

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

Kotipizza Group Oyj / Orkla ASA
Stock Exchange Release

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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.

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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.