**Principal operations**	**Domicile**	**2017**	**2016**
Kotipizza Oyj	Fast food and franchising	Finland	100%	100%
Helsinki Foodstock Oy	Food and beverage wholesale	Finland	100%	100%
Chalupa Oy	Fast food, fast casual	Finland	60%	60%
The Social Burger Joint Oy	Fast food, fast casual	Finland	51%	0%

The ultimate control of the Group

On 31 January 2018, the company had 3,091 shareholders, none of which controlled the Group.
Holdings in the company by sector and size, as well as the company's largest shareholders and the holdings of the members of its Board of Directors and Executive Board, are listed on the company's website www.kotipizzagroup.com.

22. Issued capital and reserves

The figures are exact values.	Number or shares (1,000)	Share capital	Reserve for invested unrestricted equity	Total
31 January 2015	544,275	80,000	5,362,752	5,442,752
Reverse share split	- 543,024	-	-	-
Share issue	5,100	-	25,500,000	25,500,000
Cost of issue			- 1,045,282	- 1,045,282
31 January 2016	6,351	80,000	29,817,470	29,897,470
Equity distribution			- 2,222,920	- 2,222,920
31 January 2017	6,351	80,000	27,594,550	27,674,550
Equity distribution			- 3,175,601	- 3,175,601
31 January 2018	6,351	80,000	24,418,949	24,498,949

During the financial year 2016, the Annual General Meeting decided to carry out a reverse share split in accordance with chapter 15, section 9 of the Limited Liability Companies Act. As a result of this, the company's total number of shares decreased to 1,251,201. A total of 5,100,000 new shares were issued through a share issue carried out on 6 July 2015 in conjunction with the listing of the company on NASDAQ OMX Helsinki.

The Group distributed 3,175,600.50 euros of equity during the financial year 1 February 2017-31 January 2018.

The company has one series of shares. All shares carry equal rights to dividends and the company's assets. The shares do not have nominal value. The company does not hold 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 in the earning period of 1 February 2016 - 31 January 2019. For the earning periods of 1 February 2017 - 31 January 2020 and 1 February 2018 - 31 January 2021, the company may give also discretionary matching shares based on the key employees' shareholding in addition to the performance shares. 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. 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. The calculatory (non-cash) impact of the share-based incentive programme to the Group's financial result and equity was 170 thousand euros in the financial year 1 February 2017-31 January 2018.

23. Related party transactions

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

1,000 EUR		**Interest paid**	**Amounts owed to related parties**	**Purchases from related parties**	**Outstanding trade payables**	**Sales to related parties**	**Outstanding trade receivables**
The Group's senior management	2018	0	0	0	0	1	1
	2017	0	0	334	58	2	0
Other related parties	2018	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Controlling entities	2018	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Companies controlled by members	2018	0	0	179	10	0	0
of the board	2017	0	0	134	15	0	0

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

1,000 EUR		**Salaries**	**Pension expenses**
Management and key personnel of the Group:			
	2018	912	172
	2017	748	141

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

Key management personnel have not been granted loans, and the Group has not guaranteed loans to the management personnel.

Managing Director and Board members: **1,000 EUR**	**2018 Salaries**	**Pension expenses**	**2017 Salaries**	**Pension expenses**
Tommi Tervanen, CEO	338	64	219	41
Kalle Ruuskanen, Chairman of the Board	38	-	24	-
Kim Hanslin, Member of the Board since 2 June 2015	24	-	24	-
Minna Nissinen, Member of the Board since 1 January 2015	25	-	24	-
Petri Parvinen, Member of the Board since 1 January 2015	24	-	24	-
Mikael Autio, Member of the Board until 17 May 2017	-	-	2	-
Virpi Holmqvist, Member of the Board since 17 May 2017	17		-	
Dan Castillo, Member of the Board since 17 May 2017	17			
Marjatta Rytömaa, Member of the Board until 17 May 2017	2	-	5	-
Johan Wentzel, Chairman of the Board until 17 May 2017	2	-	8	

24. Earnings per share

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

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

1,000 EUR	2018	2017
Profit attributable to ordinary equity holders of the parent		
Continuing operations	4,479	3,464
Profit attributable to ordinary equity holders of the parent for basic earnings	**4,479**	**3,464**
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**4,479**	**3,464**

	2018	2017
Weighted average number of shares for basic earnings per share	**6,351,201**	**6,351,201**
Diluted	**10,119**	
Weighted average number of shares adjusted for the effect of dilution	**6,361,320**	**6,351,201**

When the rewards from share-based incentive programmes are paid out in new shares, the maximum dilutive effect on the number of the company's registered shares for the first and second earning period of the programme is 77,946 shares, which is equivalent to 1.23% of the company's shares and votes. If the employment of a key employee terminates before the payment of the reward, the reward will not, as a rule, be paid.

The reverse share split is explained in more detail in Note 22 Capital issued.

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

Income statement

KOTIPIZZA GROUP OYJ
PARENT COMPANY

	Note	1 February 2017– 31 January 2018	1 February 2016– 31 January 2017
1,000 EUR		**12 months**	**12 months**
Turnover	1	**1,260**	**1,246**
Other operating income	2	109	24
Purchases during the period		-7	-3
Personnel expenses	3	-2,116	-1,393
Depreciation and impairment	4	-149	-106
Other operating expenses	5	-1,670	-1,313
Operating loss		**-2,574**	**-1,545**
Financial income and expenses	6	2,665	-523
Profit/loss before appropriations and taxes		**91**	**-2,069**
Appropriations	7	8,070	1,484
Income taxes	8	-686	0
Profit/loss for the period		**7,475**	**-585**

BALANCE SHEET

KOTIPIZZA GROUP OYJ
PARENT COMPANY

1,000 EUR	Note	31 January 2018	31 January 2017
ASSETS			
Non-current assets			
Intangible assets	9	459	392
Tangible assets	10	58	38
Investments	11	45,132	44,524
Non-current assets total		**45,649**	**44,954**
Current assets			
Short-term receivables	12	8,471	265
Cash at banks and in hand		775	7,053
Current assets total		**9,246**	**7,318**
Total assets		**54,895**	**52,272**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		80	80
Reserve for invested unrestricted equity		25,464	28,640
Profit/loss from previous financial periods		-2,411	-1,826
Profit/loss for the period		7,475	-585
Total shareholders' equity		**30,608**	**26,309**
Non-current liabilities	14	13,895	14,813
Current liabilities	15	10,391	11,150
Total liabilities		24,286	25,963
Total shareholders' equity and liabilities		**54,895**	**52,272**

Cash flow statement of the parent company

FOR THE FINANCIAL YEAR THAT ENDED ON 31 JANUARY 2018

1,000 EUR	2018	2017
Operating activities		
Profit before taxes	8,161	-585
Adjustments to reconcile profit before taxes to net cash flows:		
Depreciation on property, plant and equipment	16	12
Depreciation and impairment on intangible assets	133	95
Financial income	-3,522	-101
Financial expenses	857	624
Change in working capital:		
Change in trade and other receivables (+/-)	-19,707	13,272
Change in trade and other payables (+/-)	617	-197
Change in provisions (+/-)	0	-40
Interest paid and other financial expenses (-)	2,665	-523
Income tax paid (-)	0	0
Net cash flows from operating activities	**-10,780**	**12,557**
Cash flows from investing activities		
Investments in acquisitions of subsidiaries	-607	-13,689
Investments in tangible assets (-)	-37	14
Investments in intangible assets (-)	-200	-251
Loans granted (-)	-85	-221
Dividends received from subsidiaries	3,516	0
Net cash flows used in investing activities	**2,587**	**-14,147**
Cash flows from financing activities		
Share issue	0	0
Group contribution received	8,070	1,484
Equity distribution paid	-3,176	-2,223
Withdrawals of loans	0	9,766
Loan repayments (-)	-2,979	-1,152
Financial lease payments (-)	0	0
Net cash flows used in financing activities	**1,915**	**7,875**
Change in cash and cash equivalents	-6,278	6,285
Cash and cash equivalents on 1 February	7,053	768
Cash and cash equivalents on 31 January	**775**	**7,053**

Accounting policies applied to the parent company financial statements

Accounting policies

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

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

ACCOUNTING PRINCIPLES

Non-current assets

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

Depreciation is based on the following expected useful lives:

Long-term expenses	5 years
Machinery and equipment	3-5 years

Pension expenses

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

Foreign currency items

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

Exchange rate differences have been entered in the income statement.

Deferred taxes

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

Valuation of receivables

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

Comparability

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

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

Notes to the parent company's financial statements

Notes to the income statement

1.	Turnover	31 January 2018	31 January 2017
	Turnover by business line:		
	Administrative services	1,235	1,165
	Income from premises	25	81
	Total	**1,260**	**1,246**

2.	Other operating income	31 January 2018	31 January 2017
	Other income	109	24
	Total	**109**	**24**

3.	Personnel expenses	31 January 2018	31 January 2017
	Salaries and fees	1,763	1,134
	Pension expenses	316	206
	Other indirect employee costs	38	53
	Total	**2,116**	**1,393**

3.1.	**Average number of employees**	**15**	**13**

4.	Depreciation and impairment	31 January 2018	31 January 2017
	Depreciation according to plan		
	Other non-current expenses	133	95
	Machinery and equipment	16	12
	Total	**149**	**106**

5.	Other operating expenses	31 January 2018	31 January 2017
	Most significant items:		
	Non-mandatory indirect employee costs	105	71
	Operating leases and other property costs	117	141
	Machinery and equipment expenses	332	310
	Marketing expenses	97	71
	R&D expenses	297	32
	Administrative expenses	613	564
	Other expenses	109	124
	Total	**1,670**	**1,313**

5.1.	Auditor's fees	31 January 2018	31 January 2017
	Statutory audit	58	38
	Other advisory services	23	6
	Total	**80**	**45**

6.	Financial income and expenses	31 January 2018	31 January 2017
	Other financial income and expenses		
	From Group companies	3,516	96
	From others	6	4
	Total	**3,522**	**101**
	Interest and other financial expenses		
	To Group companies	-116	-53
	To others	-741	-571
	Total	**-857**	**-624**
	Total financial income and expenses	**2,665**	**-523**

7.	Appropriations	31 January 2018	31 January 2017
	Group contribution received	8,070	1,484
	Total appropriations	**8,070**	**1,484**

8.	Income taxes	31 January 2018	31 January 2017
	Income taxes for the period	686	0

Notes to the balance sheet

9.	Intangible assets	31 January 2018	31 January 2017
	Acquisition cost at the beginning of the financial year	507	255
	Additions	200	252
	Acquisition cost at the end of the financial year	707	507
	Accumulated depreciation at the beginning of the financial year	-115	-20
	Depreciation for the period	-133	-95
	Accumulated depreciation at the end of the financial year	-248	-115
	Balance sheet value on 31 January	459	392
	Total intangible assets	**459**	**392**

10. Tangible assets

	Plant and equipment	31 January 2018	31 January 2017
	Acquisition cost at the beginning of the financial year	56	135
	Additions	37	28
	Reductions	0	-107
	Acquisition cost at the end of the financial year	93	56
	Accumulated depreciation at the beginning of the financial year	-18	-71
	Depreciation for the period	-16	53
	Accumulated depreciation at the end of the financial year	-34	-18
	Balance sheet value on 31 January	58	38
	Total tangible assets	**58**	**38**

11.	Investments	31 January 2018	31 January 2017
	Shares and holdings		
	Acquisition cost at the beginning of the financial year	44,236	30,547
	Additions	607	13,689
	Acquisition cost on 31 January	44,844	44,236
	Capital loans granted		
	At the beginning of the financial year	288	67
	Additions	0	221
	At the end of the financial year	288	288

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

	Total investments	**45,132**	**44,524**

12. Receivables

	Current receivables	31 January 2018	31 January 2017
	Receivables from Group companies	8,170	15
	Trade receivables from Group companies	152	139
	Trade receivables from other companies	1	0
	Receivables from companies other than Group companies		
	Accrued receivables	148	111
	Total current receivables	**8,471**	**265**
	Total receivables	**8,471**	**265**

13.	Shareholders' equity	31 January 2018	31 January 2017
	Share capital at the beginning of the financial year	80	80
	Share capital on 31 January	80	80
	Reserve for invested unrestricted equity at the beginning of the financial year	28,640	30,863
	Equity distribution	-3,176	-2,223
	Reserve for invested unrestricted equity at the end of the financial year	25,464	28,640
	Retained earnings at the beginning of the financial year	-2,411	-1,826
	Profit/loss for the period	7,475	-585
	Retained earnings on 31 January	5,064	-2,411
	Total shareholders' equity	**30,609**	**26,309**

	Distributable funds		
	Reserve for invested unrestricted equity	25,464	28,640
	Retained earnings	-2,411	-1,826
	Profit/loss for the period	7,475	-585
	Total distributable funds	**30,529**	**26,229**

14.	Non-current liabilities	31 January 2018	31 January 2017
	Loans from financial institutions (1 to 5 years)	13,600	10,250
	Loans from financial institutions (more than 5 years)	63	4,563
		13,663	**14,813**
	Non-current accrued liabilities	193	0
	Other non-current liabilities	40	0
	Total non-current liabilities	**13,895**	**14,813**

15.	Current liabilities	31 January 2018	31 January 2017
	Liabilities to Group companies	7,658	9,487
	Loans from financial institutions	1,150	1,150
	Trade payables to Group companies	1	0
	Trade payables to companies other than Group companies	155	139
	Accrued liabilities	1,367	285
	Other current liabilities	60	89
	Total current liabilities	**10,391**	**11,150**
	Total liabilities	**24,286**	**25,963**

Breakdown of the most significant accrued liabilities:		
Personnel expenses	267	164
Taxes	686	0
Interest	112	118
Other accrued liabilites	302	2
Total accrued liabilities	**1,367**	**285**

Structure and financing arrangements

Frankis Finland Oy (2159381-0) merged with the parent company Kotipizza Group Oyj (2416007-6).

The execution of the merger was registered on 30 June 2016.

Merger consideration

No merger consideration will be paid.

Commitments	31 January 2018	31 January 2017
Leasing commitments, own (incl. VAT)		
Within one year	128	122
More than one year	71	122
	198	**244**
Commitments secured against business mortgages and pledged shares		
Commitment: loans from financial institutions	14,813	15,963
Guarantee: business mortgage	16,000	16,000
pledged shares, book value	44,236	44,236
Contingent liabilities for Group companies	unlimited	unlimited
Business mortgages for Group companies	1,000	1,000

Other commitments		
Lease commitments for premises (fixed-term agreements)	0	0
Leasing residual value liabilities (incl. VAT)	191	147

Guarantee

Lease guarantee	12	12

Interest rate derivative instrument

The parent company has entered into a new interest rate swap agreement. The swap agreement has an underlying asset. The market value of the interest rate swap was -193,000 euros on the reporting date. The negative market value is recognised as expenses. At the end of the previous financial year, the market value was -298,000 euros which was presented in the notes to the financial statements and was not recognised as expenses.

Kotipizza Group Oyj

Signatures of the CEO and the members of the Board of Directors:

24 April 2018

Kalle Ruuskanen
Chairman of the Board

Kim Hanslin
Member of the Board

Petri Parvinen
Member of the Board

Minna Nissinen
Member of the Board

Dan Castillo
Member of the Board

Virpi Holmqvist
Member of the Board

Tommi Tervanen
CEO

A report on the audit performed has been issued today.

Helsinki, 24 April 2018

Ernst & Young Oy
Authorized public accountants

Antti Suominen
KHT (Authorized public accountant)

Kotipizza Group Oyj

ACCOUNTING BOOKS USED FROM 1 FEBRUARY 2017 TO 31 JANUARY 2018

Journal	Filed in electronic format (NAV)
Nominal ledger	Filed in electronic format (NAV)
Purchases ledger	Filed in electronic format (NAV)
Sales ledger	Filed in electronic format (NAV)
Balance book and balance sheet specifications	Filed in electronic format

Electronically stored accounting ledgers are stored in accordance with the guidance of the Accounting Standards Board.

DOCUMENT TYPES USED FROM 1 FEBRUARY 2017 TO 31 JANUARY 2018

Document types		
Journals	NORDEA	Bank statements
Journals	MU	Memos vouchers, salaries
Sales and sales credit invoices	ML,MHL	Sales invoices NAV
Cash journals	SUOR_NORD	Reference payments NAV
Purchase and purchase credit invoices	OL, OHL	Purchase invoices NAV
Payment journals	MAKS_NORDE	Purchase payments NAV
VAT transactions	ALVILM	VAT entries
Tilinpäätöksen liitetiedot		Liitetietotositteet

Calculation of key figures

Operating profit, % = $\frac{\text{Operating profit}}{\text{Turnover}}$ X100

Return on equity, % = $\frac{\text{Net result}}{\text{Shareholders' equity}}$ X 100

Equity ratio = $\frac{\text{Shareholders' equity}}{\text{Total assets}}$ X 100

Earnings per share = $\frac{\text{Profit/loss for the period}}{\text{Number of shares}}$

Shareholders' equity per share = $\frac{\text{Shareholders' equity}}{\text{Number of shares}}$

Distribution from fund for invested unrestricted equity per share = $\frac{\text{Distribution from fund for invested unrestricted equity}}{\text{Number of shares}}$

Distribution from fund for invested unrestricted equity, % of earnings = $\frac{\text{Distribution from fund for invested unrestricted equity}}{\text{Profit/loss for the period}}$

KOTIPIZZA GROUP

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