TENDER OFFER DOCUMENT **5 DECEMBER 2018**

Public Tender Offer by Orkla ASA

for all issued and outstanding shares in Kotipizza Group Oyj

Orkla ASA (the "**Offeror**" or "**Orkla**") hereby offers to acquire, in accordance with Chapter 11 of the Finnish Securities Market Act (746/2012, as amended) and the terms and conditions of this tender offer document (the "**Tender Offer Document**"), all of the issued and outstanding shares (the "**Shares**" or, individually, a "**Share**") in Kotipizza Group Oyj (the "**Company**" or "**Kotipizza**") that are not held by the Company or any of its subsidiaries (the "**Tender Offer**").

The Offeror is a public limited company incorporated under the laws of Norway with its shares listed on the official list of Oslo Børs ASA ("**Oslo Stock Exchange"**).

Kotipizza is a public limited company incorporated under the laws of Finland with its Shares listed on the official list of Nasdaq Helsinki Ltd. ("**Nasdaq Helsinki"**).

Orkla and Kotipizza have on 22 November 2018 (the "**Signing Date**") entered into a combination agreement (the "**Combination Agreement**") under which Orkla makes the Tender Offer. For details please see *"Summary of the Tender Offer"*.

The price offered for each Share validly tendered in the Tender Offer is EUR 23.00 in cash (the "**Offer Price**").

The Offer Price represents a premium of approximately 48.4 percent compared to the volume-weighted average trading price of the Kotipizza Shares on Nasdaq Helsinki during the 12-month period preceding the date of announcement of the Tender Offer, a premium of approximately 35.2 percent compared to the volume-weighted average trading price during the 3-month period preceding the announcement of the Tender Offer, and a premium of approximately 38.6 percent compared to the closing price of the Shares on Nasdaq Helsinki on 21 November 2018, the last trading day before the announcement of the Tender Offer.

The acceptance period for the Tender Offer (the "**Offer Period**") will commence on 7 December 2018 at 9:30 am (Finnish time) and expire on 15 January 2019 at 4:00 pm (Finnish time) unless the Offer Period is extended. For details please see *"Terms and Conditions of the Tender Offer"*.

The completion of the Tender Offer is subject to the satisfaction of the conditions described under the section *"Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer"* of this Tender Offer Document. The Offeror reserves the right to waive any conditions to completion of the Tender Offer.

The Management Shareholders (as defined below) and the Major Shareholders (as defined below), representing together approximately 32.6 percent of the Shares have subject to certain customary conditions irrevocably undertaken to accept the Tender Offer. The Board of Directors of Kotipizza recommends that the shareholders accept the Tender Offer.

The information on this front page should be read in conjunction with, and is qualified in its entirety by, the more detailed information in this Tender Offer Document, in particular in the section *"Terms and Conditions of the Tender Offer"*.

THE TENDER OFFER IS NOT BEING MADE DIRECTLY OR INDIRECTLY IN ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW AND THIS TENDER OFFER DOCUMENT AND RELATED ACCEPTANCE FORMS ARE NOT AND MAY NOT BE DISTRIBUTED, FORWARDED OR TRANSMITTED INTO OR FROM ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW BY ANY MEANS WHATSOEVER INCLUDING, WITHOUT LIMITATION, MAIL, FACSIMILE TRANSMISSION, E-MAIL OR TELEPHONE. IN PARTICULAR, THE TENDER OFFER IS NOT MADE IN AND THIS TENDER OFFER DOCUMENT MUST UNDER NO CIRCUMSTANCES BE DISTRIBUTED INTO CANADA, JAPAN, AUSTRALIA, SOUTH AFRICA OR HONG KONG OR ANY OTHER JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW.

Financial Advisor to the Offeror and Arranger of the Tender Offer

Carnegie Investment Bank AB, Finland Branch

Arranger of the Tender Offer

OP Corporate Bank plc

IMPORTANT INFORMATION

This Tender Offer Document has been prepared in accordance with Finnish law, including the Securities Market Act (746/2012, as amended "**SMA**"), Decree 1022/2012 of the Ministry of Finance and regulations and guidelines 9/2013 (FSA 10/01.00/2013) issued by the Finnish Financial Supervisory Authority ("**FIN-FSA**"). The Tender Offer Document and the Tender Offer are governed by Finnish law and any disputes related thereto shall be exclusively settled by Finnish courts of competent jurisdiction.

The Offeror has undertaken to follow the Helsinki Takeover Code issued by the Securities Market Association referred to in Chapter 11, Section 28 of the SMA. According to the statement issued by the Board of Directors of Kotipizza on 29 November 2018 and attached as Annex A to this Tender Offer Document, Kotipizza has also undertaken to follow said Helsinki Takeover Code.

This Tender Offer Document is available in Finnish and English. In the event of any discrepancy between the two language versions of the Tender Offer Document, the Finnish language version shall prevail.

The FIN-FSA has approved the Finnish language version of the Tender Offer Document but is not responsible for the accuracy of the information presented therein. The decision number of such approval is FIN-FSA 11/02.05.05/2018.

The Tender Offer Document will be available in Finnish from 7 December 2018 onwards at the headquarters of Orkla ASA, Nedre Skøyen vei 26, P.O. Box 423 Skøyen, N-0213, Norway, the headquarters of Carnegie Investment Bank AB, Finland Branch, Eteläesplanadi 22 A, FI-00130 Helsinki, the branch offices of cooperative banks belonging to the OP Financial Group and at Nasdaq Helsinki, Fabianinkatu 14, FI-00130 Helsinki, Finland. The electronic version of the Tender Offer Document will be available in Finnish from 7 December 2018 onwards online at www.orkla.com/investor-relations/tender-offer-kotipizza-group/, www.kotipizzagroup.com/fi/sijoittajat/ostotarjous/ and www.op.fi/ostotarjous, and in English from 7 December 2018 onwards online at www.orkla.com/investor-relations/tender-offer-kotipizza-group/, www.kotipizzagroup.com/investors/tender-offer/ and www.op.fi/tenderoffer.

As permitted under Finnish law and other applicable law or regulation, the Offeror may purchase Shares in the Company also outside the Tender Offer on Nasdaq Helsinki or otherwise prior to the expiry of the Offer Period or any extended Offer Period or Subsequent Offer Period (as defined below), as the case may be.

The Tender Offer is not being made directly or indirectly in any jurisdiction where prohibited by applicable law and this Tender Offer Document and related acceptance forms are not and may not be distributed, forwarded or transmitted into or from any jurisdiction where prohibited by applicable law by any means whatsoever including, without limitation, mail, facsimile transmission, e-mail or telephone. In particular, the Tender Offer is not made in and this Tender Offer Document must under no circumstances be distributed into Canada, Japan, Australia, South Africa or Hong Kong or any other jurisdiction where prohibited by applicable law.

All financial and other information presented in this Tender Offer Document concerning the Company are exclusively based on the unaudited half-year financial report for the six months ended 31 July 2018, financial statements published by the Company for the financial year ended 31 January 2018, stock exchange releases published by the Company, entries in the Finnish Trade Register, the shareholders' register of the Company dated 30 November 2018 and other information publicly available. Consequently, the Offeror does not accept any responsibility for such information except for the accurate restatement of such information herein.

Save to the extent required by mandatory law, this Tender Offer Document will not be supplemented or updated with any financial information or other stock exchange releases published by the Company after the date of this Tender Offer Document nor will the Offeror otherwise separately inform the shareholders about the publishing of such financial information or other stock exchange releases, unless so required by compulsory legislation.

OP Corporate Bank, serving as the Arranger of the Tender Offer, will not regard any other person than the Offeror as a client in relation to the Tender Offer and will not be responsible to anyone other than the Offeror for providing the protections afforded to clients of OP Corporate Bank nor for providing advice to any such other person.

Notice to Shareholders in the United States

U.S. shareholders are advised that the Shares are not listed on a U.S. securities exchange and that the Company 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 the Company's shareholders resident in the United States on the same terms and conditions as those made to all other shareholders of the Company 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 the Company's other shareholders.

The Tender Offer is made for the issued and outstanding shares in the Company, which is domiciled in Finland. Information distributed in connection with the Tender Offer is subject to the disclosure requirements of Finland, which are different from those of the United States. In particular, the financial statements and financial information included in this Tender Offer Document have been prepared in accordance with applicable accounting standards in Finland, which may not be comparable to the financial statements or financial information of U.S. companies.

It may be difficult for the Company's shareholders to enforce their rights and any claims they may have arising under the federal securities laws, since the Offeror and the Company are located in non-U.S. jurisdictions, and some or all of their respective officers and directors may be residents of non-U.S. jurisdictions. The Company's shareholders may not be able to sue the Offeror or the Company or their respective officers or directors in a non-U.S. court for violations of the U.S. securities laws. It may be difficult to compel the Offeror and the Company and their respective affiliates to subject themselves to a U.S. court's judgment.

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, the Offeror and its affiliates or brokers (acting as agents for the Offeror 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 or any securities that are convertible into, exchangeable for or exercisable for such Shares. 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 the Company of such information. In addition, the financial advisers to the Offeror may also engage in ordinary course trading activities in securities of the Company, which may include purchases or arrangements to purchase such securities.

The receipt of cash pursuant to the Tender Offer by a U.S. shareholder may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each shareholder is urged to consult its independent professional adviser immediately regarding the tax consequences of accepting the Tender Offer.

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 the tender offer document. Any representation to the contrary is a criminal offence in the United States.

Notice to Shareholders in the United Kingdom

THIS TENDER OFFER DOCUMENT OR ANY OTHER DOCUMENT OR MATERIALS RELATING TO THE TENDER OFFER IS NOT BEING MADE AND HAVE NOT BEEN APPROVED BY AN AUTHORISED PERSON FOR THE PURPOSES OF SECTION 21 OF THE UK FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA"). ACCORDINGLY, THIS TENDER OFFER DOCUMENT OR ANY OTHER DOCUMENT OR MATERIALS RELATING TO THE TENDER OFFER ARE NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. THE COMMUNICATION OF THIS TENDER OFFER DOCUMENT OR ANY OTHER DOCUMENT OR MATERIALS RELATING TO THE TENDER OFFER IS EXEMPT FROM THE RESTRICTION ON FINANCIAL PROMOTIONS UNDER SECTION 21 OF THE FSMA ON THE BASIS THAT IT IS A COMMUNICATION BY OR ON BEHALF OF A BODY CORPORATE WHICH RELATES TO A TRANSACTION TO ACQUIRE DAY TO DAY CONTROL OF THE AFFAIRS OF A BODY CORPORATE; OR TO ACQUIRE 50 PER CENT. OR MORE OF THE VOTING SHARES IN A BODY CORPORATE, WITHIN ARTICLE 62 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005.

Certain Key Dates

The following timetable sets forth certain key dates relating to the Tender Offer, provided that the Offer Period has not been extended or discontinued in accordance with the terms and conditions of the Tender Offer:

- 22 November 2018 — Announcement of the Offeror's decision to launch the Tender Offer
- 7 December 2018 — Offer Period commences
- 15 January 2019 (preliminary) — Offer Period expires
- 16 January 2019 (preliminary) — Announcement of the preliminary result of the Tender Offer
- 18 January 2019 (preliminary) — Announcement of the final result of the Tender Offer
- 21 January 2019 (preliminary) — Payment of the Offer Price

PERSONS RESPONSIBLE FOR THE TENDER OFFER DOCUMENT

Offeror

Orkla ASA
Address: Nedre Skøyen vei 26
P.O.Box 423 Skøyen
N-0213 Oslo, Norway
Domicile: Norway

The Board of Directors of the Offeror

Stein Erik Hagen (Chairman)
Grace Reksten Skaugen
Ingrid Jonasson Blank
Lars Dahlgren
Nils K. Selte
Liselott Kilaas
Peter Agnefjäll
Terje Utstrand
Sverre Josvanger
Karin Hansson
Roger Vangen

CEO of the Offeror

Peter A. Ruzicka

Statement by the Offeror

This Tender Offer Document has been prepared by the Offeror pursuant to Chapter 11, Section 11 of the SMA for purposes of the Tender Offer set out herein.

The persons responsible for the Tender Offer Document represent that to their best understanding the information contained in this Tender Offer Document is accurate and no information has been omitted that is likely to affect the assessment of the merits of the Tender Offer.

All information concerning the Company presented in this Tender Offer Document has been extracted from, and has been provided exclusively based upon, publicly available information. The Offeror confirms that this information has been accurately reproduced and that as far as the Offeror is aware and is able to ascertain from information published by the Company, no facts have been omitted which would render the reproduced information incorrect or misleading.

In Oslo, 5 December 2018

Orkla ASA

ADVISORS TO THE OFFEROR

Financial advisor to the Offeror in connection with the Tender Offer and Arranger

Carnegie Investment Bank AB, Finland Branch
Eteläesplanadi 22 A
FI-00130 Helsinki
Finland

Legal advisor to the Offeror in connection with the Tender Offer

Roschier, Attorneys Ltd.
Kasarmikatu 21 A
FI-00130 Helsinki
Finland

Arranger of the Tender Offer

OP Corporate Bank plc
Gebhardinaukio 1
FI-00510 Helsinki
Finland

ADVISORS TO THE COMPANY

Financial advisor to the Company in connection with the Tender Offer

Advium Corporate Finance Ltd.
Aleksanterinkatu 19 A
FI-00100 Helsinki
Finland

Legal advisor to the Company in connection with the Tender Offer

Avance Attorneys Ltd
Mannerheimintie 20 A
FI-00100 Helsinki
Finland

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1. BACKGROUND AND OBJECTIVES

1.1 Background to the Tender Offer

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 (approx. EUR 4.2 billion with the average 2017 exchange rate) and NOK 5.8 billion (approx. EUR 620 million with the average 2017 exchange rate), respectively, and a market capitalization on 21 November 2018 of approx. NOK 72.9 billion (approx. EUR 7.5 billion with the 21 November 2018 exchange rate).

Kotipizza is a public limited company incorporated under the laws of Finland with its shares listed on the official list of Nasdaq Helsinki with the trading code PIZZA. The Kotipizza restaurant chain was founded in 1987. At the end of financial year 2017, there were approximately 266 restaurants in the Kotipizza restaurant chain. The Kotipizza chain and Kotipizza Oyj operating the chain are part of the Kotipizza Group, whose parent company is Kotipizza Group Oyj, and which also consists of the supply and logistics company Helsinki Foodstock Oy, Chalupa Ltd that operates the Mexican-style restaurant chain Chalupa, The Social Burger Joint Ltd 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, the net sales of the Kotipizza Group amounted to EUR 84.1 million with an EBIT of EUR 6.4 million. For the same period, the net sales of Helsinki Foodstock amounted to EUR 64.2 million.

The Offeror and Kotipizza have on the Signing Date entered into the Combination Agreement under which the Offeror has undertaken to make a public tender offer for all the Shares of Kotipizza that are not held by Kotipizza or any of its subsidiaries. The principal terms and conditions of the Combination Agreement have been described in the section *"Summary of the Combination Agreement"* below.

After reviewing the Tender Offer and its terms and conditions, as well as other available information, the Board of Directors of Kotipizza has unanimously decided to recommend that the shareholders accept the Tender Offer (see section 1.6 and Annex A below). To support its statement, the Board of Directors of Kotipizza has received a fairness opinion dated 21 November 2018 from Kotipizza's financial advisor Advium Corporate Finance Ltd. ("**Advium**"). According to the opinion, the consideration to be received by the holders of the Shares pursuant to the Tender Offer is believed to be fair from a financial point of view to such holders as of the date of the opinion.

The CEO of Kotipizza Mr. Tommi Tervanen, the CFO of Kotipizza Mr. Timo Pirskanen (the "**Management Shareholders**") 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 (the "**Major Shareholders**"), have irrevocably undertaken to accept the Tender Offer subject to certain customary conditions (see section 1.7 below). The irrevocable undertakings represent jointly approximately 32.6 percent of the shares and votes in Kotipizza.

1.2 Effect of the Tender Offer on Kotipizza's Operations and Assets and Future Position of Management and Employees

Orkla values the roles that the current management, employees and franchisees of Kotipizza have in the success of the Company. 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. However, the Offeror intends to change the composition of the Board of Directors of Kotipizza after the completion of the Tender Offer. 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.

In order to settle the Company's outstanding long-term share-based incentive program for the Company's management team (the "**LTIP**"), and to encourage the management team of Kotipizza to remain with the Company, the Board of Directors of Kotipizza has on 20 November 2018 decided that in case the Offeror announces the completion of the Tender Offer in accordance with its terms and conditions, the maximum rewards for each earnings period under the LTIP would be payable to the members of the management team in cash in three tranches. The first tranche would be payable after the completion of the Tender Offer, and the second and third following the completion of the Tender Offer at one year intervals. Such rewards payable to the members of the management team would amount to EUR 2,154,964 in aggregate, of which the amount payable to the CEO of Kotipizza would amount to EUR 735,734 with the remainder being divided between the other members.

The Offeror has not entered into any agreements providing for any other compensation or remuneration granted to the management or the members of the Board of Directors of Kotipizza payable in return for the execution of the Combination Agreement and/or for the completion of the Tender Offer.

1.3 Offeror's Strategic Plans

Kotipizza is a leading player in the growing restaurant market in Finland, which is one of Orkla's home markets. On 31 October 2018, Orkla announced its long-term strategy to grow the top- and bottom lines of its existing businesses, and to expand into new businesses that operate in growing channels and sell products or services where Orkla's current business and competences have relevance. As part of this strategy, Orkla intends through this Tender Offer to strengthen its presence in a channel with higher growth than in the traditional grocery channel in one of its key categories, namely pizza.

Kotipizza would be operated as a standalone sister company to Orkla's other Finnish businesses.

1.4 Financing of the Tender Offer

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 financing arrangements for the Tender Offer do not have any impact on the operations or obligations of Kotipizza.

1.5 Offeror's Future Plans with respect to Kotipizza Shares

The Offeror's intention is to acquire all the Shares in the Company.

Obligation to Make a Mandatory Offer

According to Chapter 11, Section 19 of the SMA, a shareholder holding more than thirty (30) percent or fifty (50) percent of the voting rights attached to shares in a company, the shares of which are subject to public trading on a regulated market, is obligated to make a public tender offer (mandatory offer) for all the remaining shares and securities entitling to shares in the company. However, under the SMA, if the relevant threshold has been exceeded by means of a voluntary public tender offer, the voluntary offer does not need to be followed by a mandatory offer provided that the initial voluntary offer has been made for all shares and other securities entitling to shares in the target company. Pursuant to the above exception, the Offeror will not have an obligation to launch a subsequent mandatory offer after the completion of the Tender Offer.

Redemption under the Finnish Companies Act

Under Chapter 18, Section 1 of the Finnish Companies Act (624/2006, as amended, "**Finnish Companies Act"**) a shareholder holding more than ninety (90) percent of the total number of shares and voting rights in a limited liability company shall have the right and obligation to redeem the remainder of the issued and outstanding shares in the company.

Should the Offeror obtain more than ninety (90) percent of the Shares of the Company and of the voting rights attached to the Shares, the Offeror will, if necessary, initiate compulsory redemption proceedings under the above provisions of the Finnish Companies Act in order to acquire title to all the Shares in the Company.

Delisting from Nasdaq Helsinki

The Offeror shall, as soon as permitted and reasonably practicable following the initiation of the compulsory acquisition proceedings under the Finnish Companies Act, cause the Company to apply for the delisting of its Shares from Nasdaq Helsinki.

1.6 Statement by the Board of Directors of Kotipizza

The Board of Directors of Kotipizza has unanimously decided to recommend that the shareholders accept the Tender Offer.

In order to support its assessment of the Tender Offer, the Board of Directors of Kotipizza has requested from Kotipizza's financial advisor, Advium, a fairness opinion regarding the Tender Offer. Advium's fairness opinion dated 21 November 2018 states that the consideration to be received by the holders of the Shares pursuant to the Tender Offer is believed to be fair from a financial point of view to such holders as of the date of the opinion.

After having obtained the fairness opinion from Advium and having carefully evaluated the terms and conditions of the Tender Offer from the point of view of Kotipizza and its shareholders and other available information, the Board of Directors of Kotipizza has on 29 November 2018 issued a statement to the effect that the consideration offered by the Offeror in the Tender Offer is fair to the holders of Shares. Accordingly, the Board of Directors of Kotipizza has unanimously decided to recommend the shareholders to accept the Tender Offer. The statement by the Kotipizza Board in accordance with Chapter 11, Section 13 of the SMA is attached to this Tender Offer Document as Annex A.

1.7 Undertakings of Shareholders

The Offeror has received undertakings by the Major Shareholders and the Management Shareholders of Kotipizza according to which such shareholders subject to certain customary conditions irrevocably undertake to accept the Tender Offer. The undertakings will terminate, among other things, if a third party announces a competing tender offer for all Shares in accordance with the SMA fulfilling certain additional conditions, provided that the Offeror does not increase the Tender Offer to match such competing tender offer within a time frame set in the undertakings. Such shareholders represent jointly approximately 32.6 percent of all the Shares and votes in Kotipizza.

1.8 Fees to Advisors

Carnegie (as defined below) serves as the financial advisor to the Offeror and as Arranger in connection with the Tender Offer, and OP Corporate Bank plc serves as the Arranger in connection with the Tender Offer. Roschier, Attorneys Ltd. serves as the legal advisor to the Offeror. The Offeror expects the total fees payable to its advisors in connection with the Tender Offer to be approximately EUR 3.2 million. The majority of such fees being dependent on the completion of the Tender Offer.

1.9 Applicable Law

The Tender Offer and this Tender Offer Document shall be governed by Finnish law and all disputes relating thereto shall be finally settled by a competent court in Finland.

2. INFORMATION ON GROUNDS FOR PRICING OF THE TENDER OFFER

2.1 Grounds for determining the Offer Price

Under the Tender Offer, the Offeror is offering a cash consideration of EUR 23.00 for each Share validly tendered.

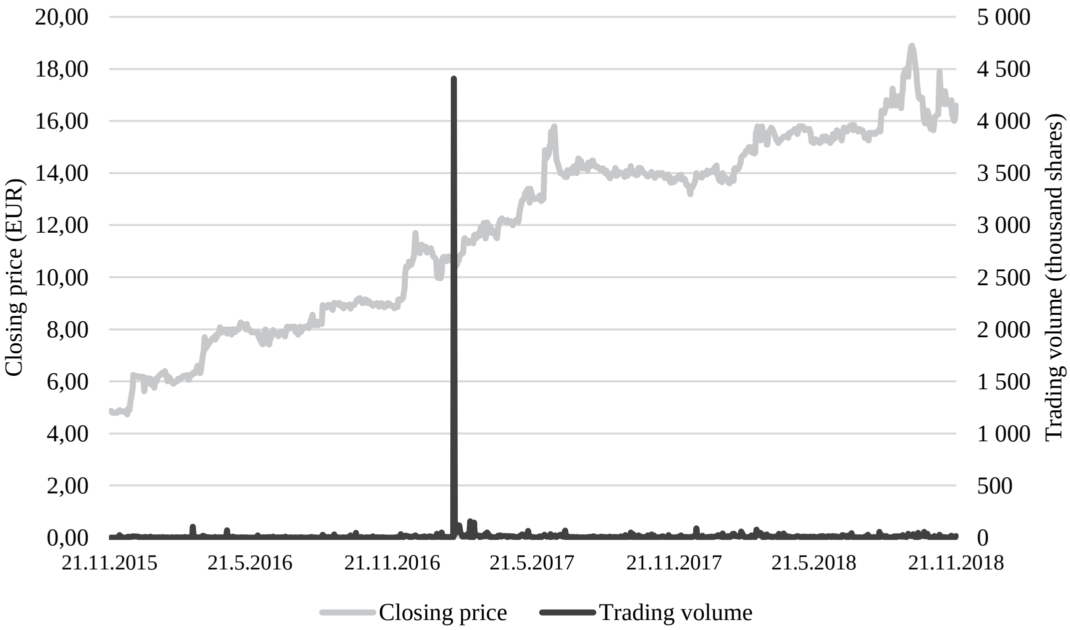
However, should the Company resolve to change the number of Shares issued and outstanding on the Signing Date as a result of a new share issue, reclassification, stock split or any other similar transaction with dilutive effect or issue option rights or any other rights entitling to shares ("**Dilutive Issue**"), or should the Company distribute a dividend or otherwise distribute funds or any other assets to its shareholders in accordance with the Finnish Companies Act ("**Distribution**"), or if a record date with respect to any of the foregoing shall occur prior to any or all of the settlements of the completion trades (also after the expiry of the Offer Period (as defined below) or any Subsequent Offer Periods (as defined below)) under the Tender Offer, the Offer Price shall be reduced accordingly on a euro-for-euro basis as set out in section *"Terms and Conditions of the Tender Offer – Offer Price"*. In the event that the cash consideration is changed as a result of a Dilutive Issue or a Distribution, the Offer Period will be extended in accordance with applicable law.

According to Chapter 11, Section 24 of the SMA, the starting point in determining the consideration to be offered in a voluntary tender offer for all shares and other securities entitling to shares in the target company shall be the highest price paid for the securities subject to the tender offer by the offeror or by a person related to the offeror as stipulated in Chapter 11, Section 5 of the SMA, during a period of six (6) months preceding the announcement of the tender offer.

Neither the Offeror nor any other party referred to in Chapter 11, Section 5 of the SMA has during the 6-month period preceding the announcement of the Tender Offer (the "**Announcement**") acquired any Shares in the Company in public trading or otherwise. Since the Announcement until 4 December 2018, the Offeror has purchased a total of 701,445 Shares representing approximately 11.04 per cent of all of the Shares. The highest price paid for Shares was EUR 23.00 per Share and the lowest price paid for Shares was EUR 22.89 per Share. No other party referred to in Chapter 11, Section 5 of the SMA holds any Shares in the Company.

2.2 Trading Prices of Kotipizza's Shares

The chart below shows the price development of the Shares on Nasdaq Helsinki and the trading volumes of the Shares during the last three (3) years preceding the Announcement, i.e. between 21 November 2015 and 21 November 2018.[1] The ISIN code of the Shares is FI4000157235.



The closing price per Share on Nasdaq Helsinki on 21 November 2018, i.e. on the last trading day preceding the Announcement, was EUR 16.60. The volume-weighted average trading price of the Shares on Nasdaq Helsinki over a 3-month period preceding the Announcement, i.e. from 21 August 2018 to 21 November 2018, was EUR 17.02. Correspondingly, the volume-weighted average trading price during the twelve (12) months preceding the Announcement, i.e. from 21 November 2017 to 21 November 2018, was EUR 15.50.

[1] Source: Nasdaq Helsinki.

The Offer Price of EUR 23.00 for each Share corresponds to a premium of approximately 38.6 percent to the closing price of the Shares of the Company (EUR 16.60) on Nasdaq Helsinki on 21 November 2018, the last trading day before the Announcement, and a premium of approximately 35.2 percent to the volume-weighted average trading price of the Shares of the Company on Nasdaq Helsinki during the 3-month period preceding the Announcement as well as a premium of approximately 48.4 percent compared to the volume-weighted average trading price during the last twelve (12) months preceding the Announcement.

The table below shows the quarterly trading prices and trading volumes of the Shares on Nasdaq Helsinki during the last three (3) years preceding the Tender Offer.[2]

		Share price during the period (EUR)			Trading volume during the period	
Time period		Average	High	Low	Shares	Euros
21 Nov 2015 – 31 Dec 2015		5.51	7.00	4.73	102,773	566,129
01 Jan 2016 – 31 Mar 2016		6.41	7.85	5.58	239,829	1,537,296
01 Apr 2016 – 30 Jun 2016		7.91	8.42	6.55	198,319	1,569,224
01 Jul 2016 – 30 Sep 2016		8.75	9.29	7.60	215,861	1,888,630
01 Oct 2016 – 31 Dec 2016		9.92	12.01	8.75	316,241	3,136,125
01 Jan 2017 – 31 Mar 2017		9.94	12.25	9.81	5,877,583	58,413,846
01 Apr 2017 – 30 Jun 2017		13.45	16.03	11.50	768,566	10,335,397
01 Jul 2017 – 30 Sep 2017		14.15	15.01	13.50	448,523	6,346,403
01 Oct 2017 – 31 Dec 2017		13.88	14.40	13.09	527,426	7,321,191
01 Jan 2018 – 31 Mar 2018		14.69	16.00	13.50	905,028	13,298,732
01 Apr 2018 – 30 Jun 2018		15.45	15.95	14.80	480,243	7,417,432
01 Jul 2018 – 30 Sep 2018		16.72	19.35	14.55	627,446	10,489,430
01 Oct 2018 – 21 Nov 2018		16.49	18.45	15.05	413,459	6,815,932

2.3 Other Tender Offers

To the Offeror's knowledge, no public tender offer for the Shares or securities entitling holders to shares of Kotipizza has been made by any third party during the twelve (12) months preceding the Announcement.

[2] Source: Nasdaq Helsinki.

3. SUMMARY OF THE COMBINATION AGREEMENT

This summary is not an exhaustive presentation of all terms and conditions of the Combination Agreement. The summary aims at describing the terms and conditions of the Combination Agreement to the extent that such terms and conditions may materially affect the assessment of a shareholder of the Company of the terms and conditions of the Tender Offer.

3.1 Background to the Combination Agreement

On 22 November 2018, the Offeror and Kotipizza entered into the Combination Agreement under which the Offeror has undertaken to make a public tender offer for all Shares in Kotipizza that are not held by Kotipizza or any of its subsidiaries (the Offeror and Kotipizza hereafter each a "**Party**" and together "**Parties**").

Should the Offeror obtain more than ninety (90) percent of the Shares of the Company and of the voting rights attached to the Shares, the Offeror will, if necessary, initiate compulsory redemption proceedings under the provisions of the Finnish Companies Act in order to acquire title to all the Shares in the Company. The Offeror shall apply for the delisting of the Company's Shares from Nasdaq Helsinki as soon as permitted and reasonably practicable under applicable laws and regulations.

Background to the Combination Agreement is described in more detail in the section "*Background and Objectives — Background to the Tender Offer".*

3.2 Offer Period and Offer Price

Under the Combination Agreement, the Offer Period under the Tender Offer shall initially run for approximately five (5) weeks and it may be extended by the Offeror in accordance with the terms and conditions of the Tender Offer.

The Combination Agreement provides that the Offeror shall offer to acquire all the Shares for a consideration of EUR 23.00 in cash for each Share subject to the terms and conditions of the Tender Offer. Any Distribution or Dilutive Issue by Kotipizza after the Signing Date shall reduce the Offer Price by an amount equal to such Distribution or Dilutive Issue per share as described in section *"Terms and Conditions of the Tender Offer – Offer Price".*

3.3 Conditions to Completion

Under the Combination Agreement, the obligation of the Offeror to accept the tendered Shares for payment and to complete the Tender Offer shall be subject to the fulfillment or, to the extent permitted by applicable law, waiver by the Offeror of the Conditions to Completion (as defined below) described in section *"Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer".*

3.4 Recommendation by the Board of Directors of Kotipizza

Having evaluated the terms and conditions of the Tender Offer from the point of view of the Company and its shareholders, the Board of Directors of the Company unanimously recommends that the shareholders accept the Tender Offer.

Pursuant to the Combination Agreement the Board of Directors of Kotipizza has, in the event of a possible competing offer or proposal, undertaken not to withdraw or change its recommendation for the Tender Offer unless the Board of Directors determines in good faith, when judged as a whole and after taking advice from reputable external legal counsel and financial advisor, that the competing offer or proposal is more favourable to the shareholders than the Offeror's Tender Offer, taking into account, among other things the consideration and other terms and conditions, the identity of the competing offeror, the availability and reliability of financing, the anticipated timing and regulatory aspects, and the prospects for completion, judged as a whole, and that therefore (i) it would no longer be in the best interest of the shareholders to accept the Tender Offer, and (ii) such modification, cancellation or change of the recommendation is required for the Board of Directors of the Company to comply with its fiduciary duties towards the shareholders. The Board of Directors may modify, cancel or change its recommendation for the Tender Offer in accordance with the above only if prior to such modification, cancellation or change, the Board of Directors has complied with certain agreed procedures allowing the Offeror to assess the competing offer or proposal and to enhance its Tender Offer. For such purpose, Kotipizza has undertaken to inform the Offeror with reasonably detailed information about the competing offer or proposal (including the identity of the competing offeror, pricing and other material terms and conditions) and to provide the Offeror with a reasonable opportunity to negotiate with the Board of Directors of Kotipizza about matters arising from the competing offer or proposal. Should the Offeror enhance its Tender Offer so as to be at least equally favourable to the shareholders as the competing offer or proposal, the Board of Directors has undertaken to confirm and uphold the recommendation for the Tender Offer, as enhanced.

3.5 Representations and Warranties

In the Combination Agreement, Kotipizza has given to the Offeror certain representations and warranties relating to, among other things:

- Kotipizza and its affiliated entities being validly incorporated and Kotipizza having the corporate power and authority to execute the Combination Agreement and to perform its obligations thereunder;
- the latest consolidated financial statements and interim report of Kotipizza having been in all material respects prepared in accordance with relevant laws and accounting standards;
- Kotipizza not discussing any competing offers or competing proposals and being unaware of any such offers or proposals as at the date of the Combination Agreement;
- Kotipizza having disclosed all material information required to be disclosed under applicable Finnish legislation, the regulation on market abuse (EU) No 596/2014 and the rules and requirements of Nasdaq Helsinki, and compiled all information it has delivered for the purpose of the Offeror's due diligence review in good faith, and such information being, to the knowledge of Kotipizza, in all material respects accurate and complete;
- the number of Shares issued by Kotipizza, and Kotipizza not having issued any option rights or other securities entitling to shares in Kotipizza;
- Kotipizza and its affiliated entities being in compliance in all material respects with (i) applicable laws and regulations, (ii) any material agreements and (iii) any applicable collective agreements and employee benefit plans and policies, and neither Kotipizza nor any of its affiliated entities having as at the date of the Combination Agreement received or given a notice of termination of any material agreement;
- there being no material claims, litigation or other legal proceedings pending or, to Kotipizza's knowledge, threatened against Kotipizza or its affiliated entities;
- Kotipizza (or any of its affiliated entities) owning or having valid licenses to all of the intellectual property rights required for the conduct of Kotipizza's and its affiliated entities' business substantially as conducted on the date of the Combination Agreement, and that there are, to Kotipizza's knowledge, no pending or threatened material claims or litigation contesting the validity, ownership or right of Kotipizza or its affiliated entities to own or use any material intellectual property rights owned or used by them;
- Kotipizza and all of its affiliated entities having filed all tax returns required to be filed by them and there being no tax related actions or disputes pending or threatened with respect to them;
- Kotipizza and any of its affiliated entities not (i) having used any of their funds for unlawful contributions or unlawful gifts, (ii) made any bribes or influence payments, or (iii) made or accepted any other unlawful payments;
- on the Signing Date, Kotipizza being unaware of any material breach of any of the representations and warranties given by the Offeror or any other provisions of the Combination Agreement, or of any matter or circumstance which could reasonably be expected to give rise to such breach; and
- on the Signing Date, Kotipizza being unaware of any event, circumstance or change that constitutes or is likely to result in a Material Adverse Change (as defined below under *"Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer"*).

In the Combination Agreement, the Offeror has given to Kotipizza certain representations and warranties relating to, among other things:

- the Offeror being validly incorporated and having the corporate power and authority to execute the Combination Agreement and to perform its obligations thereunder;
- the Offeror having secured necessary and adequate financing to complete the Tender Offer (including any subsequent compulsory redemption proceedings in accordance with the Finnish Companies Act);
- on the Signing Date, the Offeror not being aware of any facts, events or occurrences which could materially and adversely affect the Offeror's ability to consummate the Tender Offer;
- on the Signing Date, the Offeror not being aware of any mandatory anti-trust or other regulatory filings or approvals required by the Offeror to complete the Tender Offer, other than (i) a merger control filing with the Finnish Consumer and Competition Authority, and (ii) consents or approvals which, if not complied with, would not adversely affect the Offeror's ability to consummate the Tender Offer; and
- on the Signing Date, the Offeror not being aware of any material breach of any of the representations and warranties given by Kotipizza or any other provisions of the Combination Agreement, or of any matter or circumstance which could reasonably be expected to give rise to such breach.

The representations and warranties shall automatically terminate upon the title to the Shares validly tendered in the Tender Offer passing to the Offeror pursuant to the Tender Offer, thereby having no further effect after such date. If a material breach of any of the representations or warranties occurs and such breach has not been cured within a predefined period and always at the latest four (4) business days before the end of the Offer Period, the non-breaching Party may, subject to certain conditions, terminate the Combination Agreement in accordance with the section *" – Termination"* below.

3.6 Undertakings

Under the Combination Agreement, the Parties have given each other certain undertakings**,** most of which shall automatically terminate upon the title to the Shares validly tendered in the Tender Offer passing to the Offeror pursuant to the Tender Offer, thereby having no further effect after such date. The undertakings relate to the procedures to be followed in connection with the Tender Offer, including, among other things, the following:

- each Party has undertaken to use its reasonable best efforts to assist and cooperate with the other Party in the making of any necessary registrations and filings and in obtaining any necessary approvals, consents and waivers from relevant regulatory authorities, governmental entities and third parties;
- Kotipizza has undertaken not to, directly or indirectly, solicit, knowingly encourage, facilitate, promote, participate in any negotiations, provide information with respect to the Company to any person in connection with, or otherwise cooperate in any manner with any competing offer or proposal for such offer or other transaction that could constitute or result in any competing transaction or otherwise harm or hinder the completion of the Tender Offer, except if and to the extent such measures are required for the Board of Directors to comply with its fiduciary duties towards Kotipizza's shareholders. Kotipizza shall inform the Offeror of any competing proposals (including the identity of the competing offeror, pricing and other main terms and conditions of such proposal) and provide the Offeror an opportunity to negotiate with the Board of Directors of Kotipizza of matters arising from such competing proposals;
- Kotipizza has undertaken to, and to cause each of its affiliated entities to, conduct their respective businesses only in the ordinary course of business consistent with past practice and not to make or implement any material changes nor certain actions without the prior consent of the Offeror;
- Kotipizza has undertaken to use its reasonable best efforts to provide the Offeror with access to information regarding Kotipizza and its affiliated entities reasonably needed for purposes of necessary filings, completion of the Tender offer or to assess any possible breach of representations and warranties or any Material Adverse Change (as defined below) or for planning any integration to the extent permitted by applicable laws;
- each Party has undertaken to notify the other Party of certain events and to consult with each other before issuing any public announcements relating to the Tender Offer;
- the Board of Directors of Kotipizza has undertaken to convene at the request of the Offeror an Extraordinary General Meeting of Shareholders of Kotipizza for the purpose of electing new members to the Board of Directors of Kotipizza after the Offeror has publicly confirmed that it will complete the Tender Offer;
- The Offeror has undertaken to vote in favour of discharge of liability for the members of the Board of Directors of Kotipizza at the next Annual General Meeting of shareholders and to maintain the members' of the Board of Directors and Managing Director's current liability insurance policies for a certain time after the completion of the Tender Offer; and
- each of the Parties has undertaken to comply with, and not deviate from the recommendations included in, the Helsinki Takeover Code.

If a material breach of any of the undertakings occurs and such breach has not been cured within a predefined period and always at the latest four (4) business days before the end of the Offer Period, the non-breaching Party may terminate the Combination Agreement in accordance with the section *" – Termination"* below.

3.7 Termination

The Combination Agreement and the transactions contemplated thereunder may be terminated with immediate effect only as follows:

- either Party may terminate the agreement upon a material breach of any representations and warranties or of other undertakings by or obligations of the other Party set forth in the Combination Agreement and such breach not having been remedied within a predefined period and always at the latest four (4) business days before the Offer Period expires; or
- Kotipizza may terminate the agreement if the Board of Directors of Kotipizza has in compliance with and under the circumstances set forth in the Combination Agreement modified, cancelled or changed its recommendation to the shareholders to accept the Tender Offer due to a competing offer or proposal; or
- the Offeror may terminate the agreement if the Board of Directors of Kotipizza has for any reason modified, cancelled or changed its recommendation to the shareholders to accept the Tender Offer; or

- either Party may terminate the agreement if a final, non-appealable injunction or other order issued by any court of competent jurisdiction or other final, non-appealable legal restraint or prohibition preventing the consummation of the Tender Offer shall have taken effect after the Signing Date and shall still be in effect; or
- either Party may terminate the agreement if the Tender Offer has not been completed by 31 May 2019; or
- Kotipizza may terminate the agreement if the Offeror has not commenced the Tender Offer on or prior to 21 December 2018 or a later date agreed by the Parties; or
- the Offeror may terminate the agreement, if on or after the Signing Date, there occurs a Material Adverse Change (as defined below) or the Offeror receives on or after the Signing Date information previously undisclosed to it that constitutes a Material Adverse Change (as defined below).

Notwithstanding the above, the Offeror may only terminate the Combination Agreement so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn if the circumstances which give rise to the right to invoke the relevant termination right have a material significance to the Offeror as referred to in the Regulations and Guidelines 9/2013 (as may be amended or re-enacted from time to time) issued by the FIN-FSA.

If the Combination Agreement is terminated in connection with the Board of Directors of Kotipizza withdrawing or changing its recommendation for the Tender Offer, Kotipizza has undertaken to pay to the Offeror a termination fee of EUR 4,000,000 as compensation for the Offeror's reasonable transaction costs. If the Offeror invokes the closing condition on no Material Adverse Change (as defined below) having occurred on or after the Signing Date so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn due to a Material Adverse Change having occurred, the Offeror has undertaken to pay to Kotipizza a termination fee of EUR 1,500,000 as compensation for Kotipizza's reasonable transaction costs.

3.8 Governing Law

The Combination Agreement is governed by the laws of Finland.

4. TERMS AND CONDITIONS OF THE TENDER OFFER

4.1 Object of the Tender Offer

Through a voluntary public cash tender offer in accordance with Chapter 11 of the Finnish Securities Market Act (746/2012, as amended, the "**SMA**") and subject to the terms and conditions set forth herein, Orkla offers to acquire all of the issued and outstanding Shares in Kotipizza that are not held by the Company or any of its subsidiaries .

The Offeror and the Company have on 22 November 2018 entered into a combination agreement (the "**Combination Agreement**") pursuant to which the Tender Offer has been made by the Offeror.

4.2 Offer Price

The Tender Offer was announced by the Offeror on 22 November 2018. The Offer Price for each Share validly tendered in accordance with the terms and conditions of the Tender Offer is EUR 23.00 in cash.

The Offer Price has been determined based on 6,351,201 issued and outstanding Shares as at the Signing Date. However, should the Company resolve to change the number of Shares issued and outstanding on the Signing Date as a result of a new share issue, reclassification, stock split or any other similar transaction with dilutive effect or issue option rights or any other rights entitling to shares, or should the Company distribute a dividend or otherwise distribute funds or any other assets to its shareholders in accordance with the Finnish Companies Act, or should a record date with respect to any of the foregoing occur prior to any or all of the settlements of the completion trades (whether after the expiry of the Offer Period (as defined below) or any Subsequent Offer Periods (as defined below)) under the Tender Offer, the Offer Price shall be reduced accordingly on a euro-for-euro basis, whereby the offer price so reduced shall constitute the Offer Price as defined under these terms and conditions of the Tender Offer (it being understood that in the event of a change in the number of Shares, only the consideration payable for each Share will be adjusted accordingly without any reduction in the total aggregate consideration payable by the Offeror). Any reduction in the Offer Price, pursuant to the above, shall be announced by way of a stock exchange release. In the event that the Offer Price is increased or decreased, the Tender Offer acceptance period shall continue for at least a period of 10 business days following such announcement.

4.3 Offer Period

The Offer Period for the Tender Offer shall commence on 7 December 2018 at 9:30 a.m. (Finnish time) and expire on 15 January 2019 at 4:00 p.m. (Finnish time), unless the Offer Period is extended as set forth below.

The Offer Period may be extended by the Offeror (i) from time to time until such time when all of the Closing Conditions (as defined below) have been satisfied or waived and (ii) with a Subsequent Offer Period (as defined below) in connection with the announcement of the final result of the Tender Offer whereby the Offeror also declares the Tender Offer unconditional, all as set forth below.

The Offeror will announce a possible extension of the Offer Period through a stock exchange release at the latest on 16 January 2019. The Offeror will announce a possible extension of an already extended Offer Period at the latest on the first (1st) Finnish banking day following the expiry of the extended Offer Period. The duration of any possible extension of the Offer Period or an already extended Offer Period shall be at least two (2) weeks from the date of the announcement by the Offeror concerning such extension.

If the Offeror extends the Offer Period, the Offer Period will expire on the date and at the time until which the Offeror extends the Offer Period unless the extended Offer Period is discontinued as set forth below. The maximum duration of the Offer Period (including any extension of the Offer Period) is ten (10) weeks. However, if the Closing Conditions (as defined below) have not been fulfilled due to a particular obstacle as referred to in the Regulations and Guidelines 9/2013 (as amended) issued by the FIN-FSA such as, for example, pending approval by a competition or other regulatory authority, the Offeror may extend the Offer Period beyond ten (10) weeks until such obstacle has been removed and the Offeror has had a reasonable time to respond to the situation. The Offer Period may also be extended as required by applicable law (e.g. in event of a change in the Offer Price). The date of the expiry of the extended Offer Period will in such case be published at least two (2) weeks before such expiry. Further, any Subsequent Offer Period (as defined below) may extend beyond ten (10) weeks.

The Offeror may discontinue any extended Offer Period should all the Closing Conditions (as defined below) be fulfilled or waived by the Offeror before the expiry of the extended Offer Period, and execute the sale and purchase of the Shares validly tendered and not properly withdrawn in accordance with section *"Terms of Payment and Settlement of Shares"* below. Should the Offeror discontinue the extended Offer Period, the Offeror will announce its decision thereon through a stock exchange release as soon as possible after such decision has been made and, in any case, at least two (2) weeks before the expiry of the extended Offer Period to be discontinued. If the Offeror discontinues the extended Offer Period, the extended Offer Period will expire on such earlier date and at the time indicated in such announcement made by the Offeror.

The Offeror also reserves the right to extend the Offer Period in connection with the announcement of the final result of the Tender Offer as set forth in section *"Announcement of the Result of the Tender Offer"* (such extended Offer Period shall be referred to as the "**Subsequent Offer Period**"). In the event of such Subsequent Offer Period, the Subsequent Offer Period will expire on the date and at the time determined by the Offeror in the announcement concerning the final result of the Tender Offer. The expiration of a Subsequent Offer Period will be announced at least two (2) weeks before the expiry of such Subsequent Offer Period.

4.4 Conditions to Completion of the Tender Offer

The obligation of the Offeror to accept for payment the tendered Shares and to complete the Tender Offer shall be subject to the fulfillment or, to the extent permitted by applicable law, waiver by the Offeror of the following conditions (jointly the "**Closing Conditions**") on or prior to the date of the Offeror's announcement of the final result of the Tender Offer in accordance with Chapter 11, Section 18 of the SMA (date of such announcement of the final result, the "**Result Announcement Date**"):

1) the valid tender of Shares representing, together with any other Shares otherwise acquired by the Offeror prior to or during the Offer Period, more than ninety percent (90%) of the issued and outstanding Shares and voting rights of the Company calculated in accordance with Chapter 18, Section 1 of the Finnish Limited Liability Companies Act (21.7.2006/624);
2) the receipt of all necessary regulatory approvals, permits and consents, including without limitation competition clearances, and that any conditions set in such permits, consents or clearances, including, but not limited to, any requirements for the disposal of any assets of the Offeror or the Company or any reorganization of the business of the Offeror or the Company, do not have material significance to the Offeror (as referred to in the Regulations and Guidelines 9/2013, as may be amended or re-enacted from time to time, issued by the FIN-FSA and the Helsinki Takeover Code);
3) no Material Adverse Change having occurred on or after the Signing Date;
4) the Offeror not, on or after the Signing Date, having received information that constitutes a Material Adverse Change that occurred on or prior to the Signing Date;
5) no information made public by the Company or disclosed by the Company to the Offeror being materially inaccurate, incomplete, or materially misleading, and the Company not having failed to make public any information that was required to be made public by it under applicable laws, including the rules of Nasdaq Helsinki, provided that, in each case, the information made public, disclosed or not disclosed or the failure to disclose information constitutes a Material Adverse Change;
6) no court or regulatory authority of competent jurisdiction having given an order or issued any regulatory action preventing or enjoining the completion of the Tender Offer;
7) the Board of Directors of the Company having issued its unanimous recommendation that the shareholders of the Company accept the Tender Offer and the recommendation remaining in full force and effect and not being modified or changed, save for any technical modification required or advisable under applicable laws or the Helsinki Takeover Code so long as the recommendation to accept the Tender Offer is upheld and the change is not detrimental to the Offeror;
8) the Combination Agreement not having been terminated and remaining in force and no event having occurred that, with the passage of time, would give the Offeror the right to terminate the Combination Agreement provided that the time for curing set out in the Combination Agreement has lapsed without the Offeror's right to terminate having thereby ceased to exist; and
9) the undertakings of the Major Shareholders and Management Shareholders to accept the Tender Offer remaining in force in accordance with their terms save for withdrawals, breaches or terminations of such undertakings to the extent that the withdrawn, breached or terminated undertakings individually or in the aggregate concern less than seven and a half percent (7.5%) of the Shares.

"**Material Adverse Change**" means

(A) any divestment or reorganization of all or any material part of the assets of the Company or its affiliated entities, taken as whole; or

(B) any event, condition, circumstance, development, occurrence, change, effect or fact (any such item an "**Effect**") that individually or in the aggregate, has, results in or would reasonably be expected to have or result in a material adverse effect on the current or reasonably expected future business, assets, liabilities, financial condition or results of operations of the Company and its affiliated entities, taken as a whole, excluding:

1) any Effect in political, financial, industry, economic or regulatory conditions generally or the financial or securities markets generally, so long as such Effect does not have a materially disproportionate effect on the Company and its affiliated entities, taken as a whole, relative to other companies in the same industry;

2) any Effect resulting solely from a change in IFRS or other applicable regulatory accounting requirements or the laws applicable to the industry in which the Company and its affiliated entities operate, so long as such Effect does not have a materially disproportionate effect on the Company and its affiliated entities, taken as a whole, relative to other companies in the same industry, and provided further that any accounting impact resulting from the implementation or application by the Company and its affiliated entities of the standard IFRS 16 (Leases) shall in no event be deemed to constitute a Material Adverse Change;

3) any Effect resulting from or caused by natural disasters, industrial action, outbreak of major hostilities or any act of war or terrorism so long as such Effect or the underlying cause of such Effect is reasonably beyond the Company's control and does not have a materially disproportionate effect on the Company and its affiliated entities, taken as a whole, relative to other companies in the same industry;

4) any Effect resulting from any actions taken by the Company at the express request or direction, or with the prior written consent, of the Offeror;

5) any failure by the Company and its subsidiaries to meet any internal, published or third-party budgets, projections, forecasts or predictions of financial performance for any period (provided that the exception in this clause (5) shall not prevent or otherwise affect a determination that any Effect underlying such failure has resulted in or contributed to a Material Adverse Change);

6) a change in the price and/or trading volume of the Shares on the Nasdaq Helsinki (provided that the exception in this clause (6) shall not prevent or otherwise affect a determination that any Effect underlying such change has resulted in or contributed to a Material Adverse Change); or

7) any Effect solely attributable to (i) an act or omission carried out or omitted by the Offeror in connection with the Tender Offer, (ii) the consummation of the transactions contemplated by this Agreement or (iii) the announcement or completion of the Tender Offer (including the effect of any change of control or similar clauses in contracts entered into by the Company and its subsidiaries but only to the extent such contracts or clauses have been fairly disclosed to the Offeror as part of the due diligence information).

The Offeror reserves the right to withdraw the Tender Offer in the event that any of the above Closing Conditions is not fulfilled.

However, the Offeror can only invoke any of the Closing Conditions so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn if the circumstances which give rise to the right to invoke the relevant Closing Condition have material significance to the Offeror in view of the Tender Offer, as referred to in the Regulations and Guidelines 9/2013 (as may be amended or re-enacted from time to time) issued by the FIN-FSA and the Helsinki Takeover Code.

The Closing Conditions set out herein are the exhaustive conditions for the completion of the Tender Offer.

The Offeror reserves the right to waive, to the extent permitted by applicable law, any of the Closing Conditions that have not been satisfied.

4.5 Obligation to increase the Offer Price to pay compensation

The Offeror reserves the right, to the extent permitted by applicable law or regulation, to acquire Shares also in public trading on Nasdaq Helsinki or otherwise during and after the Offer Period (including any extension thereof) and any Subsequent Offer Period or otherwise outside the Tender Offer.

If the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA acquires, after the Announcement and before the expiry of the Offer Period, Shares at a higher price than the Offer Price or otherwise on terms that are more favourable than those of the Tender Offer, the Offeror must according to Chapter 11, Section 25 of the SMA amend the terms and conditions of the Tender Offer to correspond to such acquisition on more favourable terms (*obligation to increase the offer*). The Offeror shall then, without delay, make public the triggering of the obligation to increase the offer and pay, in connection with the completion of the Tender Offer, the difference between the more favourable acquisition terms and the consideration offered in the Tender Offer to the holders of securities who have accepted the Tender Offer.

If the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA acquires, during the nine (9) months following the expiry of the Offer Period, Shares at a higher price than the Offer Price or otherwise on terms that are more favorable than those of the Tender Offer, the Offeror must according to Chapter 11, Section 25 of the SMA, compensate those holders of securities who have accepted the Tender Offer for the amount equal to the difference between the more favorable acquisition terms and the consideration offered in the Tender Offer (*obligation to compensate*). The Offeror shall then, without delay, make public the triggering of the obligation to compensate and pay the difference between the more favorable acquisition terms and the consideration offered in the Tender Offer within one (1) month after the triggering of the obligation to compensate to the holders of securities who have accepted the Tender Offer.

According to Chapter 11, Section 25, Subsection 5 of the SMA, the obligation to compensate shall, however, not be triggered in case the payment of a higher price than the Offer Price is based on an arbitral award pursuant to the Finnish Companies Act, provided that the Offeror or any party acting in concert with it as referred to in Chapter 11, Section 5 of the SMA has not offered to acquire Shares on terms that are more favorable than those of the Tender Offer before or during the arbitral proceedings.

4.6 Acceptance Procedure of the Tender Offer

The Tender Offer must be accepted separately for each book-entry account. A shareholder of the Company giving the acceptance must have a cash account with a financial institution operating in Finland or abroad (see also sections *"Terms of Payment and Settlement of Shares"* and *"Important Information"*). A shareholder may only accept the Tender Offer unconditionally and with respect to all Shares on the book-entry account mentioned in the acceptance form on the date and time of the execution of the sale and purchase of the Shares. An acceptance given during the Offer Period is effective also until the end of any extended Offer Period.

Most of the Finnish book-entry account operators are expected to send a notification of the Tender Offer, including instructions and the relevant acceptance form to their customers who are registered as shareholders in the shareholders' register of the Company maintained by Euroclear Finland Ltd. ("**Euroclear**"). Shareholders who do not receive such notification from their account operator or asset manager can contact OP Corporate Bank plc ("**OP**") or any branch office of cooperative banks belonging to the OP Financial Group where such shareholders can receive the necessary information and submit their acceptance of the Tender Offer, or, if such shareholders are U.S. residents or located within the United States, they may contact their brokers for the necessary information.

A shareholder in the Company whose shareholdings are registered in the name of a nominee and who wishes to accept the Tender Offer shall effect such acceptance in accordance with the nominee's instructions. The Offeror will not send acceptance forms or other documents related to the Tender Offer to such shareholders in the Company.

A shareholder in the Company who is registered as a shareholder in the shareholders' register of the Company and who wishes to accept the Tender Offer shall submit a properly completed and duly executed acceptance form to the account operator managing the shareholder's book-entry account in accordance with its instructions and within the time limit set by the account operator or, in the case such account operator does not accept acceptance forms (e.g. Euroclear), such shareholder shall contact OP Corporate Bank plc or any branch office of cooperative banks belonging to the OP Financial Group to give his/her acceptance to tender the Shares. The acceptance form shall be submitted so that it is received during the Offer Period or, if the Offer Period has been extended, during such extended Offer Period, however, always in accordance with the instructions of the relevant account operator. In the event of a Subsequent Offer Period, the acceptance form shall be submitted so that it is received during the Subsequent Offer Period, however, always in accordance with the instructions of the relevant account operator. Shareholders with access to the SWIFT system may send their acceptances through SWIFT instead of the acceptance form.

Pledged Shares may only be tendered with the consent of the relevant pledgee. The obtaining of such consent shall be the responsibility of the relevant shareholder in the Company. The consent by the pledgee shall be delivered to the account operator in writing.

The method of delivery of acceptance forms is at the shareholder's option and risk, and the delivery will be deemed made only when actually received by the relevant account operator or OP. The Offeror reserves the right to reject any acceptance given in an incorrect or incomplete manner. The Offeror may also reject any partial tender of the Shares per book-entry account.

By accepting the Tender Offer, the shareholder of the Company authorizes OP or a party authorized by OP or the account operator managing the shareholder's book-entry account to enter a transfer restriction or a sales reservation on the shareholder's book-entry account after the shareholder has delivered its acceptance of the Tender Offer. In addition, the shareholder who has accepted the Tender Offer authorizes OP or a party authorized by OP or the account operator managing the shareholder's book-entry account to perform the necessary entries and to take all other actions required to technically execute the Tender Offer and to sell all the Shares held on such book-entry account at the time of the execution of trades under the Tender Offer to the Offeror in accordance with the terms and conditions of the Tender Offer.

A shareholder that has validly accepted the Tender Offer and that has not properly withdrawn its acceptance in accordance with the terms and conditions of the Tender Offer may not sell or otherwise dispose of its tendered Shares. A transfer restriction in respect of the Shares will be registered in the relevant book-entry account after a shareholder has submitted the acceptance for the Tender Offer. If the Tender Offer is not completed or if the acceptance is properly withdrawn by the shareholder in accordance with the terms and conditions of the Tender Offer, the transfer restriction registered on the tendered Shares in the relevant book-entry account will be removed as soon as possible and within approximately three (3) Finnish banking days following the announcement that the Tender Offer will not be completed or the receipt of a notice of withdrawal in accordance with the terms and conditions of the Tender Offer.

4.7 Withdrawal Rights

In accordance with Chapter 11, Section 16, Subsection 1 of the SMA, the acceptances for the Shares validly tendered in accordance with the terms and conditions of the Tender Offer may be withdrawn at any time during the Offer Period or, if the Offer Period has been extended, during such extended Offer Period, until the Offeror has announced that all the Closing Conditions have been fulfilled or the Offeror has waived the right to invoke them, thereby declaring the Tender Offer unconditional. After such announcement, the acceptances for the Shares already tendered may no longer be withdrawn except in the event that a third party announces a competing public tender offer for the Shares before the execution of the sale and purchase of the Shares in accordance with section *"Terms of Payment and Settlement of Shares"* below. The holders of the Shares validly tendered may also withdraw their acceptance during the Offer Period if the Offer Period has lasted over ten (10) weeks and the Tender Offer has not been completed.

The proper withdrawal of the acceptance for the Shares validly tendered requires that a written notice of withdrawal is submitted to the same account operator to whom the acceptance form with respect to such Shares was submitted. In case the acceptance form with respect to Shares was submitted to OP or any of its group member cooperative banks, the notice of withdrawal must be submitted to OP. In case of holdings that are registered in the name of a nominee, the holders of Shares shall instruct the nominee to submit the notice of withdrawal. Shareholders who sent their acceptances through SWIFT shall send their notices of withdrawal through SWIFT.

If a holder of Shares registered in the Finnish book-entry securities system withdraws his/her acceptance of the Tender Offer in accordance with the terms and conditions of the Tender Offer, the transfer restriction registered on the tendered Shares in the relevant book-entry account will be removed as soon as possible and within approximately three (3) Finnish banking days following the receipt of a notice of withdrawal in accordance with the terms and conditions of the Tender Offer.

Shares for which an acceptance is withdrawn may be re-tendered by following the acceptance procedures described in section *"Acceptance Procedure of the Tender Offer"* above at any time prior to the expiry of the Offer Period or, if the Offer Period has been extended, prior to the expiry of such extended Offer Period or during the Subsequent Offer Period, if any.

The account operator managing the relevant book-entry account or the nominee may charge a fee for withdrawals in accordance with its price list.

In the event of a Subsequent Offer Period, the acceptance of the Tender Offer shall be binding and cannot be withdrawn, unless otherwise provided under mandatory law.

4.8 Announcement of the Result of the Tender Offer

The Offeror will announce the preliminary result of the Tender Offer on or about the first (1st) Finnish banking day following the expiry of the Offer Period or, if applicable, the extended or discontinued Offer Period. In connection with the announcement of the preliminary result of the Tender Offer, the Offeror will announce whether the Tender Offer will be completed subject to the Closing Conditions being fulfilled or waived on the date of the announcement of the final result of the Tender Offer, and whether the Offer Period will be extended. The Offeror will announce the final result on or about the third (3rd) Finnish banking day following the expiry of the Offer Period or, if applicable, the extended or discontinued Offer Period. The announcement of the final result will confirm (i) the percentage of the Shares that have been validly tendered and not properly withdrawn and (ii) whether the Tender Offer will be completed.

In the event of a Subsequent Offer Period, the Offeror will announce the initial percentage of the Shares validly tendered during the Subsequent Offer Period on or about the first (1st) Finnish banking day following the expiry of the Subsequent Offer Period and the final percentage on or about the third (3rd) Finnish banking day following the expiry of the Subsequent Offer Period.

4.9 Terms of Payment and Settlement of Shares

The sale and purchase of the Shares validly tendered and not properly withdrawn in accordance with the terms and conditions of the Tender Offer will be executed on or about the fourth (4th) Finnish banking day following the expiry of the Offer Period, or if the Offer Period has been extended or discontinued, the expiry of the extended or discontinued Offer Period. The sale and purchase of the Shares will take place on Nasdaq Helsinki if permitted by the rules applicable to securities trading on Nasdaq Helsinki. Otherwise, the sale and purchase of the Shares will take place outside of Nasdaq Helsinki.

Settlement will be effected on or about the second (2nd) Finnish banking day following the above completion of trades (the "**Settlement Date**"). The payment of the Offer Price will be made on the Settlement Date into the bank account connected to the shareholder's book-entry account or, in the case of shareholders whose holdings are registered in the name of a nominee, into the bank account specified by the custodian or nominee. In any event, the Offer Price will not be paid to a bank account situated in Canada, Japan, Australia, South Africa or Hong Kong or any other jurisdiction where the Tender Offer is not to be made (see section *"Important information"*), and all guidance from custodians or nominees specifying bank accounts in such jurisdictions will be rejected. Actual time of receipt for the payment by the shareholder will depend on the schedules of money transactions between financial institutions and agreements between the holder and account operator, custodian or nominee in each case.

In the event of a Subsequent Offer Period, the Offeror shall in connection with the announcement thereof announce the terms of payment and settlement for the Shares tendered during the Subsequent Offer Period. The completion trades of the Shares validly tendered in accordance with the terms and conditions of the Tender Offer during the Subsequent Offer Period shall, however, be executed at least within two (2) week intervals.

The Offeror reserves the right to postpone the payment of the Offer Price if payment is prevented or suspended due to a *force majeure* event, but shall immediately effect such payment once the *force majeure* event preventing or suspending payment is resolved.

4.10 Transfer of Ownership

Title to the Shares validly tendered in the Tender Offer will pass to the Offeror against the payment of the Offer Price by the Offeror to the tendering shareholder.

4.11 Transfer Tax and Other Payments

The Offeror will pay the transfer taxes, if any, relating to the sale and purchase of the Shares in connection with the completion of the Tender Offer.

Fees charged by account operators, asset managers, nominees or any other person for registering the release of any pledges or other possible restrictions preventing a sale of the relevant Shares, as well as fees relating to a withdrawal of the tender by a shareholder in accordance with section *"Withdrawal Rights"* above, will be borne by each shareholder. The Offeror shall be responsible for other customary fees relating to book-entry registrations required for the purposes of the Tender Offer, the sale and purchase of the Shares tendered under the Tender Offer or the payment of the Offer Price.

4.12 Other Matters

The Offeror reserves the right to amend the terms and conditions of the Tender Offer in accordance with Chapter 11, Section 15, Subsection 2 of the SMA, subject to the provisions of the Combination Agreement.

Subject to the provisions of the Combination Agreement, the Offeror reserves the right to extend the Offer Period and to amend the terms and conditions of the Tender Offer (including a potential withdrawal of the Tender Offer) in accordance with Chapter 11, Section 17 of the SMA if, during the Offer Period or any extended Offer Period, a third party announces a competing public tender offer for the Shares.

The Offeror shall have sole discretion to determine all other issues relating to the Tender Offer, subject to the requirements of applicable law as well as the provisions of the Combination Agreement.

5. PRESENTATION OF KOTIPIZZA

All financial and other information presented in this Tender Offer Document regarding Kotipizza is extracted from and exclusively based on the unaudited half-year financial report published by Kotipizza for the six months ended on 31 July 2018, the annual report and audited consolidated financial statements published by Kotipizza as at and for the financial period ended on 31 January 2018, the stock exchange releases published by Kotipizza, Trade Register entries, as well as other publicly available information. Consequently, the Offeror does not accept any responsibility for such information, except for the accurate restatement of such information herein.

5.1 General

The Kotipizza chain and Kotipizza Oyj operating the chain are part of the Kotipizza Group, whose parent company is Kotipizza Group Oyj, and which also consists of the supply and logistics company Helsinki Foodstock Oy, Chalupa Ltd that operates the Mexican-style restaurant chain Chalupa, The Social Burger Joint Ltd 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.

The Kotipizza restaurant chain was founded in 1987. At the end of financial year 2017, there were approximately 266 restaurants in the Kotipizza restaurant chain. The restaurants are mainly operated by franchisees. Kotipizza is the biggest pizza chain in Finland and the whole of Nordics and one of the best-known restaurant brands in Finland. In the financial year 2017, the net sales of the Kotipizza Group amounted to EUR 84.1 million with an EBIT of EUR 6.4 million. For the same period, the net sales of Helsinki Foodstock amounted to EUR 64.2 million.

The strategy of Kotipizza is to be a home for brands, meaning that Kotipizza develops and operates and markets restaurant concepts based on the fast-casual trend, a franchising model, and a high-quality customer experience. The essential megatrends influencing these operations are urbanization, digitalization and the growing popularity of home deliveries.

Kotipizza is a public limited liability company incorporated in Finland, and its shares have been in public trading on Nasdaq Helsinki with the ticker symbol PIZZA since 2015. Kotipizza's business identity code is 2416007-6, it is domiciled in Helsinki, and its registered address is Hermannin Rantatie 2 B, 00580 Helsinki.

5.2 Shares and share capital

On the date of this Tender Offer Document, Kotipizza's registered share capital is EUR 80,000 and the number of registered shares in Kotipizza is 6,351,201. Kotipizza's articles of association do not include any provisions on the minimum or maximum amount of share capital or number of shares.

Kotipizza has one class of shares. The shares are registered in the Finnish book-entry system maintained by Euroclear. Each share entitles its holder to one (1) vote at the general meeting of shareholders of Kotipizza. All shares give equal rights to dividends and in other distributions of funds or assets by Kotipizza. The articles of association of Kotipizza do not contain provisions or restrictions on voting rights which would deviate from the Finnish Companies Act.

5.3 Ownership structure

The following table sets forth the ten largest shareholders of Kotipizza and their holdings of all issued and outstanding shares and voting rights in Kotipizza according to the shareholder register maintained by Euroclear as at 30 November 2018[3]:

	30 November 2018	
	Shares in total	**Percentage of shares and voting rights**
Elo Mutual Pension Insurance Company	513,200	8.1
Sijoitusrahasto Evli Suomi Pienyhtiöt	334,000	5.3
Varma Mutual Pension Insurance Company	200,000	3.1
Säästöpankki Pienyhtiöt -sijoitusrahasto	115,580	1.8

[3] In addition, Swedbank Robur AB has on 10 February 2017 and Axxion S.A. has on 27 August 2018 announced that their holding has exceeded the threshold of 5%, and they have not announced that it would have gone below it. The Offeror has on 24 November 2018 announced that its holding has exceeded the threshold of 10%. The holding of the Offeror has been set out in "*Information on Grounds for Pricing of the Tender Offer – Grounds for Determining the Offer Price*".

	30 November 2018	
	Shares in total	**Percentage of shares and voting rights**
Sijoitusrahasto eQ Pohjoismaat pienyhtiö	100,000	1.6
Danske Invest Suomen Pienyhtiöt	100,000	1.6
Sijoitusrahasto Aktia Nordic Small Cap	87,981	1.4
Kirkon eläkerahasto	87,000	1.4
Sijoitusrahasto Danske Invest Suomi Osinko Plus	80,748	1.3
Tervanen Tommi Juhani	76,568	1.2
Ten largest shareholders in total	**1,695,077**	**26.8**
Other shares	**4,656,124**	**73.2**
In total	**6,351,201**	**100**

5.4 Treasury shares

To the knowledge of the Offeror, neither Kotipizza nor its subsidiaries hold any treasury shares as at the date of this Tender Offer Document.

5.5 Option rights and special rights entitling to shares

To the knowledge of the Offeror, Kotipizza has not issued any option rights or special rights entitling to shares. No information regarding such rights has been registered with the Finnish Trade Register.

The Company has a long-term share-based incentive program intended for the management team, the LTIP, as described above in section *"Background and Objectives – Effect of the Tender Offer on Kotipizza's Operations and Assets and Future Position of Management and Employees"*. Based on the LTIP earning period of 1 February 2016–31 January 2019, a maximum of 35,728 performance shares can be awarded, which includes a cash payment portion of the reward. Based on the earning period of 1 February 2017–31 January 2020, a maximum of 30,742 performance shares can be awarded, which includes a cash payment portion of the reward. Initially, the maximum award for the earning period of 1 February 2018–31 January 2021, was 24,782 performance shares, which includes a cash payment portion of the reward. The Board of Directors of Kotipizza resolved on 1 November 2018 to increase the reward for the earning period of 1 February 2018–31 January 2021 with 14,869 shares to concern a maximum of 39,651 shares in total. The rewards based on the incentive program will be paid out in full in connection with the completion of the Tender Offer and thereafter, as described in section *"Background and Objectives – Effect of the Tender Offer on Kotipizza's Operations and Assets and Future Position of Management and Employees"*.

5.6 Authorizations

Authorization concerning repurchases of the Company's own shares

The annual general meeting of Kotipizza held on 16 May 2018 authorized the Board of Directors to decide on repurchases and acceptance as pledge of own shares as follows:

A maximum of 635,000 shares can be repurchased and/or accepted as pledge. Shares will be acquired at fair value at the time of the repurchase which shall be the prevailing market price in the trading on the regulated market operated by Nasdaq Helsinki Ltd. Shares may be repurchased otherwise than in proportion to the shareholders' existing shareholdings. Share repurchases will reduce the Company's distributable unrestricted equity. The authorization is valid until 31.7.2019. The Board of Directors has not exercised the aforementioned authorization.

Authorization concerning the issuance of shares as well as option rights and other special rights entitling to shares

The annual general meeting of Kotipizza held on 16 May 2018 authorized the Board of Directors to decide on the issuance, in one or several tranches, of shares as well as option rights and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act as follows:

The number of shares to be issued based on the authorization may in total amount to a maximum of 635,000 shares. The Board of Directors decides on all terms and conditions of the issuances of shares, options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares, options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue), in case there is a weighty financial reason to do so, such as in order to finance or carry out acquisitions or other business transactions, develop the Company's capital structure, or in order to implement the Company's incentive schemes. 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 percent of all shares in the Company (such amount including shares held by the Company and its subsidiaries as provided for in Chapter 15, Section 11 of the Finnish Companies Act). The authorization cancels the share issue authorization granted to the Board of Directors on 17 May 2017. The authorization is valid until 31 July 2019. The Board of Directors has not exercised the aforementioned authorization.

5.7 Shareholders' agreements and other agreements concerning the use of voting rights

The Offeror is not aware of any shareholders' agreements, agreements between the Company and its shareholders, or other agreements or arrangements that would concern share ownership or the use of voting rights in Kotipizza, or that would otherwise materially affect the assessment of the benefits of the Tender Offer.

5.8 The Board of Directors, the CEO and auditors

In accordance with the Finnish Companies Act and Kotipizza's articles of association, the Board of Directors, consisting of at least five (5) and at most ten (10) members, is responsible for arranging the administration of Kotipizza and the proper organization of its operations. As at the date of this Tender Offer Document, the Board of Directors of the Company consists of the following persons: Kalle Ruuskanen (Chairman), Dan Castillo, Kim Hanslin, Virpi Holmqvist, Minna Nissinen and Petri Parvinen.

Kotipizza's articles of association further provide that the Company has a CEO appointed by the Board of Directors. As at the date of this Tender Offer Document, Kotipizza's CEO is Tommi Tervanen.

The auditor of the Company is BDO Ltd, Authorized Public Accountants, with Authorized Public Accountant Ilkka Mustonen as the auditor with principal responsibility.

5.9 Kotipizza's ownership in the Offeror

According to the knowledge of the Offeror, Kotipizza does not own any shares or securities entitling to shares in the Offeror.

5.10 Financial Information

The audited consolidated financial statements of the Company for the financial year ended on 31 January 2018 are appended to this Tender Offer Document. The consolidated financial statements include the annual report. See *"Annex B: Financial Statements of Kotipizza Group Oyj"*.

The unaudited half-year financial report of the Company for the six months ended on 31 July 2018 is appended to this Tender Offer Document See *"Annex C:Unaudited Half-year Financial Report of Kotipizza Group Oyj"*.

5.11 Future prospects published by Kotipizza

The future prospects of the Company have been described in the annual report included in the audited consolidated financial statements of the Company for the financial year ended on 31 January 2018, as well as in the unaudited half-year financial report of the Company for the six months ended on 31 July 2018, which are both appended to this Tender Offer Document See *"Annex B: Financial Statements of Kotipizza Group Oyj" and "Annex C: Unaudited Half-year Financial Report of Kotipizza Group Oyj"*.

5.12 Articles of Association

The Company's articles of association are appended to this Tender Offer Document See *"Annex E: Kotipizza's Articles of Association"*.

6. PRESENTATION OF THE OFFEROR

6.1 Offeror in Brief

Orkla is a public limited company incorporated in accordance with the laws of Norway. Its shares are listed on the official list of Oslo Stock Exchange (with the trading code ORK). The company's registered business identity code is 910 747 711. The registered domicile of the company is Oslo and its address is Nedre Skøyen vei 26, P.O.Box 423 Skøyen, N-0213, Norway. The company is headquartered in Oslo.

The Offeror’s main activities are in the Nordics and Baltics as well as selected Central European countries and India.

The Offeror's main business is the provision of branded consumer goods and services, in which the Offeror offers a wide selection of various products to the grocery, out-of-home, specialised retail, pharmacy and bakery sectors.

The Orkla Group's (as defined below) net sales were NOK 39.6 billion (approx. EUR 4.2 billion with the average 2017 exchange rate) in the financial year that ended on 31 December 2017. The Orkla Group's earnings before interest, taxes, depreciation and amortization (EBITDA) for the same period was NOK 5.8 billion (approx. EUR 620 million with the average 2017 exchange rate).[4] The Orkla Group employs around 18,000 people.

Under its current Articles of Association, Orkla's objectives are to engage in activities comprising industry, commerce, forestry, transport, finance, the acquisition and sale of securities and other investments, the purchase, sale, development and management of real property, the publication of newspapers, magazines and other media, services and any other activity connected with the aforementioned objectives. The activities are conducted by the company itself or by its subsidiaries in Norway and abroad.

Orkla’s Branded Consumer Goods business comprises the Orkla Foods, Orkla Confectionery & Snacks, Orkla Care and Orkla Food Ingredients business areas. Orkla also has operations organised under the Orkla Investments business area, consisting of its investment in Jotun (42.6% interest), in addition to Hydro Power and financial assets.

Orkla's largest business area, Orkla Foods, accounts for 41% of Orkla's operating revenue. Orkla Foods offers well-known local branded products to consumers in the Nordics, Baltics, Central Europe and India. The business area holds leading market positions in a number of categories, including frozen pizza, ketchup, soups, sauces, bread toppings and ready-to-eat meals, under well-known brands such as Grandiosa, Felix, Abba and Beauvais. Orkla Foods primarily sells its products through the grocery retail trade, but also holds strong positions in the foodservice sector.

Orkla's second largest business area, Orkla Food Ingredients, accounts for 22% of Orkla's operating revenues. Orkla Food Ingredients is the leading supplier of bakery ingredients in the Nordic and Baltic regions, in addition to holding growing positions in selected countries in Europe. The business area has sales and distribution companies in over 20 European countries. Artisanal and industrial bakeries account for around 66% of sales. Approximately 20% are direct-to-consumer sales under well-known brands such as Odense Marcipan, Mors Hjemmebakte, Kronjäst, Bakkedal and Naturli’. The remaining 14% relate to sales of ice cream ingredients and accessories. A major share of Orkla Food Ingredients’ sales stems from distribution agreements.

Orkla Care accounts for 19% of Orkla's operating revenues and is organised into six business units. The two largest business units are Orkla Home & Personal Care, which holds leading positions in the personal care and cleaning products segments, and Orkla Health, which holds leading positions in the dietary supplement, sports nutrition and weight control segments. Orkla Care also holds leading positions in painting tools (Orkla House Care), wound care (Orkla Wound Care), basic garments sold through the grocery channel (Pierre Robert Group), online sale of sports nutrition and other health-related products (Health and Sports Nutrition Group) and professional cleaning products (Lilleborg).

Orkla's Confectionery & Snacks business area's turnover accounts for 16% of Orkla's operating revenues. Orkla Confectionery & Snacks is a market leader in the confectionery, biscuits and snacks categories, with well-known local brands, such as Kims, Nidar, Laima, Taffel, Kantolan and Panda.

6.2 Persons related to the Offeror as stipulated in Chapter 11, Section 5 of the SMA

The Orkla Group of companies consists of Orkla ASA and approximately 230 directly or indirectly controlled companies (“**Orkla Group**”), with the Offeror being the parent company. In addition to the companies belonging to Orkla Group there are no other parties related to the Offeror as referred to in Chapter 11, Section 5 of the SMA. Neither the Offeror nor any other party referred to in Chapter 11, Section 5 of the SMA has during the 6-month period preceding the Announcement acquired any Shares in the Company in public trading or otherwise. Since the Announcement until 4 December 2018, the Offeror has purchased a total of 701,445 Shares representing approximately 11.04 per cent of all of the Shares. The highest price paid for Shares was EUR 23.00 per Share and the lowest price paid for Shares was EUR 22.89 per Share. No party referred to in Chapter 11, Section 5 of the SMA except the Offeror holds any Shares.

[4] 2017 average exchange rate 1 EUR = 9.327.

6.3 Company's Ownership in the Offeror

To the best knowledge of the Offeror, the Company or any of its group companies do not as at the date of this Tender Offer Document hold any shares or securities entitling to shares in the Offeror or in the entities referred to in Chapter 11, Section 5 of the SMA.

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Kotipizza Group Oyj
Stock Exchange Release
29 November 2018 at 6pm (EET)

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO CANADA, JAPAN, AUSTRALIA, SOUTH AFRICA OR HONG KONG OR IN ANY OTHER JURISDICTION IN WHICH THE TENDER OFFER WOULD BE PROHIBITED BY APPLICABLE LAW. FOR FURTHER INFORMATION, SEE SECTION "IMPORTANT INFORMATION" BELOW.

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

Contact: Timo Pirskanen, CFO and Deputy to the CEO, tel: +358 207 716 747
timo.pirskanen@kotipizzagroup.com

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

ADVIUM

STRICTLY PRIVATE AND CONFIDENTIAL

21 November 2018

The Board of Directors
Kotipizza Group Oyj
Hermannin rantatie 2 B
FI-00580 Helsinki
Finland

Dear Mr. Kalle Ruuskanen and other members of the board,

To our understanding, Kotipizza Group Oyj ("Kotipizza" or the "Company") is considering a transaction whereby the Company's shareholders will receive from Orkla ASA ("Orkla" or the "Offeror") a cash payment in the amount of EUR 23.00 per share (the "Offer Price") in exchange for all of the outstanding shares in the Company (the "Transaction").

The Offer Price represents a premium of approximately 38.6 percent to the closing price of the Kotipizza share on November 21, 2018.

You have requested the opinion of Advium Corporate Finance Oy ("Advium"), in connection with the Transaction, as to whether the Offer Price is fair from a financial point of view.

Furthermore, we understand that Kotipizza is considering entering into a combination agreement with the Offeror regarding the principal terms of the Transaction, certain undertakings by Kotipizza regarding the conduct of business of Kotipizza, as well as certain other terms related to the Transaction (the "Principal Terms").

Advium has acted as financial adviser to the Company in connection with the Transaction and will receive a fee for its services.

In determining our opinion, we have used customary valuation methods, including:

i. trading multiple analysis of comparable companies;

ii. analysis of valuation levels of comparable precedent transactions;

iii. discounted cash flow analysis;

iv. reviewed broker recommendations and target prices; and

v. analyzed actual public takeover offer premiums in Finland in comparison to market capitalization.

Furthermore, we have, among other things:

i. reviewed the draft Principal Terms and the draft offer document;

ii. reviewed certain publicly available historical financial information relating to the Company;

iii. reviewed audited financial statements of the Company;

iv. reviewed certain internal financial information relating to the business and its prospects, including estimates and financial forecasts prepared by the management, that have not been disclosed to the public, but provided to us for the purposes of our analysis;

v. reviewed publicly available information regarding the Company, such as, research estimates, research analyses and information regarding the underlying markets;

vi. discussed with, and relied on statements made by senior management of the Company concerning the business and its prospects;

vii. reviewed current and historic share prices for the Company; and

viii. conducted other financial studies and considered other information, as we have deemed necessary or appropriate.

In giving our opinion, we have:

i. assumed and relied, without independent verification upon the accuracy and completeness of all the information that was publicly available or was furnished to us by or behalf of the Company, or otherwise reviewed by us for the purpose of this opinion, and we have not assumed and we do not assume any responsibility or liability for any such information;

ii. assumed that the financial forecasts, prepared by the Company, have been reasonably prepared on a basis reflecting the best currently available estimates and judgements of the management of the Company as to the future performance of the Company;

iii. assumed that all governmental, regulatory or other consents necessary for the Transaction will be obtained without any adverse effect on the Company;

iv. assumed that the draft Principal Terms and the terms specified in the draft offer document provided to us are true, complete and accurate in all material respects and that the Transaction will be consummated on the received terms and conditions; and

v. not included any legal and tax effects or transaction costs that may arise as a result of the Transaction, and we have not performed any independent analysis of the situation of individual shareholders of the Company.

We are expressing no opinion herein as to the price at which any securities of the Company trade at any time. It should be understood that our opinion is necessarily based on economic, regulatory, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Subsequent developments may affect this opinion, which we are under no obligation to update, revise or reaffirm this opinion. Furthermore, we have not been asked to offer any opinion as to the Principal Terms, other than the Offer Price. Our opinion does not constitute an offer by us, or represent a price at which we would be willing to purchase, sell, enter into, assign, terminate or settle any transaction.

We accept no responsibility for the accounting or other data and commercial assumptions on which this opinion is based. Furthermore, our opinion does not address any legal, regulatory, taxation or accounting matters.

Based on and subject to the foregoing, it is our opinion, as of the date hereof, that the Offer Price is fair from a financial point of view.

This letter and the opinion are provided solely for the benefit of the Board of Directors of Kotipizza, in connection with and for the purposes of their consideration of the Transaction. This letter is not on behalf of, and shall not confer rights or remedies upon, may not be relied upon, and does not constitute a recommendation by Advium to, any holder of securities of the Company or any other person to tender his/her shares in exchange of the Offer Price or take any other action in relation to the Transaction.

This letter may not be used for any other purpose, or reproduced, disseminated, published or quoted at any time without our prior written consent.

This letter and the opinion are made without legal liability or responsibility on our part. We accept no responsibility to any person other than the Board of Directors of Kotipizza in relation to the contents of this letter, even if it has been disclosed with our consent.

This letter has been issued in English only. Any dispute arising out of, or relating to, this letter shall be governed by the laws of Finland and shall be subject to the exclusive jurisdiction of the Finnish courts.

Yours faithfully,

Advium Corporate Finance Oy

Janne Larma

FINANCIAL STATEMENTS 31 JANUARY 2018

Kotipizza Group Oyj

Business ID 2416007-6

To be archived until 31 January 2028

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ANNUAL REPORT FOR THE PERIOD OF 1 FEBRUARY 2017 – 31 JANUARY 2018

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, Heid 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

1000 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

1000 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

1000 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

1000 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

1000 EUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total	Attributable to non-controlling interest	Total shareholder equity
	Attributable to the equity holders of the parent company					
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

1000 EUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total	Attributable to non-controlling interest	Total shareholder equity
	Attributable to the equity holders of the parent company					
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

1000 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

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.

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

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

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
- Raw materials: purchase cost on a first in, first out basis
- Finished goods and work in progress: cost of direct materials and services and a proportion of fixed production overheads (based on the normal operating capacity), but excluding borrowing costs.

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

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 1000 EUR	External revenues	Internal revenues	Total	EBITDA
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 2017 1000 EUR	External revenues	Internal revenues	Total	EBITDA
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:

1000 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

1000 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

1000 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

1000 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.

1000 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

1000 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**

1000 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

1000 EUR	**2018**	**2017**
Current income tax:		
Current income tax charge, continuing operations	762	1 205
Deferred tax:		
Related to origination and reversal 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:

1000 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	
1000 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

1000 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

1000 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

1000 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

1000EUR	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:

1000EUR	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

1000 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:

1000 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:

1000 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

1000 EUR	Effective interest rate %	Maturity	2018	2017	2016
Current interest-bearing loans and borrowings					
Bank loand	floating	12 months	1 150	1 150	850
Other current loans					
Car instalment credits		12 months	-	-	109
Financial lease liabilities	floating	12 months	342	15	82
Total current interest-bearing loans and borrowings			**1 492**	**1 165**	**1 041**
Non-current interest-bearing loands and borrowings					
Bank loan	floating	7 Aug 2021	9 500	9 500	9 500
Bank loan	floating	7 Aug 2021	1 100	1 500	1 900
Bank loan	floating	7 Feb 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.

1000 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

1000 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

1000 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, 1000 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				193	193
Other non-current liabilities				-	3 650	3 650	3 650
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**	**-**	**-**	**29 142**	**29 335**	**29 335**

Values on 31 January 2017

Balance sheet item, 1000 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**
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			
1000 EUR	**Date of valuation**	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Liabilities measured at fair value:	31 January 2018				
Derivate financial liabilities					
Interest rate swaps		193		193	

On the reporting date, the market value of the interest rate derivative instrument was -193 thousand euros.
The negative market value has been recognised as costs.

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

1000 EUR	**Yhteensä**	**Taso 1**	**Taso 2**	**Taso 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:

1000 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 1000 EUR		**2018**	**2017**
	Rental guarantees/rental commitments	4 494	4 368
	Bank guarantees	420	420
Guarantees 1000 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:

	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 1000 EUR		2018	2017
	Loans from financial institutions	14 813	15 963
Guarantee: 1000 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

1000 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		-	-	3 650	-	3 650
Trade	-	6 194			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

1000 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	
Name	**Principal operations**	**Domicile**	**2018**	**2017**
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.

1000 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 of the board	2018	0	0	179	10	0	0
	2017	0	0	134	15	0	0

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

1000 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:	2018		2017	
1000 EUR	**Salaries**	**Pension expenses**	**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:

1000 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.

Kotipizza Group Oyj

Parent company

INCOME STATEMENT		1 February 2017– 31 January 2018	1 February 2016– 31 January 2017
1000 EUR	**Note**	**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**

Kotipizza Group Oyj

Parent company

BALANCE SHEET

1000 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 31 January 2018

1000 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 to 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 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**

Other financial income and expenses	31 January 2018	31 January 2017
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**

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

8. **Income taxes**

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

NOTES TO THE BALANCE SHEET

9. **Intangible assets**

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**
<u>Leasing commitments, own (incl. VAT)</u>		
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	1000	1000
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

Calculation of key figures

Operating profit, % = $\frac{\text{Operating profit}}{\text{Turnover}}$ * 100

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

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

Earnings per share =	Profit/loss for the period / Number of shares
Shareholders' equity per share =	Shareholders' equity / Number of shares
Distribution from fund for invested unrestricted equity per share =	Distribution from fund for invested unrestricted equity / Number of shares
Distribution from fund for invested unrestricted equity, % of earnings =	Distribution from fund for invested unrestricted equity / Profit/loss for the period

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

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

May 2018–July 2018 (5/18-7/18)

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

February 2018–July 2018 (2/18-7/18)

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

Outlook for the second quarter of 2019 unchanged

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

KEY FIGURES, TEUR

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

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

Tommi Tervanen, CEO of Kotipizza Group

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

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

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

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

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

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

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

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

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

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

GROUP NET SALES

Chain sales May 2018–July 2018

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

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

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

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

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

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

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

Chain sales February 2018–July 2018

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

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

Chain sales in the Kotipizza chain grew 15.7% compared to the previous year driven by good sales development in brick-and-mortar restaurants and online sales. In March, a new record was set for monthly sales in the chain as sales reached 10.2 MEUR. In June, sales reached 10.3 MEUR and a new monthly sales record in the chain was once again set in July as monthly chain sales reached 11.1 MEUR. The previous record, 10.02 MEUR, dated from December 2017. Average purchase in brick-and-mortar restaurants increased 7.8%, and the number of customers remained at previous year's level. The Kotipizza chain's online sales grew 47.7% compared to the previous year. During the first half of the financial year, 6 brick-and-mortar restaurants and 5 shop-in-shop restaurant were opened, and 2 shop-in-shop restaurants were closed.

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

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

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

Net sales May 2018–July 2018

Group comparable net sales in the second quarter were 23.0 MEUR (20.1) and grew 14.8% compared to the same period in the previous year. Net sales were 24.3 MEUR (21.1). The reported sales included 1.3 MEUR items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-Operative, which pass through the Kotipizza segment's P&L without result effect. Sales growth was mainly based on Foodstock's increased sales volume to the Kotipizza chain, underpinned by the good chain-based sales development. Foodstock's other, third-party customers also boosted net sales. The net sales of Foodstock grew 11.3% year on year in the second quarter of the financial year. The Kotipizza segment's net sales increased 15.9% compared to the same period in the previous year and were 5.7 MEUR (4.9). The Chalupa segment's net sales in the second quarter were 112 thousand euros (99 thousand). The Social Burgerjoint segment's net sales in the second quarter were 498 thousand euros and the No Pizza segment's 72 thousand euros.

Net sales February 2018–July 2018

Group comparable net sales in the first half of the year were 43.4 MEUR (38.3) and grew 13.3% compared to the same period in the previous year. Net sales were 45.8 MEUR (40.4). The reported sales included 2.4 MEUR items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-Operative, which pass through the Kotipizza segment's P&L without result effect. Sales growth was mainly based on Foodstock's increased sales volume to the Kotipizza chain, underpinned by the good chain-based sales development. Foodstock's other, third-party customers also boosted net sales. The net sales of Foodstock grew 10.8% year on year in the second quarter of the financial year. The Kotipizza segment's net sales increased 14.1% compared to the same period in the previous year and were 10.7 MEUR (9.4). The Chalupa segment's net sales in the first half of the year were 224 thousand euros (175 thousand). The Social Burgerjoint segment's net sales in the first half of the year were 711 thousand euros and the No Pizza segment's 72 thousand euros.

GROUP EBIT

May 2018–July 2018

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

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

February 2018–July 2018

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

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

SALES AND EBITDA OF SEGMENTS

KOTIPIZZA SEGMENT

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

Heidi Stirkkinen, COO of Kotipizza Group

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

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

We expect chain sales to continue to develop favourably. Achieving similar relative growth figures will, however, become more challenging month by month as we draw comparisons to months of very strong growth in the previous year.

In February 2017, Kotipizza acquired the Pizzataxi restaurant chain that operates 22 restaurants in the Helsinki region and Southern Finland, all offering home delivery. Converting Pizzataxi restaurants into Kotipizza restaurants has proved more difficult than anticipated, as only one Pizzataxi restaurant converted into a Kotipizza restaurant has thus far been opened. According to current plans, 7 conversions will be carried out. The remaining restaurants will continue to operate as Pizzataxi restaurants until the end of their contract period, after which they will be closed down or sold to the franchisees running the restaurants. Franchising fees of the Pizzataxi restaurant chain were 59 thousand euros in the first half of the financial year.

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

May 2018–July 2018
Comparable net sales of the Kotipizza chain in the second quarter were 4.37 MEUR (3.82) and increased 14.5% compared to same period in the previous year. Net sales of the Kotipizza chain in the second quarter were 5.66 MEUR (4.89) and increased 15.9% compared to the same period in the previous year. The sales included MEUR 1.3 of items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-Operative, which pass through the Kotipizza segment's P&L without result effect. The remaining sales increase was based on growth in chain-based net sales. Consequently, all franchising contract-based net sales increased.

Kotipizza’s comparable EBITDA was 2.65 MEUR (2.22) in the second quarter and grew 19.5% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due to the favourable development in chain-based net sales of Kotipizza. EBITDA was 2.65 MEUR (2.22) in the second quarter. EBITDA did not include items affecting comparability.

February 2018–July 2018
Comparable net sales of the Kotipizza chain in the first half of the year were 8.25 MEUR (7.34) and increased 12.5% compared to same period in the previous year. Net sales of the Kotipizza chain in the first half of the year were 10.67 MEUR (9.35) and increased 14.1% compared to the same period in the previous year. The sales included MEUR 2.41 of items affecting comparability related to advertising and marketing fund flows of Kotipizza's Franchisee Co-Operative, which pass through the Kotipizza segment’s P&L without result effect. The remaining sales increase was based on growth in chain-based net sales. Consequently, all franchising contract-based net sales increased.

Kotipizza’s comparable EBITDA was 4.58 MEUR (3.80) in the first half of the year and grew 20.6% compared to same period in the previous year. Improvement in comparable EBITDA was mainly due to the favourable development in chain-based net sales of Kotipizza. EBITDA was 4.58 MEUR (3.80) in the first half of the year. EBITDA did not include items affecting comparability.

FOODSTOCK SEGMENT

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

Anssi Koivula, CEO of Foodstock

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

May 2018–July 2018
Net sales of Foodstock in the second quarter were 17.97 MEUR (16.14) and grew 11.3% compared to same period in the previous year. The growth in net sales was mainly due to the favourable development of Kotipizza’s chain-based net sales, which boosted Foodstock’s delivery volumes to the chain. Also, sales to the other customers of Foodstock developed favourably.

Foodstock’s comparable EBITDA was 0.68 MEUR (0.62) in the second quarter and grew 9.4% compared to the same period in the previous year. Foodstock’s EBITDA was 0.68 MEUR (0.62) in the second quarter. Improvement in the EBITDA was related to the increase in sales volumes. EBITDA did not include items affecting comparability.

February 2018–April 2018
Net sales of Foodstock in the first half of the year were 34.16 MEUR (30.82) and grew 10.8% compared to same period in the previous year. The growth in net sales was mainly due to the favourable development of Kotipizza’s chain-based net sales, which boosted Foodstock’s delivery volumes to the chain. Also, sales to the other customers of Foodstock developed favourably.

Foodstock’s comparable EBITDA was 1.20 MEUR (0.99) in the first half of the year and grew 21.4% compared to the same period in the previous year. Foodstock’s EBITDA was 1.20 MEUR (0.99) in the first half of the year. Improvement in the EBITDA was related to the increase in sales volumes. EBITDA did not include items affecting comparability.

CHALUPA SEGMENT

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

Iman Gharagozlu, Creative Director of Chalupa

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

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

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

May 2018–July 2018

Chalupa's net sales were EUR 112 thousand (99 thousand) in the second quarter. Sales increase was based on growth in chain-based net sales and, consequently, all franchising contract-based net sales increased. Chalupa's comparable EBITDA was -33 thousand EUR (1 thousand) in the second quarter. Chalupa's EBITDA was -33 thousand EUR (1 thousand) in the second quarter. EBITDA did not include items affecting comparability.

February 2018–July 2018

Chalupa's net sales were EUR 224 thousand (175 thousand) in the first half of the year. Sales increase was based on growth in chain-based net sales and, consequently, all franchising contract-based net sales increased. Chalupa's comparable EBITDA was -52 thousand EUR (-3 thousand) in the first half of the year. Chalupa's EBITDA was -52 thousand EUR (-3 thousand) in the first half of the year. EBITDA did not include items affecting comparability.

SOCIAL BURGERJOINT SEGMENT

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

Mika Tuomonen, The Burgermeister of Social Burgerjoint

“During the review period, the sales of the Social Burgerjoint chain presented very strong growth as a result of increased customer volumes and the opening of a new restaurant in Helsinki’s Citycenter shopping mall. In the second quarter of the financial year, chain sales grew by 114.5%. During the summer months, the Social Burgerjoint food truck also toured various events.

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

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

May 2018–July 2018

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

February 2018–July 2018

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

NO PIZZA SEGMENT

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

Riikka Ahtiainen, Head of Development of No Pizza

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

May 2018–July 2018
No Pizza’s net sales were EUR 72 thousand in the second quarter. No Pizza’s comparable EBITDA was -90 thousand in the second quarter. No Pizza’s EBITDA was EUR -116 thousand in the second quarter. Cost related to comprehensive concept analysis, which will be applied to all future restaurant openings, have been booked as operative costs and treated as items affecting profitability. The negative EBITDA was mainly due to operative costs related to opening a new restaurant in Helsinki city centre.

February 2018–July 2018
No Pizza’s net sales were EUR 72 thousand in the second quarter. No Pizza’s comparable EBITDA was -90 thousand in the second quarter. No Pizza’s EBITDA was EUR -116 thousand in the second quarter. Cost related to comprehensive concept analysis, which will be applied to all future restaurant openings, have been booked as operative costs and treated as items affecting profitability. The negative EBITDA was mainly due to operative costs related to opening a new restaurant in Helsinki city centre.

OTHERS SEGMENT

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

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

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

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

February 2018–July 2018

Net sales of the Others segment were 0.00 MEUR (0.00) in the second quarter. Comparable EBITDA was -0.87 MEUR (-0.61). EBITDA was -1.22 MEUR (-0.78). EBITDA included EUR 344 thousand of items affecting comparability. Additional purchase price related to the Social Burgerjoint acquisition, which has been booked as cost, has been treated as an item affecting comparability. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have also been treated as items affecting comparability.

FINANCIAL ITEMS AND RESULT

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

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

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

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

THE GROUP'S FINANCIAL POSITION

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

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

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

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

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

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

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

INVESTMENTS

The investments for the review period amounted to MEUR 1.24 (1.59). The Group's investments in fixed assets, involving mainly the Social Burgerjoint and No Pizza's machinery and equipment, as well as the Kotipizza chain's renewed online store and digital home delivery application, amounted to MEUR 1.17 (0.84).

CORPORATE RESPONSIBILITY

During the review period, we continued the work to develop the Group's corporate responsibility reporting. In future reporting, we intend to employ the ESG framework, designed for listed companies in Nordic and Baltic countries. First, it will be piloted in the Kotipizza chain's reporting. Our aim to is drive corporate responsibility efforts with knowledge, and to measure and outline our actions to an increasing extent through numbers. For this purpose, we continued to gather data on franchisees and restaurant operations in the Kotipizza chain during the review period.

During the review period, we made efforts to enhance well-being at the workplace and employer brand in Kotipizza Group and the Kotipizza chain. On Group level, we carried out an analysis of the company's corporate culture. Based on the findings, we have continued work after the review period to develop our corporate culture. In the Kotipizza chain, an initiative was launched during the review period to update the franchisee training curriculum and franchisee manual. In both, the franchisees' understanding of the labour code and capabilities to take care of their employees' well-being will be given more emphasis than previously.

PERSONNEL

At the end of the review period, Kotipizza Group employed 87 people, all of whom worked in Finland. At the end of the previous financial year on 31 January 2018, the Company employed 63 people, all of whom worked in Finland.

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

BUSINESS ARRANGEMENTS

There were no business arrangements in the review period.

CHANGES IN THE MANAGEMENT

There were no changes in the management in the review period.

MANAGEMENT BOARD

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

SHARES AND SHARE CAPITAL

Kotipizza Group Oyj's share capital was at the end of the review period EUR 80,000.00 and it comprised 6,351,201 shares. At the beginning of the review period 1 February 2018, the number of shares was 6,351,201. At the end of the period, the Company had 3295 (2398) shareholders. The Company does not hold any treasury shares.

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

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

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

FLAGGING NOTICES

There were no flagging notices in the review period.

RESOLUTIONS OF THE GENERAL MEETINGS

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

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

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

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

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

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

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

1. The number of shares to be issued based on the authorization may in total amount to a maximum of 635 000 shares.
2. The Board of Directors decides on all the terms and conditions of the issuances of shares, options and other special rights entitling to shares. The authorization concerns both the issuance of new shares as well as the transfer of treasury shares.
3. The issuance of shares, options and other special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue), in case there is a weighty financial reason to do so, such as in order to finance or carry out acquisitions or other business transactions, to develop the company's capital structure, or in order to implement the company's incentive schemes.

4. Based on the authorization, the Board of Directors is also authorized to decide on a share issue without payment directed to the company itself, provided that the number of shares held by the company after the issue would be a maximum of 10 per cent of all shares in the company. This amount includes shares held by the company and its subsidiaries in the manner provided for in Chapter 15, Section 11 (1) of the Companies Act.
5. The authorization will cancel the authorization to decide upon share issues given to the Board of Directors on 17 May 2017 and is valid until 31 July 2019.

RISKS AND UNCERTAINTIES

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

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

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

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

EVENTS AFTER THE REPORT PERIOD

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Danske Bank A/S on 27 August 2018, per which its holding in Kotipizza Group Oyj had gone below the threshold of (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of 23 August 2018: The shares managed by Danske Bank A/S totaled 315.166 shares representing 4.96% of total share capital and total voting rights.

The Company received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act from Axxion S.A.on 27 August 2018, per which its holding in Kotipizza Group Oyj had gone above the threshold of (5) percent (1/20) of the share capital. Exact proportion of share capital and voting rights as of 24 August 2018: The shares managed by Axxion S.A. totaled 336.660 shares representing 5.30% of total share capital and total voting rights.

OUTLOOK FOR THE FINANCIAL YEAR 2019

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

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

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

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

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

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

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

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

ACCOUNTING POLICIES

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

IASB has issued new and revised standards and interpretations. The Group adopts them as they become effective, or if the effective date differs from the reporting date, starting from the first financial year after the effective date. The Group does not expect the new or revised standards to have a significant effect on the Group's financial results, comprehensive income or the presentation of the financial statements.

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

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

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

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

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

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

SUMMARY OF THE FINANCIAL STATEMENT AND NOTES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SEGMENT INFORMATION

KOTIPIZZA SEGMENT

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

FOODSTOCK SEGMENT

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

CHALUPA SEGMENT

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

SOCIAL BURGERJOINT SEGMENT

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

NO PIZZA SEGMENT

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

MUUT SEGMENT

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

ALL SEGMENTS TOGETHER

EUR THOUSAND	5-7/18	5-7/17	2-7/18	2-7/17	2/17-1/18
Comparable net sales	23 015	20 053	43 425	38 335	79 858
Net sales	24 307	21 123	45 837	40 348	84 089
Comparable gross margin / EBITDA	2 710	2 519	4 637	4 173	8 523
Depreciation and impairments	-379	-374	-728	-670	-1 360
Comparable EBIT	2 331	2 145	3 909	3 503	7 163
Gross margin / EBITDA	2 378	2 436	4 216	4 001	7 781
EBIT	1 999	2 062	3 488	3 331	6 421

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

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

The major classes of assets related to discontinued operations:

	31/7/2018	31/7/2017
Assets	**000 €**	**000 €**
Inventories	-	-
Trade receivable and other receivables	13	13
Assets related to discontinued operations	**13**	**13**

NOTE 3. RELATED PARTY TRANSACTIONS

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

	Sales to related parties	Purchases from related parties	Outstanding trade payables	Outstanding trade receivables	Paid interests
2/18-7/18	000 €	000 €	000 €	000 €	000 €
Key management of the group	-	-	-	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	107	10	-	-
2/17-7/17					
Key management of the group	-	-	-	-	-
Other related parties	-	-	-	-	-
Controlling entities	-	-	-	-	-
Companies controlled by the members of the Board	-	90	10	-	-

NOTE 4. EMPLOYEE BENEFITS EXPENSE

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

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

NOTE 5. CONTINGENT LIABILITIES

Commitments	31/07/2018	31/07/2017
	000 €	000 €
Leasing commitments	163	304
Secondary commitments		
Rental guarantees	997	913
Bank guarantees	468	420
Rental commitments for premises	2 897	3 256
Loans from financial institutions	14 238	15 388
Guarantees for other than Group companies	-	3
Guarantees		
Pledged deposits	146	146
Business mortgages	17 500	17 500
Guarantees	12	12
Pledged shares, book value	44 236	44 236
General guarantee for other Group companies	unlimited	unlimited

NOTE 6: ALTERNATIVE PERFORMANCE MEASURES (APMs)

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

CHAIN-BASED NET SALES

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

COMPARABLE NET SALES

Net sales items affecting comparability:

EUR thousand	5-7/18	5-7/17	2-7/18	2-7/18	2/17-1/18
Net sales	24 307	21 123	45 837	40 348	84 089
Items affecting comparability	-1 292	-1 069	-2 412	-2 013	-4 230
Comparable net sales	23 015	20 053	43 425	38 335	79 858

Items affecting comparability in 5-7/18, 5-7/17, 2-7/18, 2-7/18 and 2/17-1/18 all related to advertising and marketing fund flows of Kotipizza's Franchisee Co-operative, which pass through the Kotipizza segment’s P&L without result effect.

COMPARABLE EBIT

EBIT items affecting comparability:

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

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

7/18, 5-7/17, 2-7/18, 2-7/18 and 2/17-1/18 as items affecting comparability as they have been booked as costs. In addition, calculational (non-cash) items related to the incentive plan introduced on 6 May 2016 and to other incentive plans for the company's staff have also been treated as items affecting comparability.

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

EBITDA

EBIT, depreciation and impairments:

EUR thousand	5-7/18	5-7/17	2-7/18	2-7/18	2/17-1/18
EBIT	1 999	2 062	3 488	3 331	6 421
Depreciation and impairments	379	374	728	670	1 360
EBITDA	2 378	2 436	4 216	4 001	7 781

COMPARABLE EBITDA

EUR thousand	5-7/18	5-7/17	2-7/18	2-7/18	2/17-1/18
EBIT	1 999	2 062	3 488	3 331	6 421
Depreciation and impairments	379	374	728	670	1 360
Items affecting comparability	333	83	395	172	742
Comparable EBITDA	2 710	2 519	4 611	4 173	8 523

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

COMPARABLE EBITDA OF NET SALES, %

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

NET DEBT

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

EUR thousand	31 July 2018	31 July 2017	31 Dec 2018
Long-term interest bearing debt	13 811	15 587	14 289
Short-term interest bearing debt	888	911	1 492
Cash and cash equivalents	2 432	4 774	7 982
Net debt	12 268	11 723	7 799

NET GEARING, %

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

EQUITY RATIO, %

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

In Helsinki 25 September 2018

Kotipizza Group Oyj’s Board of Directors

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

Orkla ASA Announces a Recommended Public Cash Tender Offer for All Shares in Kotipizza Group Oyj

Kotipizza Group Oyj / Orkla ASA
Stock Exchange Release

22 November 2018 at 8:00 a.m. (CET+1)

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Orkla ASA Announces a Recommended Public Cash Tender Offer for All Shares in Kotipizza Group Oyj

Orkla ASA (**"Orkla"** or the "**Offeror**") and Kotipizza Group Oyj ("**Kotipizza**") have on 22 November 2018 entered into a Combination Agreement (the "**Combination Agreement**") pursuant to which 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**"). In the Tender Offer, Kotipizza's shareholders will be offered a cash consideration of EUR 23.00 for each share, valuing Kotipizza's equity at approximately EUR 146.1 million. The Board of Directors of Kotipizza has unanimously decided to recommend that the shareholders of Kotipizza accept the Tender Offer.

SUMMARY 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; and
  - 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;
- The Board of Directors of Kotipizza has unanimously decided to recommend that the shareholders of Kotipizza accept 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;
- 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 Offeror will, on or about 7 December 2018, publish a tender offer document with detailed information about the Tender Offer;
- The offer period under the Tender Offer is expected to commence on or about 10 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.

BACKGROUND AND REASONS FOR THE TENDER OFFER

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 (approx. EUR 4.2 billion with the average 2017 exchange rate) and NOK 5.8 billion (approx. EUR 620 million with the average 2017 exchange rate), respectively, and a market capitalization as on 21 November 2018 of approx. NOK 72.9 billion (approx. EUR 7.5 billion with the 21 November 2018 exchange rate).

Kotipizza Group 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. The contemplated acquisition is in line with Orkla's strategy of growing in channels with higher growth than the traditional grocery channel. Welcoming Kotipizza to Orkla's house of brands is a natural and decisive step towards building the future Orkla.

Orkla values the role the current management, employees and franchisees of Kotipizza have in the success of the company. 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.

Commenting on the Tender Offer Peter A. Ruzicka, President & CEO of Orkla:

- Kotipizza Group is a well-run company with competent management and a well-functioning franchise model. The acquisition of Kotipizza is in line with our strategic ambition to increase our presence in channels with faster growth than traditional grocery, and we see a good match between the two companies, says Orkla President & CEO Peter A. Ruzicka.

Commenting on the Tender Offer Kalle Ruuskanen, Chairman of the Board of Directors of Kotipizza Group Oyj:

- The Board of Directors of Kotipizza has carefully evaluated the Tender Offer and unanimously decided to recommend it to the shareholders of Kotipizza. The two companies have a good strategic fit with highly complementary competences. We are very pleased with Orkla sharing our emphasis on and commitment to responsible and sustainable operations. We are confident that the future of Kotipizza will be in safe hands, says Chairman of the Board of Directors of Kotipizza Kalle Ruuskanen.

Commenting on the Tender Offer Tommi Tervanen, CEO of Kotipizza Group Oyj:

- Since the first restaurant opened in 1987, Kotipizza has grown into a leading restaurant business in Finland, and I am proud of what we have achieved so far. Orkla is the leading brand-building company in the Nordics which will offer great opportunities and support for Kotipizza's future growth. Together the two companies will be well positioned to meet changing consumer habits, and I look forward to being part of this journey, says Kotipizza CEO Tommi Tervanen.

THE TENDER OFFER IN BRIEF

The Offer Price is EUR 23.00 in cash for each share in Kotipizza. In the event of a share issue, reclassification, stock split or other similar transaction with dilutive effect, issue of option rights or any other rights entitling to shares or distribution of dividend or other distribution of assets by Kotipizza to its shareholders 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.

The offer period under the Tender Offer is expected to commence on or about 10 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 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 detailed terms and conditions of the Tender Offer and information on how to accept the Tender Offer will be included in the tender offer document expected to be published by the Offeror on or about 7 December 2018.

The Offeror and Kotipizza have undertaken to comply with the recommendation on procedures to be followed in Finnish public tender offers issued by the Finnish Securities Market Association, as amended from time to time (the "**Helsinki Takeover Code**").

On the date of this stock exchange release, Kotipizza has 6,351,201 issued shares, and neither the Offeror nor any of its group companies hold any shares in Kotipizza. The Offeror reserves the right to buy Shares before, during and/or after the offer period in public trading on Nasdaq Helsinki or otherwise.

RECOMMENDATION BY THE BOARD OF DIRECTORS AND SUPPORT BY MAJOR SHAREHOLDERS

The Board of Directors of Kotipizza has unanimously decided to recommend that the shareholders accept the Tender Offer. The Board of Directors will issue its complete statement on the Tender Offer in accordance with the Finnish Securities Market Act before the commencement of the Tender Offer. To support its assessment of the Tender Offer, the Board of Directors of Kotipizza has received a fairness opinion from Kotipizza's financial advisor Advium Corporate Finance Ltd. to the effect that the consideration to be offered to the shareholders is fair from a financial point of view. The fairness opinion will be attached to the statement of the Board of Directors of Kotipizza.

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.

CONDITIONS TO COMPLETION

The completion of the Tender Offer will be subject to the satisfaction or waiver by the Offeror of the following conditions:

(a) the valid tender of outstanding shares representing, together with any other outstanding shares otherwise acquired by the Offeror prior to or during the Offer Period, more than ninety percent (90%) of the issued and outstanding Shares and voting rights of the Company calculated in accordance with Chapter 18 Section 1 of the Finnish Limited Liability Companies Act (21.7.2006/624);
(b) the receipt of all necessary regulatory approvals, permits and consents, including without limitation competition clearances, and that any conditions set in such permits, consents or clearances, including, but not limited to, any requirements for the disposal of any assets of the Offeror or the Company or any reorganization of the business of the Offeror or the Company, do not have material significance to the Offeror (as referred to in the Regulations and Guidelines 9/2013, as may be amended or re-enacted from time to time, issued by the Finnish Financial Supervisory Authority and the Helsinki Takeover Code);
(c) no material adverse change having occurred on or after the signing date of the Combination Agreement;
(d) the Offeror not, on or after the signing date of the Combination Agreement, having received information that constitutes a material adverse change that occurred on or prior to the signing date of the Combination Agreement;
(e) no information made public by the Company or disclosed by the Company to the Offeror being materially inaccurate, incomplete, or materially misleading, and the Company not having failed to make public any information that was required to be made public by it under applicable laws, including the rules of Nasdaq Helsinki, provided that, in each case, the information made public, disclosed or not disclosed or the failure to disclose information constitutes a material adverse change;
(f) no court or regulatory authority of competent jurisdiction having given an order or issued any regulatory action preventing or enjoining the completion of the Tender Offer;
(g) the Board of Directors of the Company having issued its unanimous recommendation that the shareholders of the Company accept the Tender Offer and the recommendation remaining in full force and effect and not being modified or changed, save for any technical modification required or advisable under applicable laws or the Helsinki Takeover Code so long as the recommendation to accept the Tender Offer is upheld and the change is not detrimental to the Offeror;
(h) the Combination Agreement not having been terminated and remaining in force and no event having occurred that, with the passage of time, would give the Offeror the right to terminate the Combination Agreement provided that the time for curing set out in the Combination Agreement has lapsed without the Offeror's right to terminate having thereby ceased to exist; and
(i) the undertakings of the major shareholders and management shareholders to accept the Tender Offer remaining in force in accordance with their terms save for withdrawals, breaches or terminations of such undertakings to the extent that the withdrawn, breached or terminated undertakings individually or in the aggregate concern less than seven and a half percent (7.5%) of the outstanding shares.

Subject to the limitations set out in the Regulations and Guidelines 9/2013 of the FIN-FSA and the Helsinki Takeover Code, the Offeror reserves the right to withdraw the Tender Offer in the event that any of the above conditions to completion is not fulfilled.

The Offeror will make all necessary filings to obtain approvals from relevant competition authorities. According to information currently available, the Offeror expects the Tender Offer to be subject to a merger control clearance by the Finnish Competition and Consumer Authority, and to receive such clearance within the anticipated offer period.

COMBINATION AGREEMENT

The Combination Agreement between the Offeror and Kotipizza sets forth the principal terms under which the Offeror will make the Tender Offer.

Under the Combination Agreement, the Board of Directors of Kotipizza has, in the event of a possible competing or superior offer, undertaken not to withdraw, modify, amend, include conditions to or decide not to issue its recommendation for the Tender Offer unless, after taking advice from its external legal advisor and an independent financial adviser, the Board of Directors, on the basis of its fiduciary duties under Finnish laws and regulations (including the Helsinki Takeover Code), considers that, due to materially changed circumstances, the acceptance of the Tender Offer would no longer be in the best interest of Kotipizza's shareholders. The Board of Directors may withdraw, modify, amend, include conditions to or decide not to issue its recommendation for the Tender Offer in accordance with the above only if prior to such withdrawal, modification, amendment, inclusion of conditions to or non-issue, the Board of Directors has complied with certain agreed procedures allowing the Offeror to negotiate with the Board of Directors in respect of such actions. If the Offeror enhances its offer such that the enhanced offer, in the reasonable opinion of the Board of Directors rendered in good faith, is at least equally favorable to the holders of the outstanding shares as the competing or superior offer, the Board of Directors shall confirm and uphold its recommendation (as amended based on the enhanced offer) for the Tender Offer, as enhanced.

Kotipizza has undertaken (i) not to, directly or indirectly, solicit, knowingly encourage, facilitate, promote, provide information with respect to Kotipizza to any person in connection with, or otherwise cooperate, with any competing offer or proposal and (ii) to cease any discussions, negotiation or other activities relating to any competing offer or proposal, except if such measures are required for the Board of Directors to comply with its fiduciary duties towards Kotipizza's shareholders or under applicable laws or regulations.

The Combination Agreement further includes certain customary representations, warranties and undertakings by both parties, such as conduct of business by Kotipizza in the ordinary course of business before the completion of the Tender Offer, and cooperation by the parties in making the necessary regulatory filings.

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.

The Combination Agreement may be terminated and the transaction abandoned by Kotipizza or the Offeror under certain circumstances, including, among others, if a court or authority order preventing the consummation of the transaction or a material part of it has been issued and has become final and non-appealable or upon a material breach of any warranty given by the Company or the Offeror.

If the Combination Agreement is terminated in connection with the Board of Directors of Kotipizza withdrawing or changing its recommendation for the Tender Offer, Kotipizza has undertaken to pay to the Offeror a termination fee of EUR 4,000,000 as compensation for the Offeror's reasonable transaction costs. If the Offeror invokes the closing condition (c) (set out above) so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn due to a material adverse change having occurred, the Offeror has undertaken to pay to Kotipizza a termination fee of EUR 1,500,000 as compensation for Kotipizza's reasonable transaction costs.

ADVISORS

Carnegie Investment Bank AB, Finland Branch acts as the financial advisor and Roschier, Attorneys Ltd. as the legal advisor to Orkla in connection with the Tender Offer. OP Corporate Bank plc acts as the arranger of the Tender Offer.

Advium Corporate Finance Ltd. acts as the financial advisor and Avance Attorneys Ltd as the legal advisor to Kotipizza in connection with the Tender Offer.

INVESTOR CALL / PRESS CONFERENCE

Orkla and Kotipizza will host a press conference in Helsinki for media and analysts regarding the announcement and Tender Offer. The press conference is held in the Emmy cabinet of Hotel Lilla Roberts (address: Pieni Roobertinkatu 1-3, Helsinki), at 11:00 (EET). A live webcast of the conference will be available at: https://orkla.videosync.fi/tiedotustilaisuus.

You can also participate in the conference by telephone:

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ABOUT ORKLA

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 listed on the Oslo Stock Exchange and its head office is in Oslo. In 2017, the Group had a turnover of NOK 40 billion, and approximately 18,000 employees as of 31 December 2017.

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.

IMPORTANT INFORMATION

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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.

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ARTICLES OF ASSOCIATION OF KOTIPIZZA GROUP OYJ

1 § Trade name of the company and domicile
The trade name of the company is Kotipizza Group Oyj and its domicile is Helsinki.

2 § Field of operation of the company
The field of operation of the company is to run restaurant and coffee shop business, wholesale and retail trade of premises, raw materials, devices and fitments related to restaurant and coffee shop business and rental activity related to the above mentioned business. The company may practice its business through subsidiaries and holding companies. In addition, the field of operation of the company is to control and own securities, shares, real estates and other property in Finland and abroad either itself or through companies owned by it. The field of operation of the company is also to produce administrative, finance and other group services to its group companies and to grant security and guarantees on behalf of its group companies.

3 § Book-entry securities system
Company's shares are included in the book-entry securities system after registration time set by the Board of directors has expired.

4 § Board of directors
The administration of the company and the appropriate organisation of its operations are taken care of by the board of directors which consists of, based on the decision made by the general meeting, at least five (5) and at most ten (10) members.

The term of office of a member of the Board of Directors shall cease at the close of the first Annual General Meeting following his or her election

5 § CEO
Company has a CEO. CEO is appointed and dismissed by the board of directors.

6 § Representation of the company
The company is represented by the managing director and the chairman of the board of directors, each alone, and two (2) members of the board of directors jointly or by two persons jointly, who the board of directors has granted a right of representation.

The board of directors can grant rights of representation.

7 § Financial year
Company's financial year begins annually on 1 February and ends on the following 31 January.

8 § Auditors
Company shall have one (1) auditor, who has to be authorized public accountant.

9 § Notice of the Ordinary General Meeting
The ordinary general meeting shall be held annually at a date set by the board of directors within six (6) months from the end of the financial year of the company.

Notice to the general meeting shall be delivered no earlier than three (3) months and no later than three (3) weeks before the meeting. The invitation to a General Meeting shall, however, be delivered no later than nine (9) days before the record date for the meeting. The notice to the general meeting shall be announced to shareholders by publishing it at the company's Internet pages or at least in one national newspaper assigned by the board of directors.

To be entitled to attend a General Meeting, a shareholder shall notify the company of his or her attendance by the date specified in the notice to the General Meeting. The date so indicated shall not be earlier than ten (10) days prior to the meeting.

10 § General meeting
At the ordinary general meeting, the following shall be presented:

1. the financial statements and the annual report;
2. the auditor’s report;

resolved upon:

3. the adoption of the financial statements;
4. the use of the profit shown on the balance sheet;
5. the discharge of the members of the board of directors and the managing director from liability;
6. the remuneration of the members of the board of directors and, if necessary, the auditors;
7. if necessary, the number of the members of the board of directors and the auditors;

elected:

8. if necessary, the members of the board of directors;
9. if necessary, the auditor(s); and

dealt with:

10. other matters contained in the notice to the meeting.