

## AUDITOR'S REPORT (Translation of the Finnish Original)

To the Annual General Meeting of Kotipizza Group Oyj

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Kotipizza Group Oyj (business identity code 2416007-6) for the year ended 31 January, 2019. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

#### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have not provided to the parent company and group companies other services than audit services.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Valuation of goodwill</b></p> <p>We refer to the note 2.4 a) in the consolidated financial statements</p> <ul style="list-style-type: none"> <li>• The value of goodwill in the consolidated balance sheet amounted to EUR 36,8 million which comprise 62 % of the total assets.</li> <li>• Management assesses the need for impairment on a regular basis.</li> <li>• This matter is a significant risk of material misstatement and key audit matter as the total amount of goodwill is material and it requires management’s discretion.</li> <li>• Determination of the key assumptions in future cash flow forecasts underlying the impairment tests requires management make judgements over certain key inputs, for example discount rate, growth rates and profitability levels .</li> <li>• Goodwill is not amortized but is tested annually for impairment. An impairment loss is recognized when the carrying amount of an asset exceed its recoverable amount.</li> </ul>	<ul style="list-style-type: none"> <li>• We tested the arithmetical accuracy of the impairment calculations and considered the disclosures in respect of impairment testing, including an assessment of the appropriateness and the adequacy of the information provided on the key assumptions and the sensitivity analyses.</li> <li>• We assessed the allocation basis, i.e. the allocation of goodwill to the tested cash-generating units complies with the allocation principles defined by the company.</li> <li>• We evaluated the reliability of the Group’s budgeting procedures and assessed the historical accuracy of forecasts by comparing the actual results for the year 2018 with the forecasts made in previous years.</li> <li>• We involved our own valuation specialist when assessing the assumptions used in determining the discount rate to market and industry information.</li> <li>• In our evaluation, we considered the public cash tender offer by Orkla which has been approved by the shareholders.</li> </ul>
<p><b>Revenue recognition</b></p> <p>We refer to the note 2.4 d) in the consolidated financial statements</p> <ul style="list-style-type: none"> <li>• The revenue in group comprise mainly the sale of goods and revenue from rendering of services (franchise).</li> <li>• Revenue is considered primary key performance indicator in group. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2) because of the risk related to the timing and accuracy of the recognized amounts of revenue.</li> </ul>	<ul style="list-style-type: none"> <li>• We assessed the appropriateness of group’s accounting principles subject to revenue recognition compared to used accounting standards.</li> <li>• Our procedures included obtaining an understanding of the processes and controls related to the timing of revenue recognition, testing of certain key controls as well as substantive testing of revenue transactions.</li> <li>• Reviewing a sample of sales contracts or other relevant documentation, ensuring appropriate revenue recognition criteria were applied, and ensuring that payments were received in accordance with the sales contracts or other relevant documentation.</li> <li>• We tested journal entries recorded in revenue accounts.</li> <li>• We tested cut off to ensure that revenue has been recognized in appropriate accounting period. We tested near year-end transactions.</li> <li>• We considered the notes disclosed regarding revenue.</li> </ul>

## Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Other Reporting Requirements**

### **Information on our audit engagement**

We were first appointed as auditors by the Annual General Meeting on 16 May 2018, and our appointment represents a total period of uninterrupted engagement of 1 year.

### **Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Helsinki, April 24, 2019

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Authorized Public Accountant Firm

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