



Apetit Plc

Interim Report for January – September 2014

Briefing for Analysts and Media
6th November 2014 at 10.00 am - Scandic Simonkenttä, Helsinki

Veijo Meriläinen, CEO



New CEO appointed

- The Board of Directors of Apetit Plc appointed **Juha Vanhainen**, M.Sc. (Tech.) (born 1961) as the CEO of Apetit Plc.
- Vanhainen will take up the post as CEO of Apetit Plc on 16 March 2015. He will be transferring from Stora Enso Oyj.
- Until then, deputy chairman of the Board of Directors Veijo Meriläinen, who was appointed CEO of Apetit Plc on 29 April 2014, will continue as CEO while also taking care of his duties on the Board of Directors.



Current themes in Apetit Group



Domestic product range has become a strong competitive edge for Apetit.



Implementation of the Food Business' profitability programs is the top priority for the current and the next year.

Apetit Group in brief

Apetit

Customers

Consumers, trade, professional food service sector, food industry and feedstuff industry.

Market position

Leading position in frozen foods and in food solutions to professional food service sector. One of the leading company in fresh fish and seafood products. Major position in grains and oilseed products.

Main markets

- Finland: Frozen foods, food solutions and vegetable oils, grains and feedstuff
- Finland, Sweden and Norway: fresh fish and food products
- International: Grains and feedstuff

Products and Services

Frozen vegetables and frozen ready meals, fresh fish and seafood products, ready-to-use vegetable and fruit products, grains, vegetable oils and animal feedstuff.

Product categories



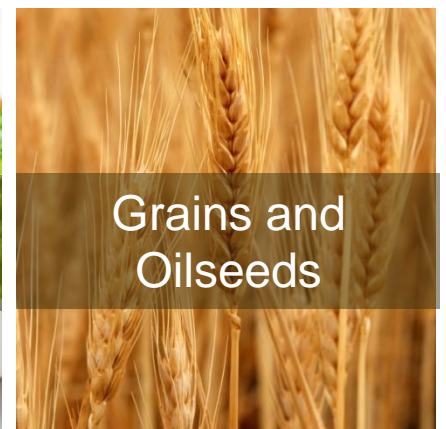
Frozen foods



Fish and fish products



Fresh products



Grains and Oilseeds



Apetit Group structure

Food Business

Grains and Oilseeds Business

Other Operations

Apetit Ruoka Oy

Apetit Kala Oy (70%)

Myrskylän Savustamo Oy (70%)
Associated Company Taimen Oy (30%)

Maritim Food AS

Maritim Food Sweden AB
Sandanger AS

Caternet Finland Oy

Apetit Suomi Oy

Avena Nordic Grain Oy (84.5 %)

Mildola Oy

ZAO Avena St. Petersburg
UAB Avena Nordic Grain
OÜ Avena Nordic Grain
TOO Avena Astana
OOO Avena-Ukraina

Apetit Plc

Associated company
Sucros Oy (20%)



NEITO

SUCROS OY



KOTIMAINEN

**Apetit Group
January–September 2014**

Key Figures for Q1-Q3/2014

EUR million	Q3/ 2014	Q3/ 2013	Change	Q1-Q3/ 2014	Q1-Q3/ 2013	Change	Q1-Q4/ 2013
Net sales	77.0	91.6	-16 %	264.0	290.0	-9 %	387.3
Operating profit excl. non-recurring items	1.6	3.1		2.0	6.8		12.2
Operating profit	-11.1	1.0		-11.2	4.3		9.4
Profit before taxes	-11.1	2.7		-12.1	4.7		9.3
Profit for the period	-11.1	2.5		-12.1	4.9		9.3
Profit for the period, excl. non-recurring items	1.0	1.7		0.3	4.4		9.1
Earnings per share, EUR	-1.74	0.48		-1.86	0.91		1.63
Earnings per share, EUR, excl. non-recurring items	0.20	0.35		0.15	0.84		1.60
Equity ratio, %				61.4	67.4		70.3

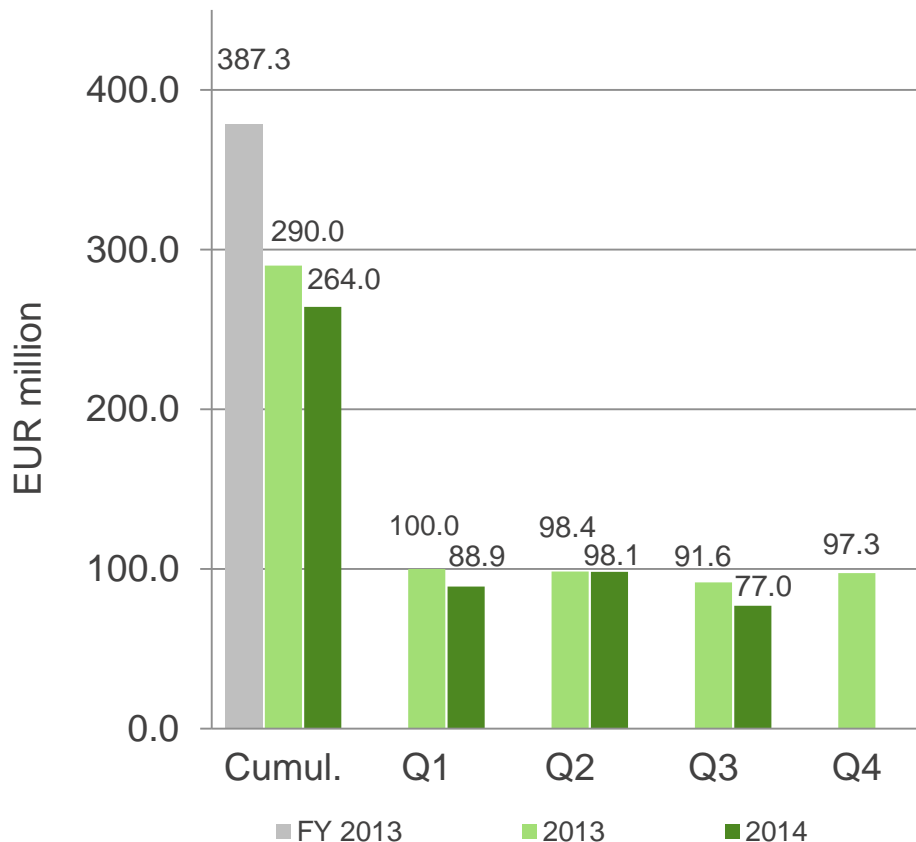
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Net sales

Operating profit, excl. non-recurring items

Apetit group, comparison 2014/2013



Q3 consolidated net sales were EUR 77.0 (91.6) million

-16%

- Net sales in the Grains and Oilseeds Business and in the Food Business were down year on year.

Q1-Q3 consolidated net sales were EUR 264.0 (290.0) million

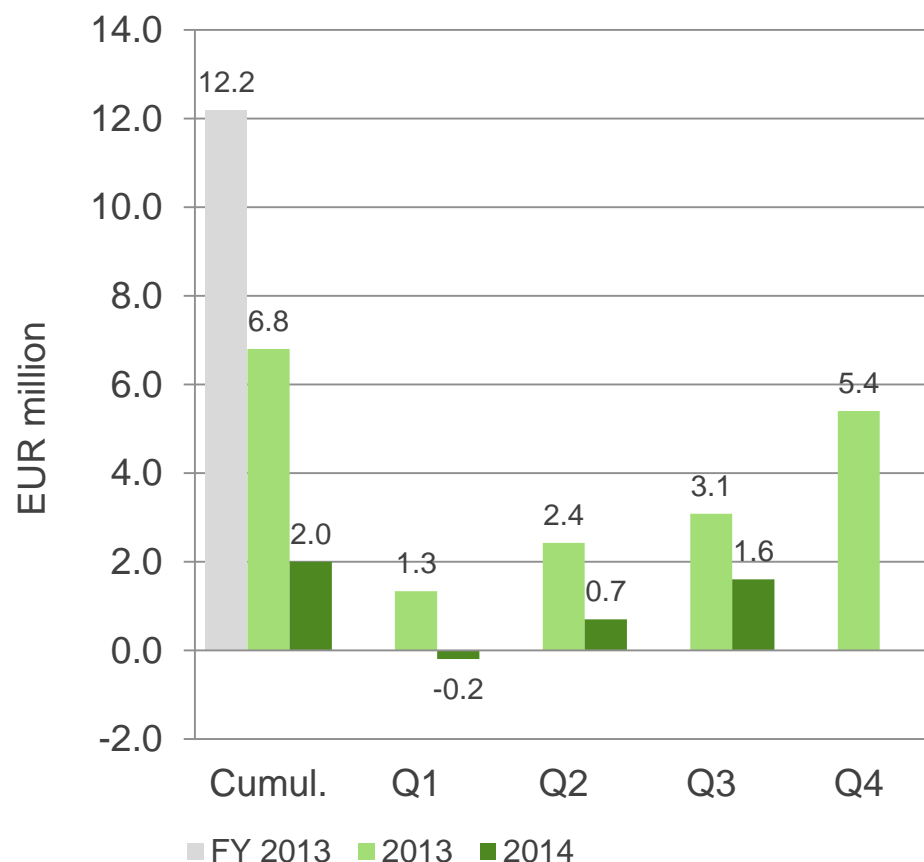
- 9%

- Net sales in the Grains and Oilseeds Business and in the Food Business were down year on year.

Operating profit, excluding non-recurring items

Operating profit, excl. non-recurring items

Apetit group, comparison 2014/2013



Q3 operating profit excluding non-recurring items was EUR 1.6 (3.1) million

- The operating profit includes EUR -0.2 (1.3) million as the share of the profits of associated companies.
- Non-recurring items totalled EUR -12.7 (-2.1) million. These consisted of EUR -10.2 (-2.0) million in impairments carried out in the Food Business on the basis of goodwill testing and EUR -2.5 (-0.1) million in expenses related to the arbitration court process between Apetit and Nordic Sugar, which was concluded during the period.

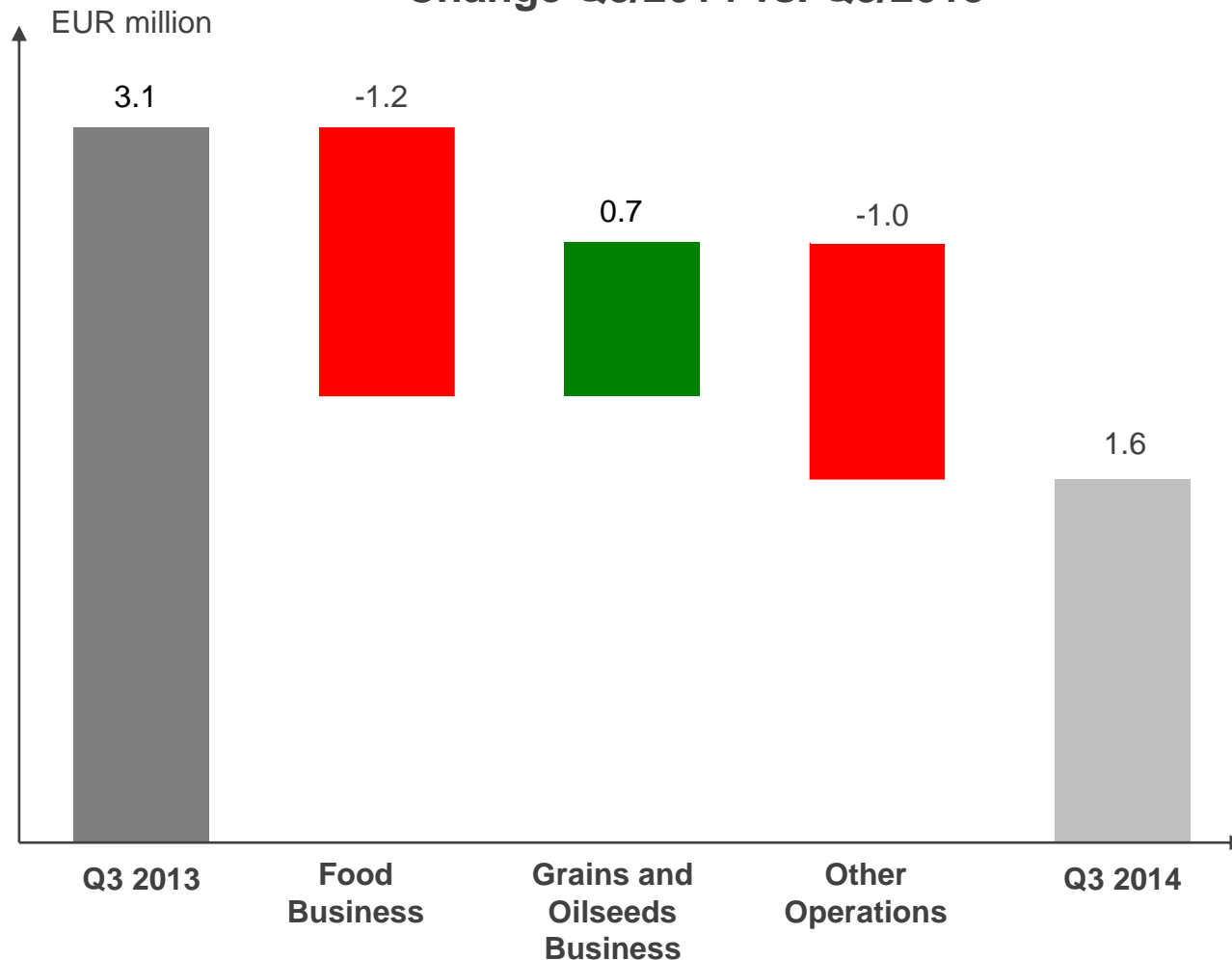
Q1-Q3 operating profit excluding non-recurring items was EUR 2.0 (6.8) million

- The Food Business operating profit for the comparison period included EUR 2.6 million recognised as income in association with the estimated additional purchase price of Caternet Finland Oy.
- The operating profit includes EUR 0.4 (3.7) million as the share of the profits of associated companies.
- Non-recurring items totalled EUR -13.2 (-2.5) million and were related to the Food Business and the Other Operations segment.



Operating profit, excluding non-recurring items

Change Q3/2014 vs. Q3/2013

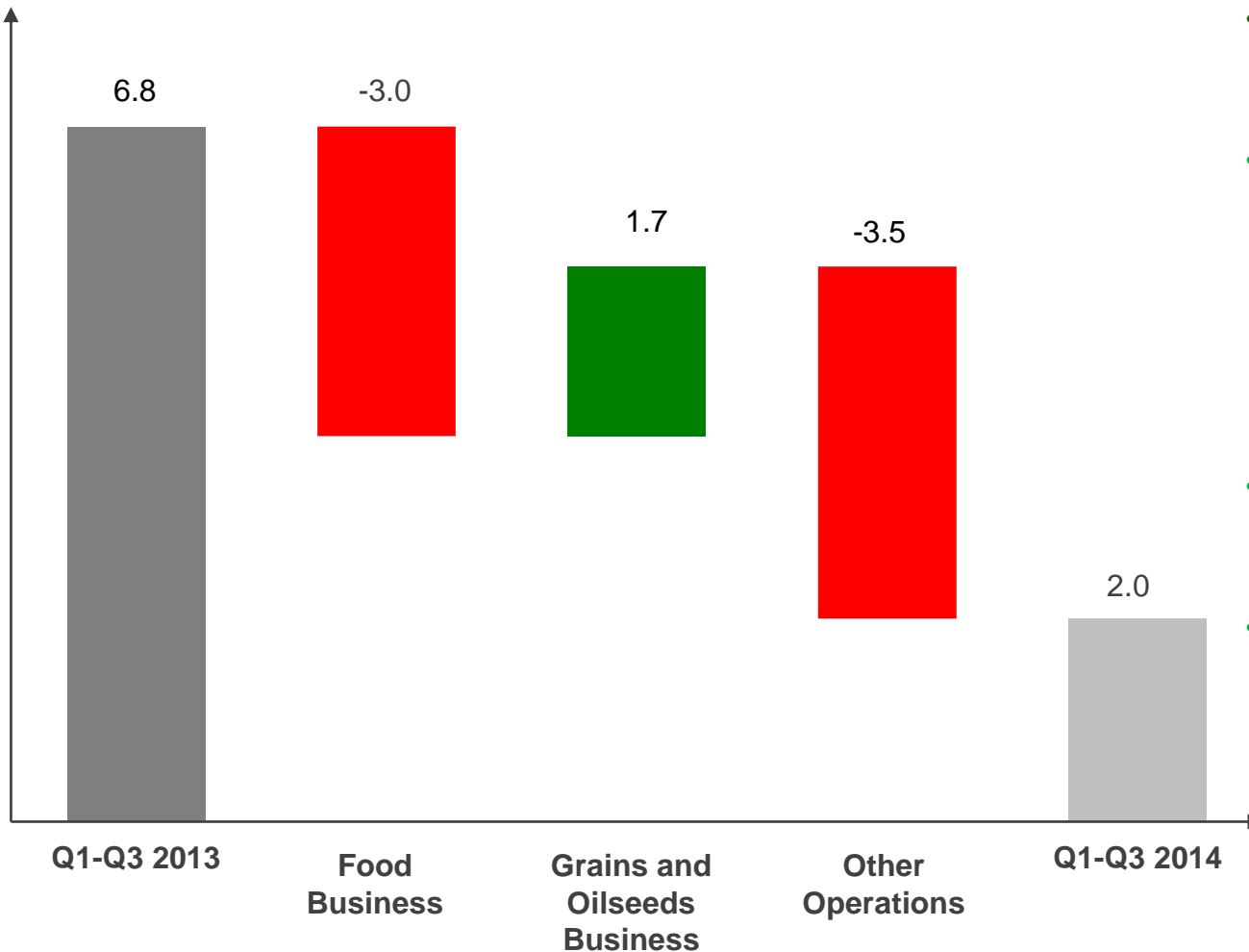


- In July-September, the operating profit, excluding non-recurring items, was down year on year.
- In Food Business, the operating profit, excluding non-recurring items, was down year on year.
- In Grains and Oilseeds Business, the operating profit, excluding non-recurring items, was up year on year.
- In Other Operations, the operating profit, excluding non-recurring items, was down year on year.

Operating profit, excluding non-recurring items

Change Q1-Q3/2014 vs. Q1-Q3/2013

EUR million



- In January-September, the operating profit, excluding non-recurring items, was down year on year.
- In Food Business, the operating profit, excluding non-recurring items, was down year on year. The comparison period included EUR 2.6 million recognised as income in association with the estimated additional purchase price of Caternet Finland Oy.
- In Grains and Oilseeds Business, the operating profit, excluding non-recurring items, was up year on year.
- In Other Operations, the operating profit, excluding non-recurring items, was down year on year due to the reduction in share of the profit of the associated company Sucros. It's share of the profit was EUR 0.3 (3.3) million

A close-up photograph of three elegantly plated salmon dumplings. Each dumpling is a thick, translucent slice of salmon rolled into a flower-like shape, filled with a white cream and garnished with a sprig of fresh dill. They are arranged diagonally on a white rectangular plate. The plate is decorated with small pieces of green lettuce, two small red berries, and two long, thin green chives. A semi-transparent text box is overlaid in the center of the image.

Food Business overview



Food Business

Frozen vegetables and frozen ready meals

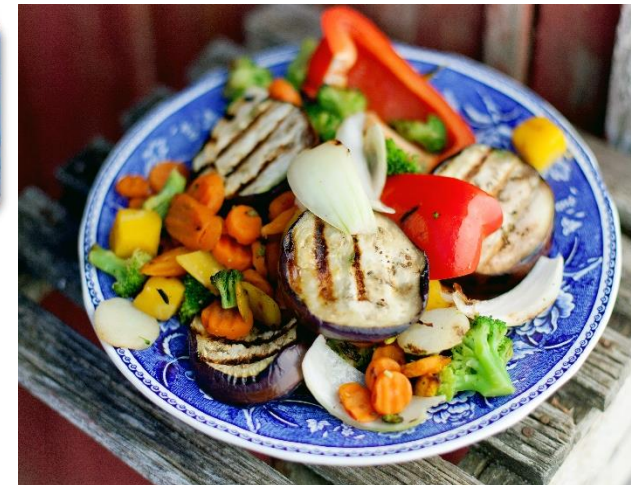
- Apetit is Finland's leading producer of frozen vegetables and frozen ready meals.
- Largely based on Finnish raw materials, the frozen vegetables and frozen ready meals are produced at Säkylä and at Pudasjärvi.
- Apetit is Finland's largest procurer of contract-grown vegetables.

Fresh fish and fish products

- Apetit is major fish and fish products producer in Finland.
- The production units of Apetit are in Kuopio, Kustavi, Helsinki and Myrskylä.
- Subsidiary Maritim Food Group has two production facilities in Norway and one in Sweden.
- Associated company Taimen Oy (30 %) is significant Finnish fish farmer and fingerling producer.

Fresh products

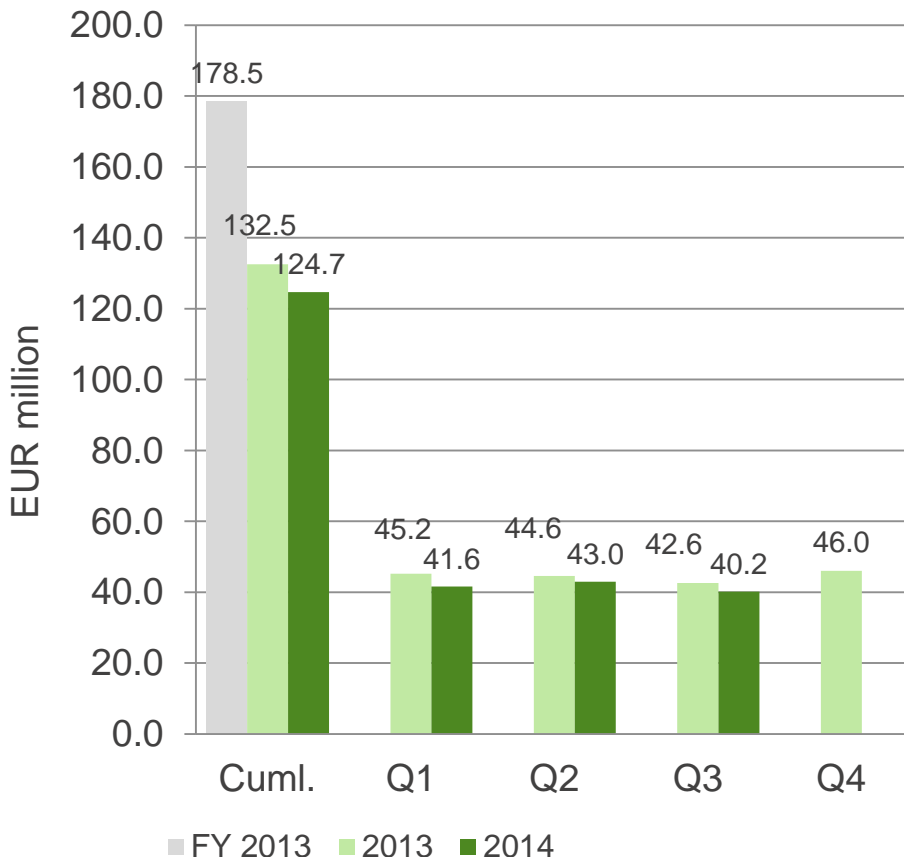
- Apetit supplies the professional food service sector with food products that make great meals – even on a daily basis if needed.
- The product range includes fresh and ready-to-use vegetable and fruit products and salads.
- Production unit in Kivikko, which is centrally located in Helsinki capital region.



Net sales in Food Business

Net sales

Food Business, comparison 2014/2013



Q3 net sales were EUR 40.2 (42.6) million

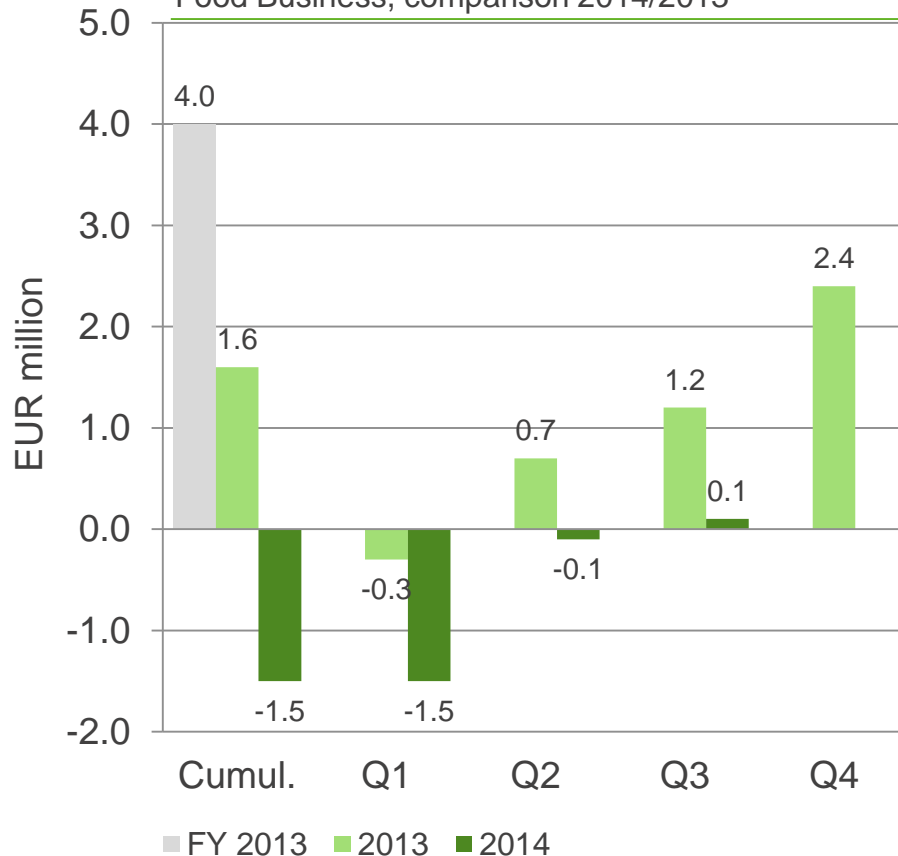
- The decline in net sales is attributable mainly to the lower sales of fresh products than in the same quarter the previous year.
- In Norway and Sweden, sales of fish products in euros were at the previous year's level, but in local currencies there was an increase in sales.
- Sales in euros declined slightly in the frozen products group.

Q1-Q3 net sales were EUR 124.7 (132.5) million

- The decline in net sales is attributable mainly to the lower sales of fresh products than in the same quarter the previous year.

Operating profit excluding non-recurring items was down in Q3

Operating profit, excl. non-recurring items
Food Business, comparison 2014/2013



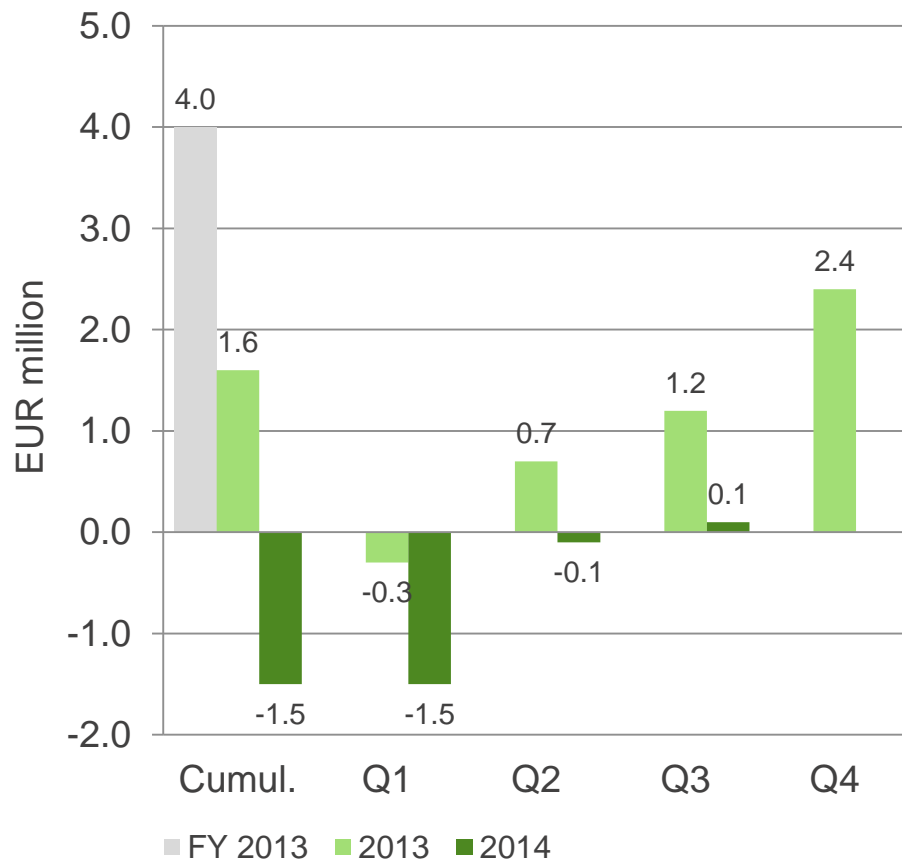
Q3 operating profit excl. non-recurring items was EUR 0.1 (1.2) million

- The profitability of the Food Business was good in the frozen products group, but remained unsatisfactory in the fish and fresh products groups.
- In Sweden, the profitability of the fish products group suffered due to the rapid increase in shellfish procurement costs and the delay in transferring this cost to customer prices because of tough competition and long agreement periods.
- The overhead savings and layoffs that were decided for this year in response to the weak state of the market were continued during the third quarter in the Food Business in Finland. Savings of EUR 0.4 million towards this total were made during the July-September period.
- The share of the profit of the associated company Taimen was EUR -0.2 (0.3) million.
- Non-recurring items totalled EUR -10.2 (-2.0) million.

Operating profit excluding non-recurring items was down in Q1-Q3

Operating profit, excl. non-recurring items

Food Business, comparison 2014/2013



Q1-Q3 operating profit excl. non-recurring items was EUR -1.5 (1.6) million

- In the frozen products group, profitability was better in January-September than in the same period the previous year, but in other product groups it remained unsatisfactory.
- The profit performance of the frozen products group was partly attributable to the success of harvest-time production in 2013.
- The share of the profit of the associated company Taimen was EUR 0.1 (0.5) million.
- Due the overhead savings and layoffs that were decided for this year the overhead costs were EUR 1.4 million lower than in the same period the previous year.
- The Food Business operating profit for the comparison period included EUR 2.6 million recognised as income in association with the estimated additional purchase price of Caternet Finland Oy.
- Non-recurring items totalled EUR -10.2 (-2.0) million.

Goodwill impairment testing carried out in Food Business

- On the basis of goodwill impairment testing carried out during the period, EUR -10.2 (-2.0) million in impairments was recognised for the Food Business.
- The company's has lowered the expectations of future cash flows in the Food Business with respect to the fish and fresh products groups.
- In fish products group, the revised view is based on lower expectations regarding gross margins attainable in Norway and Sweden and, in fresh products group, lower expectations regarding the sales performance of the Finnish professional food service sector and the weaker economic outlook for the coming years.
- On the basis of the goodwill impairment testing, an impairment of EUR -6.4 million was carried out in the **fish products group** in Norway and Sweden, and the goodwill associated with the product group was impaired in full.
- In the **fresh products group**, an impairment of the entire remaining goodwill, EUR -3.0 million, was made, as well as EUR -0.8 million for tangible and intangible assets.
- The impairments carried out have no cash flow implications.

In the comparison period, a non-recurring EUR -2.0 million impairment was recognised in the Food Business for the fish products group in Finland.

After these impairments, the Food Business has EUR 0.4 million in goodwill with respect to the frozen foods product group.

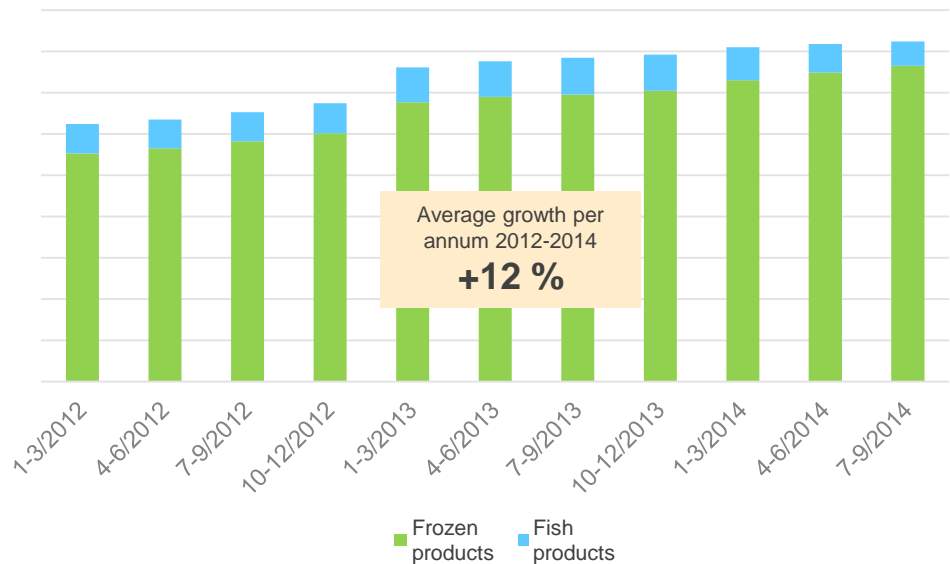


Apetit Kotimainen domestic product range sales were up

- Sales of the Apetit Kotimainen product range continued to grow, and were 4 per cent higher than in the same period in 2013.
- In the frozen products group the sales were 9 per cent higher than in the same period in 2013.
- The sales growth of the product range was slowed by the discontinuation of less profitable products in the fish products.



Apetit Kotimainen product range
Sales development R12



Apetit Kotimainen Perunamaukkaat
(400 g) were introduced in September.



New packages are full of colors and flavours!



- The delicious Apetit products are now packed into new happy and distinctive packages.
- Visual symbols highlight the key features of the products.
- The new packaging regulations are implemented in the new packages.





Grains and Oilseeds Business overview

Grains and Oilseeds Business



Grains, oilseeds and feeding stuffs

- Avena engages in the trading of grains, oilseeds and animal feedstuffs in numerous markets. Trading is especially active in the Baltic Sea region and in the rest of Europe.
- Avena Nordic Grain Oy has subsidiaries in Estonia, Lithuania, Russia, Ukraine, and Kazakhstan.
- Avena's strengths are its diverse grain trading expertise, individualised customer service and flexible operation in the rapidly changing markets.



Vegetable oils

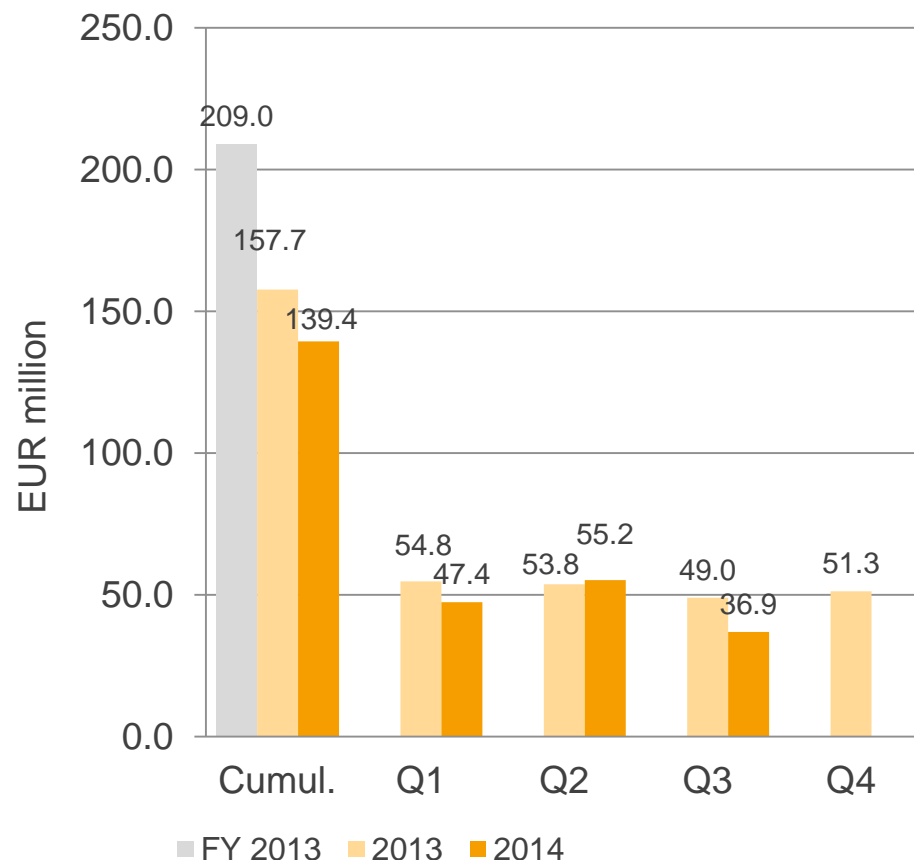
- Mildola's main raw material is Finnish rapeseed.
- Mildola's production process is environmentally friendly and chemical free, therefore the healthy micro-components of the rapeseeds remain in the oil. Over 99.9% of the seed is used in the process.
- Protein feed created in the refining process is a valuable ingredient in farm animal feed.



Net sales in Grains and Oilseeds Business was down in Q3

Net sales

Grains and Oilseeds Business, comparison 2014/2013



Q3 net sales were EUR 36.9 (49.0) million

- The grain trading volume in tonnes was exceptionally low for the time of year, and was lower than in the same period the previous year.
- The delay in harvesting caused by heavy rainfall and the need for analysis because of the wheat quality variations caused deliveries to be postponed to the final quarter of the year.
- Tonnage sales of both packaged and unpackaged vegetable oil products performed well and were at a higher level than in the same quarter of 2013.

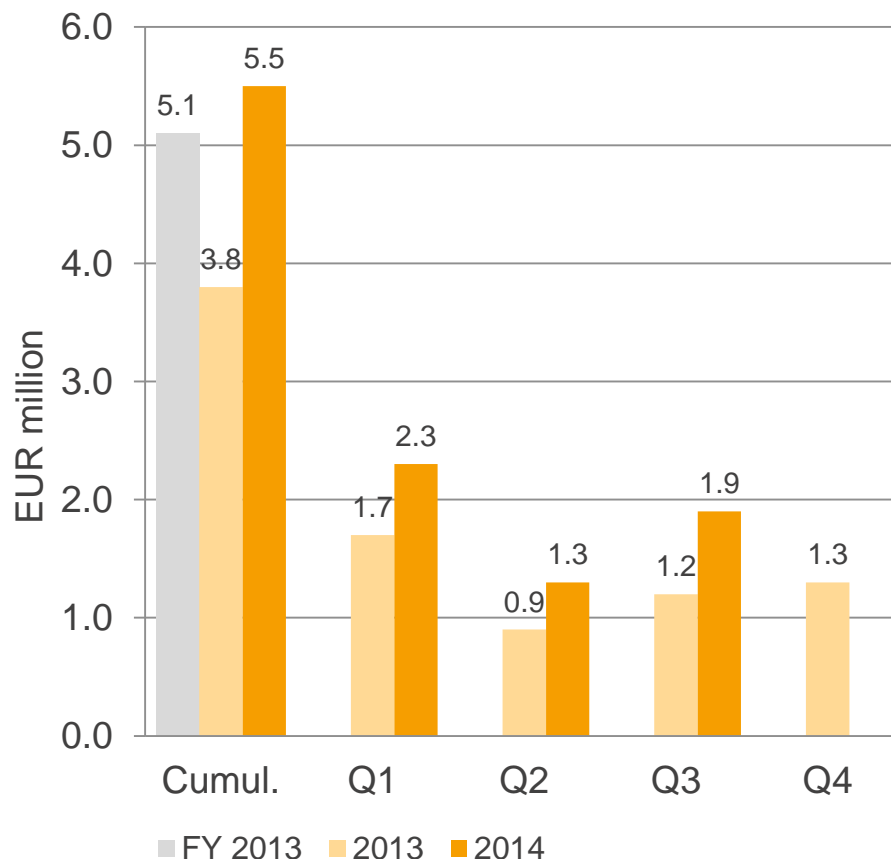
Q1-Q3 net sales were EUR 139.4 (157.7) million

- Sales in euros were lower than in the comparison period in both the grain trade and in oilseed products.
- However, tonnage sales were higher in both the grain trade and in oilseed products.
- Delivery volumes of both packaged and unpackaged oilseed products increased.

Operating profit excluding non-recurring items was up

Operating profit, excl. non-recurring items

Grains and Oilseeds Business, comparison 2014/2013



Q3 operating profit, excluding non-recurring items was EUR 1.9 (1.2) million

- The good profit performance was especially attributable to the volume increase and profitability of oilseed products.
- The profit margin of the grain trade was also good.

Q1-Q3 operating profit, excluding non-recurring items was EUR 5.5 (3.8) million

- The operating profit excluding non-recurring items rose particularly as a result of volume increase and the favourable trend in the refining margin for oilseed products.
- Profitability was also boosted by the higher grain trade tonnages than in the previous year.

The outlook for rapeseed growing in Finland

Seeds treated with neonicotinoids in rapeseed sowing has been banned for two years – Apetit has good capabilities to operate using both domestic and imported raw materials.

- As of 1 December 2013, the EU has banned the use of seeds treated with neonicotinoids in rapeseed sowing for two years. The possible effects of these treatments on pollinating insects will be studied during that time.
- The Finnish Safety and Chemicals Agency (Tukes) granted a special permit, valid for spring 2014, for the sale, marketing and use in Finland of seeds that were already treated earlier.
- Finland's total rapeseed crop is expected to be 64,000 tonnes, which will represent a reduction of 26 per cent lower for turnip rape and 9 per cent for oilseed rape compared with 2013. The decline is probably attributable to growers' uncertainty about the availability of treated seeds for rapeseed sowing.
- To manage the purchasing risks related to Finnish rapeseed, the Apetit Group's Grains and Oilseeds Business has pursued a strategy that aims to ensure profitable growth by investing in oilseed product refining based on a very high utilisation rate and by focusing on expertise in refining and purchasing.
- The primary objective in vegetable oil milling is to ensure the maximal use of domestic raw materials, but the company also has the capability to operate profitably using greater volumes of imported raw materials if necessary.



Other Operations overview



Other Operations segment

- The parent company, **Apetit Plc**, is responsible for Group administration, development of the Group structure and management of shareholdings and real estate.
- The associated company **Sucros Ltd** (20%) produces, sells and markets sugar products for the food industry and the retail trade, and for export.

Operating profit excluding non-recurring items

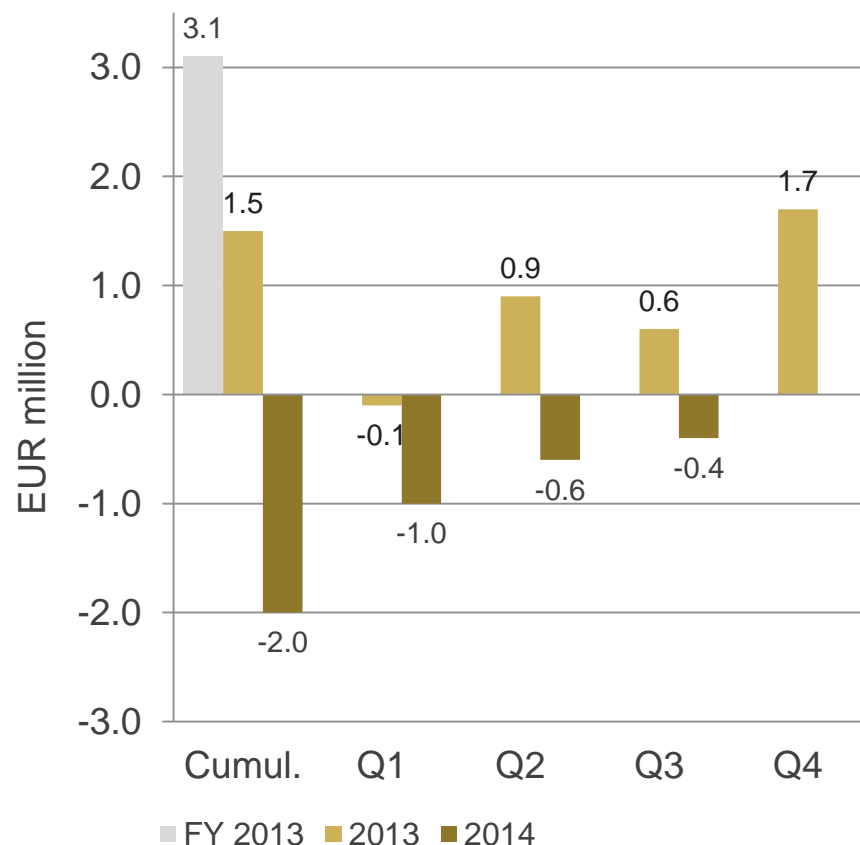
Operating profit, excluding non-recurring items
Other Operations, comparison 2014/2013

Q2 operating profit, excluding non-recurring items was EUR -0.4 (0.6) million

- The share of the profit of the associated company Sucros was EUR 0.0 (1.0) million. The result for the associated company Sucros was adversely affected by the declining market price of sugar.
- Non-recurring items amounted to EUR -2.5 (-0.1) million and comprised expenses paid to external consultants on Apetit Plc's own behalf and those ordered to be paid by it in the arbitration court case, which ended in mid-August, concerning the shareholder agreement dispute between Apetit Plc and Nordic Sugar.

Q1-Q3 operating profit, excluding non-recurring items was EUR -2.0 (1.5) million

- The share of the profit of the associated company Sucros was EUR 0.3 (3.3) million.
- The result for the associated company Sucros was adversely affected by the declining market price of sugar and by the exceptionally large post adjustment items for transfer prices reported in the first quarter.
- Non-recurring items amounted to EUR -3.0 (-0.5) million and comprised expenses paid to external advisors on Apetit Plc's own behalf and those ordered to be paid by it in the arbitration court case, which ended in mid-August, concerning the shareholder agreement dispute between Apetit Plc and Nordic Sugar.





Outlook for 2014

Outlook for 2014

(The outlook was updated 2 October 2014)

- The Apetit Group's net sales will be affected particularly by the level of activity in the grain and oilseed markets and by changes in the price level of grains and oilseeds. As a result of the lower global market prices of grains, the Group's net sales for this year are expected to decrease from the previous year's level.
- The Group's full-year operating profit excluding non-recurring items is expected to be down significantly from the previous year. In the Food Business, the market conditions are expected to remain challenging and, furthermore, the profitability of fish products will remain poor this year. In comparison with the same period in 2013, the profitability of the Grains and Oilseeds Business has been positively influenced by the volume growth in the grain trade and in packaged vegetable oil products, and by the success in raw material procurement. Lower market prices for sugar are expected to weaken the result considerably for the associated company Sucros, which is in the Other Operations segment.
- In addition, the 2014 reported operating profit will be affected by non-recurring expenses in the form of Apetit's expert costs and the process costs ordered to be paid by Apetit in relation to the shareholder agreement dispute regarding Sucros, and by the impairments carried out in the Food Business in the third quarter on the basis of goodwill impairment testing.



Current issues in Apetit Group

Food Business long-term profitability programmes

- **The Food Business long-term profitability programmes are the most important projects in Apetit Group in 2014-2015.**
- In Finland, the profitability programmes are well under way in fish products group as well as in fresh products group.
- The measures will widely affect the operations and they are to be carried out in stages by the end of 2015.
- The measures are expected to gradually have a positive effect on the profitability of the Food Business as of 2015.
- The aim of the programmes is to achieve a reduction of EUR 4.5 million in annual costs.
- In addition, the measures to reshape business operations are expected to substantially increase the product groups' competitiveness on the markets.

Profitability programmes

Fish products group, Finland

Fresh products group, Finland

The measures affect

- Sourcing
- Supply Chain
- Production structures
- Sales and product portfolio

Measures to be carried out in 2014-2015

Positive effects gradually as of 2015

Food Business profitability programs cover all aspects of operations

Profitability programme in fish products group

- The aim of the programme is to achieve a reduction of EUR 3 million in annual costs and to substantially increase the product groups' competitiveness on the markets.
 - The long-term profitability programme measures for the fish products group focus on
 1. optimisation of the product portfolio,
 2. re-evaluation of the production structure,
 3. establishing a clearer division of responsibilities for production units in different locations and
 4. developing the organisational and operating models to support these measures.
-
- As a part of the implementation of the programme, co-determination negotiations affecting the personnel in Finland were commenced for financial and production-related reasons and in order to reorganise operations. These will affect 121 blue-collar and white-collar positions in the fish products group's business locations in Kuopio, Helsinki, Kustavi and Turku.
 - The changes are estimated to reduce the product group's personnel need by 10-20 person-workyears.

Profitability programme in fresh products group

- The aim of the programme is to achieve a reduction of EUR 1.5 million in annual costs and to substantially increase the product groups' competitiveness on the markets.
- The long-term profitability programme measures for the fresh products group focus on
 1. optimising the product portfolio and raw material procurement,
 2. raising operating efficiency to a new level, and
 3. developing distribution logistics.

Shareholder agreement dispute between Apetit Plc and Nordic Sugar ended on 19 August 2014

- The arbitration court case between Apetit Plc and Nordic Sugar started in October 2011, when Apetit Plc decided to submit a dispute concerning the shareholder agreement of Sucros Ltd, which is jointly owned by the companies, to the arbitration court.
- In Apetit's view, the majority owner, Nordic Sugar, had repeatedly violated Apetit's minority rights in Sucros Ltd through its decision-making and actions, and despite the objections made, the majority owner had not rectified its practices. During the court case Nordic Sugar filed a counter-claim concerning an alleged breach of the shareholder agreement in connection with the dismissal of Sucros Ltd's managing director.
- The arbitration court ordered Apetit Plc to pay part of the process costs of the arbitration court and the other party, totalling approximately EUR 2.4 million. The costs and compensation were entered as a negative non-recurring item under Other Operations' other operating expenses for the third quarter.
- Apetit Plc had already entered its own external consultant costs during the process as non-recurring items under Other Operations' other operating expenses for 2012–2014.

Short-term priorities in Appetit Group

The profitability programmes in the Food Business

**Delighting customers and consumers
– products, services and brands**



Herkullista. Kotimaista.
Pakastealtaasta.



Tuoretta kalaa
herkkupöytiin.



Asiantuntevaa vilja- ja
öljykasvikauppaa.



Hyvän aterian ainekset
ammattikeittiöille.

Thank you for your interest

Contact information

CEO

Veijo Meriläinen

Tel. +358 10 402 00

Firstname.lastname@apetit.fi

www.apetit.fi www.apetitgroup.fi

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Apetit Oyj