

Kotipizza Group Oyj: Statement of the Board of Directors of Kotipizza Group Oyj Regarding the Voluntary Public Cash Tender Offer by Orkla ASA

Kotipizza Group Oyj
Stock Exchange Release
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Statement of the Board of Directors of Kotipizza Group Oyj Regarding the Voluntary Public Cash Tender Offer by Orkla ASA

Orkla ASA ("**Orkla**" or the "**Offeror**") and Kotipizza Group Oyj ("**Kotipizza**" or the "**Company**") have on 22 November 2018 announced that Orkla will make a voluntary recommended public cash tender offer to purchase all of the issued and outstanding shares in Kotipizza that are not owned by Kotipizza or any of its subsidiaries (the "**Tender Offer**").

Pursuant to the Finnish Securities Markets Act (746/2012, as amended), the Board of Directors of Kotipizza hereby issues the following statement regarding the Tender Offer.

TENDER OFFER IN BRIEF

Orkla and Kotipizza have entered into a combination agreement (the "**Combination Agreement**") on 22 November 2018. The Combination Agreement sets out, among other things, the main terms and conditions pursuant to which the Offeror shall make the Tender Offer.

The Tender Offer will be made in accordance with the terms and conditions set out in the tender offer document (the "**Tender Offer Document**") expected to be published by the Offeror on or about 7 December 2018. The offer period for the Tender Offer is expected to commence on or about 7 December 2018 and to expire on or about 15 January 2019, subject to any extension of the offer period by the Offeror in accordance with the terms and conditions of the Tender Offer.

The offer price is EUR 23.00 in cash for each share in Kotipizza (the "**Offer Price**"). The Offer Price represents a premium of approximately:

- 38.6 percent compared to the closing price of the Kotipizza share on Nasdaq Helsinki Ltd. ("**Nasdaq Helsinki**") on 21 November 2018, the last trading day before the announcement of the Tender Offer;
- 35.2 percent compared to the volume-weighted average trading price of the Kotipizza share on Nasdaq Helsinki during the 3-month period preceding the date of the announcement of the Tender Offer; and
- 48.4 percent compared to the volume-weighted average trading price of the Kotipizza share on Nasdaq Helsinki during the 12-month period preceding the date of the announcement of the Tender Offer.

In the event of a share issue, reclassification, stock split or other similar transaction with dilutive effect or issue of option rights or any other rights entitling to shares, or distribution of dividend or other distribution of funds or any other assets by Kotipizza to its shareholders in accordance with the Finnish Companies Act (624/2006, as amended) before the completion of the Tender Offer, the Offeror will have the right to adjust the Offer Price accordingly on a euro-for-euro basis, to account for the effect of such dilution, dividend or distribution.

According to the stock exchange release issued by the Offeror on 22 November 2018 (the “**Offeror Release**”), once the Offeror has obtained more than 90 percent of the issued and outstanding shares and votes in Kotipizza, the Offeror will, if necessary, initiate compulsory redemption proceedings in accordance with the Finnish Companies Act to acquire the remaining shares in Kotipizza, and thereafter cause Kotipizza’s shares to be delisted from Nasdaq Helsinki as soon as permitted and practicable under applicable laws and regulations.

According to the Offeror Release, the Offeror plans to finance the Tender Offer by a combination of existing cash positions and unutilized committed credit facilities. The Offeror’s obligation to complete the Tender Offer is not conditional upon availability of financing, and no third party consents are required by the Offeror for the financing of the Tender Offer.

The CEO of Kotipizza Mr. Tommi Tervanen, the CFO of Kotipizza Mr. Timo Pirskanen as well as certain major shareholders of Kotipizza, including Axxion S.A., DNCA Invest Archer Mid-Cap Europe, DNCA Invest Norden Europe, Elo Mutual Pension Insurance Company, Evli Bank Plc., Evli Fund Management Company Ltd., Handelsbanken Fonder AB and Ilmarinen Mutual Pension Insurance Company, have irrevocably undertaken to accept the Tender Offer subject to certain customary conditions. The irrevocable undertakings represent jointly approximately 32.6 percent of the shares and votes in Kotipizza.

On 24 November 2018, the Offeror announced that its holding of shares in the Company had exceeded 10 percent.

The completion of the Tender Offer is subject to certain conditions to be fulfilled on or by the date of the Offeror’s announcement of the final result of the Tender Offer, including, among others, approvals by the relevant regulatory authorities, such as competition authorities, and the Offeror gaining control of more than 90 percent of the outstanding shares and votes in Kotipizza.

THE STATEMENT OF THE BOARD OF DIRECTORS

1. Background of the statement

Pursuant to the Finnish Securities Market Act, the Board of Directors of Kotipizza shall prepare a public statement regarding the Tender Offer.

The statement shall include a well-founded assessment of the Tender Offer from the perspective of Kotipizza and its shareholders, as well as of the strategic plans presented by the Offeror in the Tender Offer Document and their likely effects on the operations and employment of Kotipizza as presented by the Offeror in the Tender Offer Document.

For the purposes of issuing this statement, the Offeror has submitted to the Board of Directors the draft version of the Finnish language Tender Offer Document in the form in which the Offeror has filed it with the Finnish Financial Supervisory Authority for approval on 28 November 2018.

In preparing its statement, the Board of Directors has relied on information provided in the draft Tender Offer Document and the Offeror Release and has not independently verified this information.

2. Assessment regarding strategic plans presented by the Offeror and their likely effects on the operations of, and employment at, Kotipizza Group Oyj

Information given by the Offeror in the draft Tender Offer Document and the Offeror Release

The Board of Directors has assessed the Offeror’s strategic plans and their probable impact based on the information included in the draft Tender Offer Document and the Offeror Release.

According to information provided in the draft Tender Offer Document, Orkla is a leading supplier of branded consumer goods and concept solutions to the consumer, out-of-home and bakery markets

in the Nordics, Baltics and selected markets in Central Europe and India. Orkla is an Oslo Stock Exchange listed company with net sales and EBITDA in 2017 of NOK 39.6 billion (approximately EUR 4.2 billion with the average 2017 exchange rate) and NOK 5.8 billion (approximately EUR 620 million with the average 2017 exchange rate), respectively, and a market capitalisation on 21 November 2018 of approximately NOK 72.9 billion (approximately EUR 7.5 billion with the 21 November 2018 exchange rate).

Kotipizza is a leading player in the growing restaurant market in Finland, which is one of Orkla's home markets. The restaurants are mainly operated by franchisees. According to information provided in the Offeror Release, the contemplated acquisition is in line with Orkla's strategy of growing in channels with higher growth than the traditional grocery channel. According to the Offeror Release, welcoming Kotipizza to Orkla's house of brands is a natural and decisive step towards building the future Orkla.

According to information provided in the draft Tender Offer Document, Orkla values the roles that the current management, employees and franchisees of Kotipizza have in the success of the Company and the completion of the Tender Offer is not expected to have any immediate material effects on Kotipizza's operations, the position of Kotipizza's management, employees, franchisees or its business locations. Orkla, however, intends to change the composition of the Board of Directors of Kotipizza after the completion of the Tender Offer. According to the draft Tender Offer Document, it is the intention of the Offeror that Kotipizza will continue to operate as a separate entity under Orkla and to continue the existing franchise model.

Board assessment

The Board of Directors believes that the recognition of Orkla's brand and its leading market position in branded consumer goods and concept solutions in the Nordics, Baltics and selected other markets would benefit Kotipizza's business operations in the future. The Board of Directors further believes that the support and expertise of Orkla would help Kotipizza to further develop its operations and build a foundation for profitable growth. According to the Board of Directors' view, the Tender Offer is a recognition of Kotipizza's position as one of the best-known restaurant brands in Finland.

The Board of Directors considers that the Offer Price and the credibility of Orkla as an investor positively affect the ability of the Offeror to gain control of more than 90 percent of the shares and thereby help successfully complete the Tender Offer. An indication of this has already been seen in the form of the irrevocable undertakings by shareholders of Kotipizza representing jointly approximately 32.6 percent of the shares and votes in Kotipizza.

The Board of Directors considers that the information on the Offeror's strategic plans concerning Kotipizza included in the draft Tender Offer Document is of a general nature. However, based on information presented to Kotipizza, the Board of Directors believes that the completion of the Tender Offer is not expected to have any immediate material effects on Kotipizza's operations, business locations or number of employees. Orkla, however, intends to change the composition of the Board of Directors of Kotipizza after the completion of the Tender Offer.

On the date of this statement, the Board of Directors has not received any formal statements from the Company's employees as to the effects of the Tender Offer on the employment at Kotipizza.

3. Assessment of the Board of Directors from the perspective of Kotipizza Group Oyj and its shareholders

Introduction

When evaluating the Tender Offer, analysing alternative opportunities available to Kotipizza and concluding on its statement, the Board of Directors has considered several factors, such as Kotipizza's recent financial performance, current position and future prospects, and the historical performance of the trading price of the Kotipizza share.

The Board of Directors' assessment of the merits of continuing the business operations of Kotipizza as an independent company has been based on reasonable future-oriented estimates, which include uncertainties, whereas the Offer Price and the premium included therein is not subject to any uncertainty other than the fulfilment of the conditions to completion of the Tender Offer.

In order to support its assessment of the Tender Offer, the Board of Directors has received a fairness opinion, dated 21 November 2018, regarding the Tender Offer (the "**Fairness Opinion**") from Kotipizza's financial advisor, Advium Corporate Finance Ltd. Subject to the assumptions and qualifications set out in the Fairness Opinion, the Fairness Opinion states that the Offer Price is fair to the shareholders of Kotipizza from a financial point of view. The Fairness Opinion is attached as Appendix 1 to this statement.

Board assessment

The Board of Directors believes that the Offer Price offered to the shareholders of Kotipizza is fair based on an assessment of the issues and factors that the Board of Directors has concluded to be material in evaluating the Tender Offer. These include, among other factors:

- the premium of 38.6 percent being offered compared to the closing price of the Kotipizza share on Nasdaq Helsinki on 21 November 2018, the last trading day before the announcement of the Tender Offer;
- information and assumptions on the business operations and finances of Kotipizza at the date of this statement and their expected future development;
- the historical trading price of the Kotipizza share;
- valuation multiples of the Kotipizza share prior to the announcement of the Tender Offer;
- the cash consideration of the Tender Offer, which provides the shareholders with immediate liquidity and significant certainty in realizing the value of the shares, as compared to a stand-alone option;
- the likelihood of consummation of the Tender Offer, including that the completion of the Tender Offer is not conditional upon the availability of financing;
- other terms and conditions of the Tender Offer;
- the support by certain large shareholders in Kotipizza for the Tender Offer;
- the termination fee, payable to the Offeror only in the event that the Combination Agreement is terminated in connection with the Board of Directors withdrawing or changing its recommendation and being limited to an amount corresponding to the Offeror's reasonable transaction costs, and the Offeror being liable to pay a termination fee to the Company in certain circumstances; as well as
- the Fairness Opinion issued by Advium Corporate Finance Ltd.

The Board of Directors has concluded that Kotipizza would also have other strategic opportunities to develop its business as an independent company for the benefit of Kotipizza and its shareholders. However, taking into consideration the risks and uncertainties associated with such stand-alone approach as well as the terms and conditions of the Tender Offer, the Board of Directors has concluded that the Tender Offer is a more favourable alternative for the shareholders.

Kotipizza has in the Combination Agreement agreed to a standard clause whereby Kotipizza has undertaken not to solicit competing proposals or, subject to the fiduciary duties of the Board of Directors of Kotipizza, promote the progress of such proposals. Having carefully assessed the terms

and conditions of the Tender Offer, the Board of Directors has concluded that entering into the Combination Agreement, including said non-solicitation clause, is in the interest of Kotipizza's shareholders.

4. Recommendation of the Board of Directors

The Board of Directors has carefully assessed the Tender Offer and its terms and conditions based on the draft Tender Offer Document, the Fairness Opinion, and other available information.

Based on the above, the Board of Directors deems that the Tender Offer and the amount of the Offer Price are under the prevailing circumstances fair to Kotipizza shareholders.

Given the viewpoints presented above, the Board of Directors of Kotipizza unanimously recommends that the shareholders of Kotipizza accept the Tender Offer.

This statement is based on an assessment of the issues and factors which the Board of Directors has concluded to be material in evaluating the Tender Offer, including, but not limited to, the information and assumptions on the business operations and finances of Kotipizza at the date of this statement and their expected future development.

All members of the Board of Directors have participated in the decision-making concerning the statement. The evaluation of independence of the members of the Board of Directors is available on Kotipizza's website.

Five of the six members of the Board of Directors own shares in Kotipizza, either directly or indirectly. Each of these members of the Board of Directors has independently assessed whether he or she can, unconstrained by undue influences, participate in the preparations of this statement and decision to recommend the Tender Offer to the shareholders and further the interests of the shareholders collective. Each of them has determined that the ownership of shares in the Company will not affect his or her possibilities to act in accordance with a board member's fiduciary duties towards the shareholders collective.

5. Other Issues

The Board of Directors of Kotipizza notes that the combination of Kotipizza and Orkla may pose challenges to both parties, and the combination may, as is common in such processes, involve unforeseeable risks.

The Board of Directors notes that shareholders of Kotipizza should also consider the risks related to not accepting the Tender Offer. The completion of the Tender Offer would reduce the number of shareholders in Kotipizza and the number of shares that would otherwise be publicly traded. Depending on the number of shares validly tendered in the Tender Offer, this could have an adverse effect on the liquidity and value of the shares.

Pursuant to Chapter 18 of the Finnish Companies Act (624/2006, as amended), a shareholder with more than 90 percent of all shares and votes in a company shall have the right to acquire, and subject to a demand by the other shareholders also be obligated to redeem, the shares owned by the other shareholders. The shares held by shareholders in Kotipizza who have not accepted the Tender Offer may be redeemed through compulsory redemption proceedings under the Finnish Companies Act under the conditions set out therein.

This statement of the Board of Directors does not constitute investment or tax advice, and the Board of Directors of cannot be expected to specifically evaluate herein the general price development or the risks relating to the shares in general. Shareholders must independently decide whether to accept the Tender Offer, and they should take into account all relevant information available to them, including information presented in the draft Tender Offer Document and this statement as well as any other factors affecting the value of the shares.

Kotipizza has undertaken to comply with the Helsinki Takeover Code referred to in Chapter 11, Section 28 of the Finnish Securities Markets Act.

Kotipizza is being advised by Advium Corporate Finance Ltd as financial advisor and Avance Attorneys Ltd as legal advisor.

29 November 2018

The Board of Directors of Kotipizza Group Oyj

Further information:

Kalle Ruuskanen, Chairman of the Board of Directors

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ABOUT KOTIPIZZA

Kotipizza is a Finnish pizza chain founded in 1987. At the end of financial year 2017, the number of restaurants stood at 266. In the financial year 2017, the total sales of Kotipizza restaurants amounted to EUR 106.3 million. The Kotipizza chain and Kotipizza Oyj operating the chain are part of the Kotipizza Group, alongside the supply and logistics company Helsinki Foodstock Oy, Chalupa Oy that operates the Mexican-style restaurant chain Chalupa, The Social Burger Joint Oy that operates the Social Burgerjoint restaurant chain, as well as the No Pizza restaurant concept, aimed for international markets, that opened its first restaurant in June 2018.

In the financial year 2017, Helsinki Foodstock had net sales of EUR 64.2 million and the total sales of Chalupa restaurants were EUR 1.86 million. In the same period, the Kotipizza Group had total net sales of EUR 84.1 million with EBIT of EUR 6.4 million.

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Notice to U.S. Shareholders

U.S. shareholders are advised that the shares of Kotipizza are not listed on a U.S. securities exchange and that Kotipizza is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), and is not required to, and does not, file any reports with the U.S. Securities and Exchange Commission (the "SEC") thereunder. The Tender Offer is made to Kotipizza's shareholders resident in the United States on the same terms and conditions as those made to all other shareholders of Kotipizza to whom an offer is made. Any information documents, including this Tender Offer Document, are being disseminated to U.S. shareholders on a basis comparable to the method that such documents are provided to Kotipizza's other shareholders.

The Tender Offer is made in the United States pursuant to Section 14(e) and Regulation 14E under the Exchange Act as a "Tier II" tender offer, and otherwise in accordance with the requirements of Finnish law. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements, including with respect to the offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law.

To the extent permissible under applicable law or regulations, Orkla and its affiliates or brokers (acting as agents for Orkla or its affiliates, as applicable) may from time to time, and other than pursuant to the Tender Offer, directly or indirectly, purchase or arrange to purchase, the shares of Kotipizza or any securities that are convertible into, exchangeable for or exercisable for such shares of Kotipizza. To the extent information about such purchases or arrangements to purchase is made public in Finland, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Kotipizza of such information. In addition, the financial advisers to Orkla may also engage in ordinary course trading activities in securities of Kotipizza, which may include purchases or arrangements to purchase such securities.

Neither the SEC nor any U.S. state securities commission has approved or disapproved the Tender Offer, or passed any comment upon the adequacy or completeness of any tender offer document. Any representation to the contrary is a criminal offence in the United States.

Attachment

- Fairness Opinion by Advium Corporate Finance Ltd