



# Apetit Plc

## Interim Report for January – June 2014

Briefing for Analysts and Media  
14th August 2014 at 10.00 am - Scandic Simonkenttä, Helsinki

**Veijo Meriläinen, CEO**



# Apetit Group in brief

## Apetit

### Customers

Consumers, trade, professional food service sector, food 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 oilseeds.

### 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



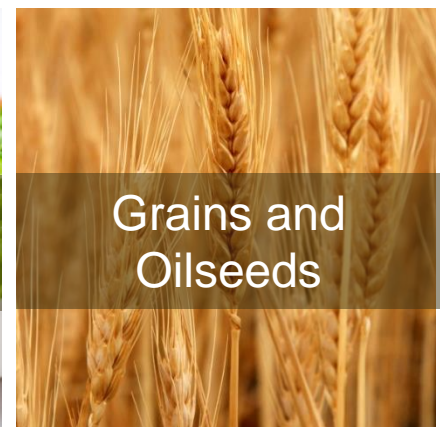
Frozen foods



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%)



**SUCROS OY**



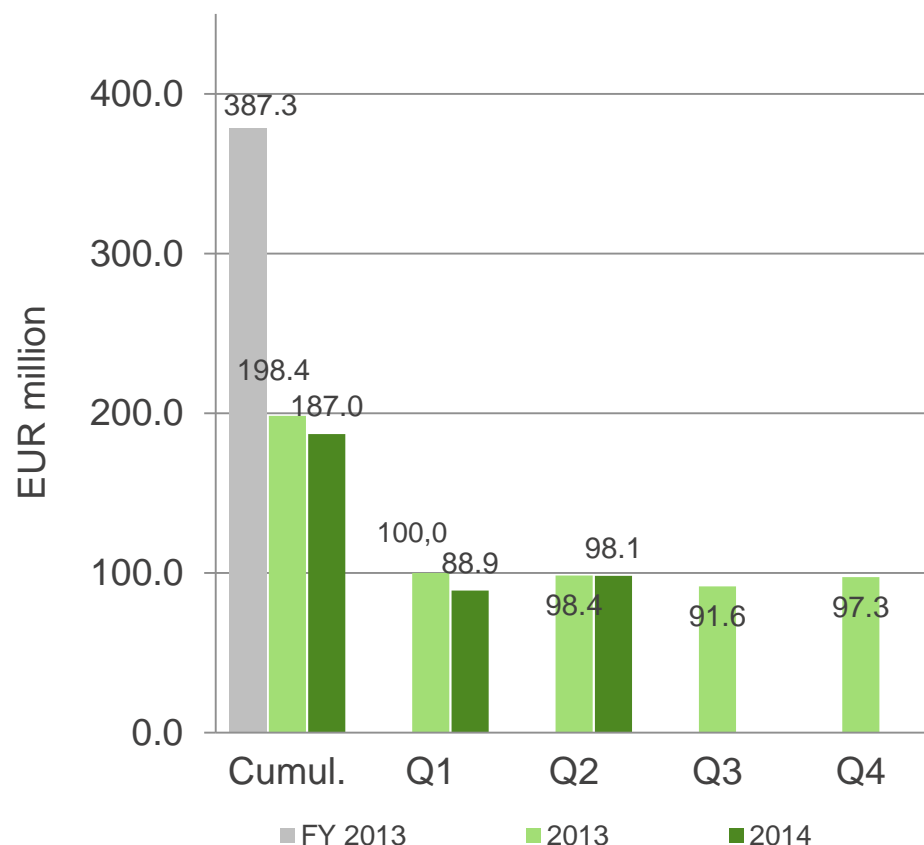
# Key Figures for Q1-Q2/2014

EUR million	Q2/ 2014	Q2/ 2013	Change	Q1-Q2/ 2014	Q1-Q2/ 2013	Change	Q1-Q4/ 2013
Net sales	<b>98.1</b>	98.4	0 %	<b>187.0</b>	198.4	-6%	<b>387.3</b>
Operating profit excl. non.-recurring items	<b>0.7</b>	2.4		<b>0.4</b>	3.8		<b>12.2</b>
Operating profit	<b>0.6</b>	2.1		<b>-0.1</b>	3.3		<b>9.4</b>
Profit before taxes	<b>0.0</b>	1.3		<b>-1.0</b>	2.0		<b>9.3</b>
Profit for the period	<b>0.1</b>	1.7		<b>-1.1</b>	2.4		<b>9.3</b>
Earnings per share, EUR	<b>0.02</b>	0.28		<b>-0.12</b>	0.44		<b>1.63</b>
Shareholders' equity per share, EUR				<b>21.71</b>	21.80		<b>22.90</b>
Equity ratio, %				<b>76.7</b>	73.1		<b>70.3</b>
Return on equity (ROE), %							<b>6.5</b>
Return on investment (ROI), %							<b>7.0</b>

# Net sales

## Net sales

Apetit group, comparison 2014/2013



**Q2 consolidated net sales were EUR 98.1 (98.4) million**

**0%**

- In the Group's business areas, the net sales of the Food Business were down and those of the Grains and Oilseeds Business were up, year on year.

**Q1-Q2 consolidated net sales were EUR 187.0 (198.4) million**

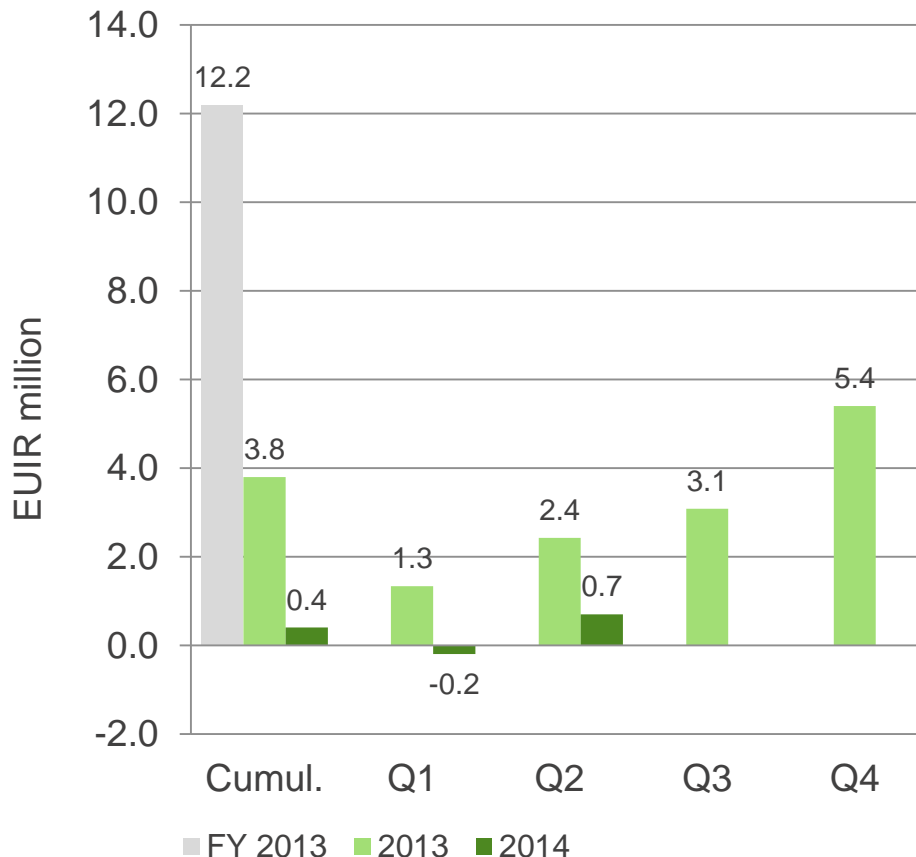
**- 6%**

- January-June net sales were lower than a year earlier in the Food Business and in the Grains and Oilseeds Business.

# Operating profit, excl. non-recurring items

## Operating profit, excl. non-recurring items

Apetit group, comparison 2014/2013



## Q2 Operating profit excluding non-recurring items was EUR 0.7 (2.4) million.

- The operating profit excluding non-recurring items decreased in the Food Business and Other Operations, and increased in the Grains and Oilseeds Business.
- The Food Business operating profit in the comparison period included EUR 1.5 million recognised as income in association with the additional purchase price of Caternet Finland Oy.
- Non-recurring items totalled EUR -0.1 (-0.3) million and were related to the Other Operations segment.
- The operating profit includes EUR 0.9 (1.9) million as the share of the profits of associated companies.

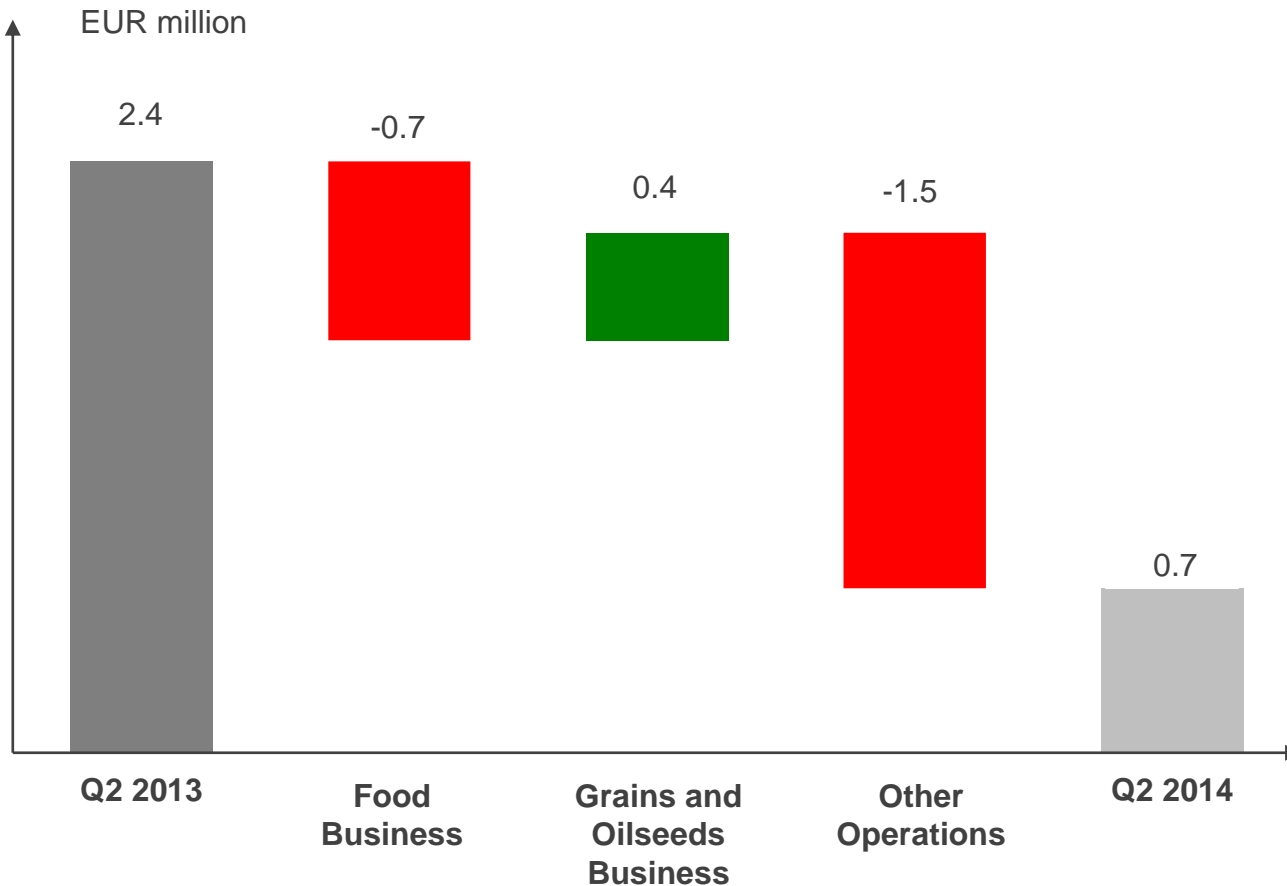
## Q1-Q2 operating profit excluding non-recurring items was EUR 0.4 (3.8) million.

- The Food Business operating profit in the comparison period included EUR 2.6 million recognised as income in association with the additional purchase price of Caternet Finland Oy.
- Non-recurring items totalled EUR -0.5 (-0.5) million during the period and were related to the Other Operations segment.
- The operating profit includes EUR 0.6 (2.4) million as the share of the profits of associated companies.



# Operating profit, excl. non-recurring items

Change Q2/2014 vs. Q2/2013



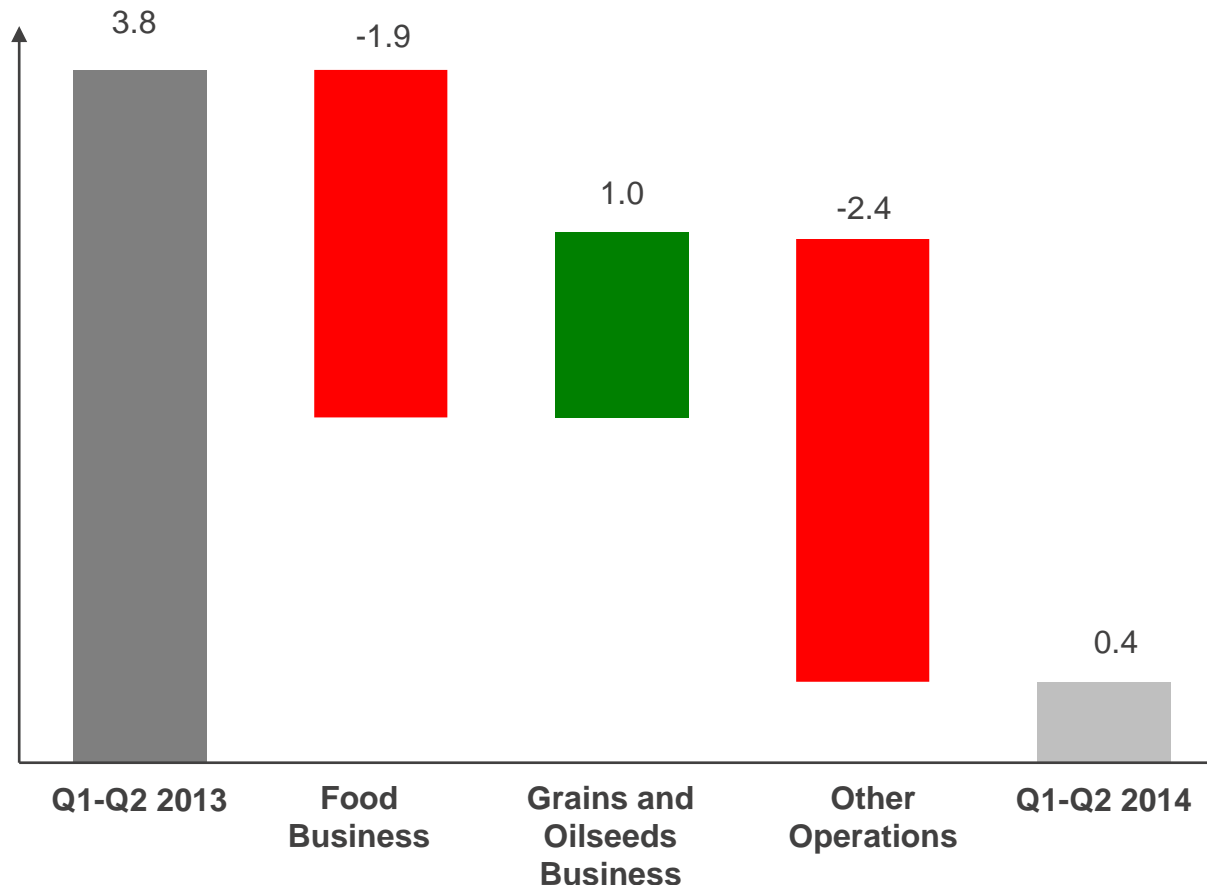
- In April-June, the operating profit, excluding non-recurring items, was down year on year.
- In Food Business, the operating profit, excluding non-recurring items, was down year on year. The comparison period included EUR 1.5 million recognised as income in association with the additional purchase 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.



# Operating profit, excl. non-recurring items

Change Q1-Q2/2014 vs. Q1-Q2/2013

EUR million



- In January-June, 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 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.





# Food Business overview





# Food Business

## Frozen vegetables and frozen ready meals

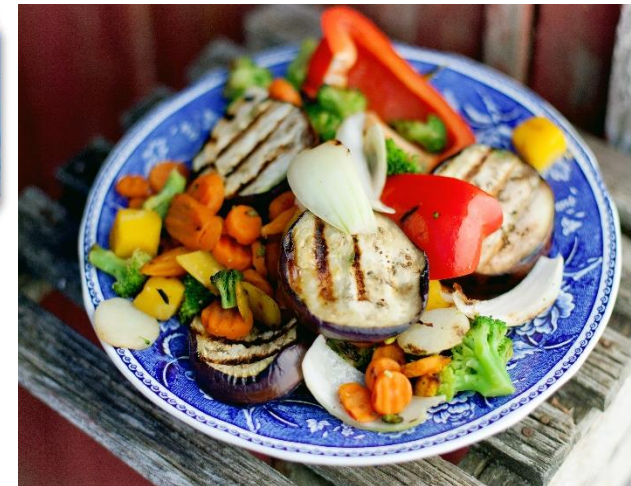
- Apetit is Finland's leading producer of frozen vegetables and frozen ready meals.
- Largely based on Finnish raw materials, the frozen vegetables and frozen ready meals are produced at Säkylä and at Pudasjärvi.
- Apetit is Finland's largest procurer of contract-grown vegetables.

## 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

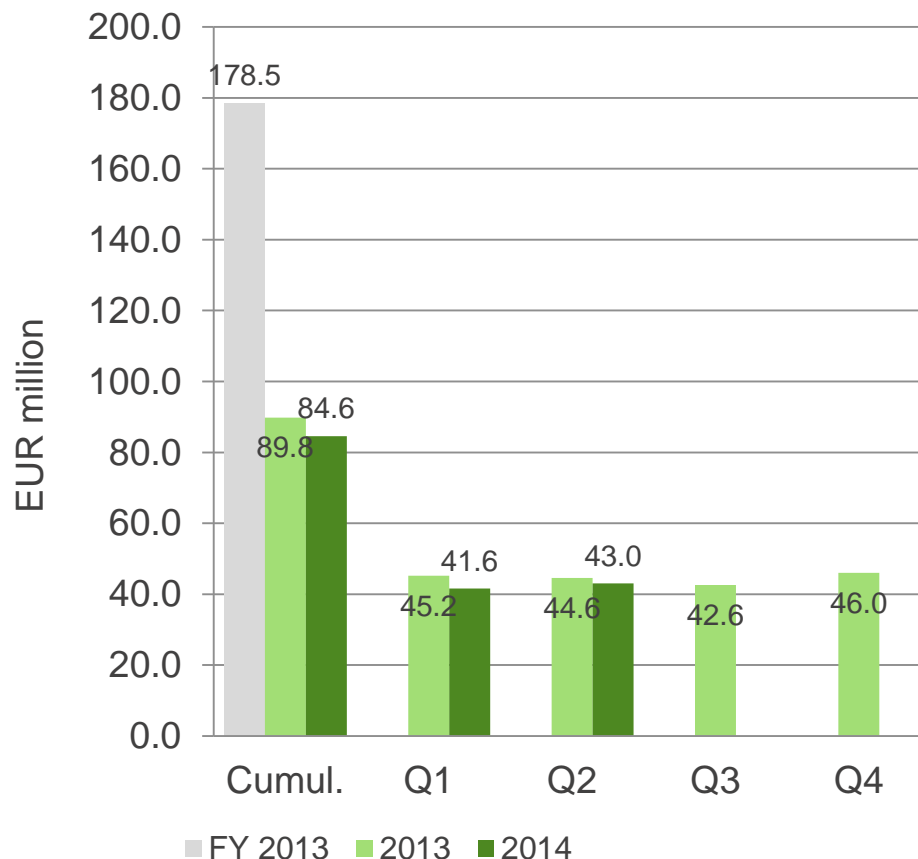
- Apetit supplies the professional food service sector with food products that make great meals – even on a daily basis if needed.
- The product range includes fresh and ready-to-use vegetable and fruit products and salads.
- Production unit in Kivikko, which is centrally located in Helsinki capital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



# Net sales in Food Business

## Net sales

Food Business, comparison 2014/2013



**Q2 net sales were EUR 43.0 (44.6) million.**

**- 4%**

- The decline in net sales is attributable especially to the lower sales of fresh products than in the same quarter of the previous year.
- Sales of fish products grew in all markets, and sales of frozen vegetables and frozen ready meals were about the same as the previous year.
- Easter had a positive effect on the period's sales in the fish and frozen products groups in Finland. This year, Easter affected the figures for April, while in the comparison period the impact of Easter was in March.

**Q1-Q2 net sales were EUR 84.6 (89.8) million.**

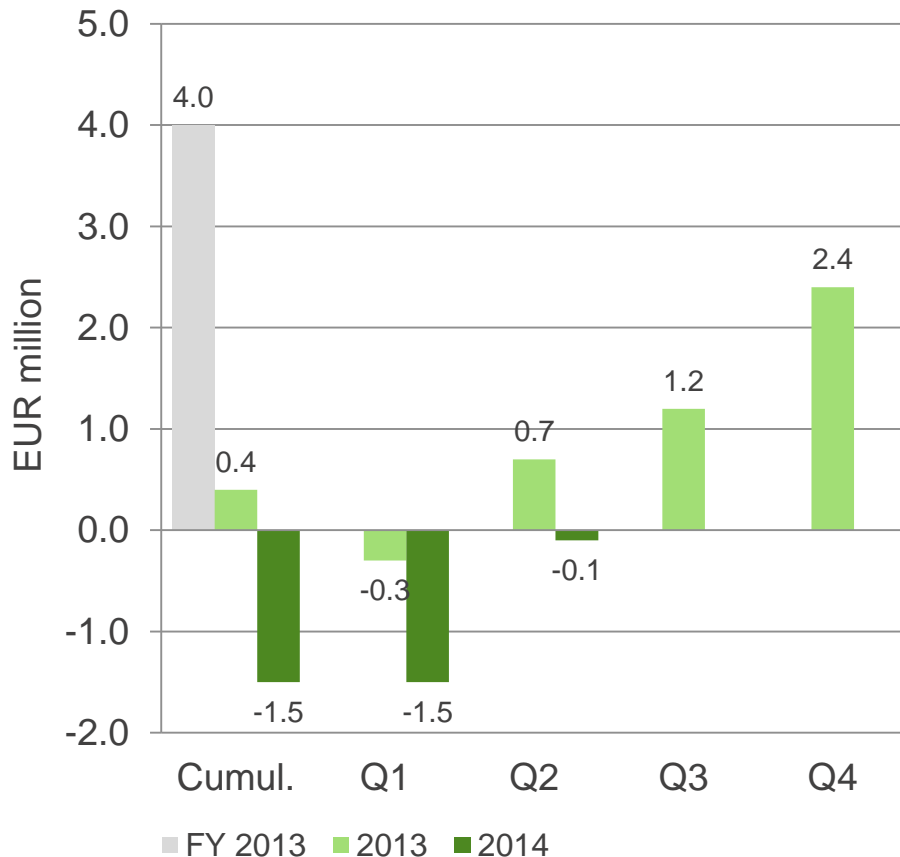
**- 6%**

- The most significant factor that reduced net sales was the year-on-year decline in sales of the fresh products group.
- In the frozen and fish products groups, sales in Finland were at the previous year's level.
- In Sweden and Norway, sales of fish products were lower than last year in euros, but in local currencies there was an increase in sales.

# Operating profit excluding non-recurring items was down in Q2

## Operating profit, excl. non-recurring items

Food Business, comparison 2014/2013

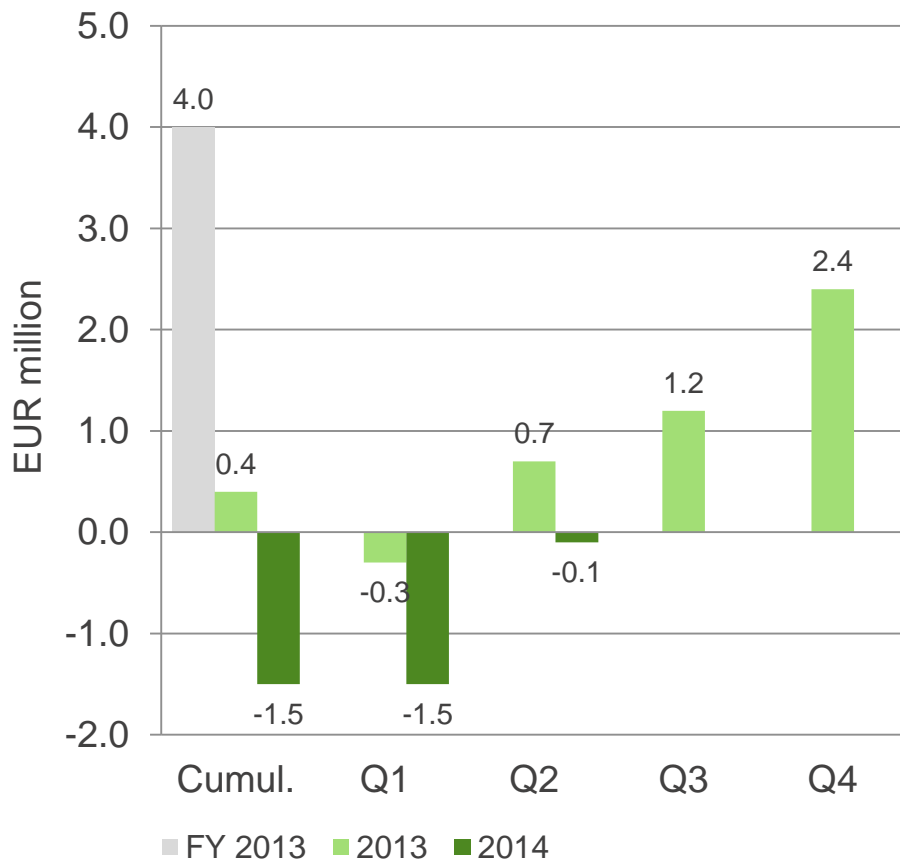


## Q2 operating profit excl. non-recurring items was EUR -0.1 (0.7) million

- Taking into consideration the EUR 1.5 million positive effect of the reduction in the additional purchase price of Caternet Finland Oy, which was included in the operating profit for the comparison period, the profitability figure was better than the comparison period.
- The profitability of the fresh products group was better than in the comparison period, and the profitability of the fish products group was at the previous year's level.
- The profitability of the fish and fresh products groups remained unsatisfactory, but improved in both product groups in comparison with the first quarter of this year.
- Overall profitability was supported by savings in overhead and layoffs focusing to the current year in response to the weak state of the market and the unsatisfactory profitability.
- The share of the profit of the associated company Taimen was EUR 0.3 (0.1) million.

# Operating profit excluding non-recurring items was down in Q1-Q2

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



## Q1-Q2 operating profit excl. non-recurring items was EUR -1.5 (0.4) million

- Taking into consideration the EUR 2.6 million positive effect of the reduction in the additional purchase price of Caternet Finland Oy, which was included in the operating profit for the comparison period, the profitability figure was better than the comparison period.
- The profitability of the frozen products group improved on the previous year. This was partly attributable to the success of the harvest-time production in 2013.
- The profitability of the fish and fresh products groups remained unsatisfactory. The profitability of fish products was at the previous year's level in Finland and Norway but was down on the previous year in Sweden, because increased procurement costs of shellfish could not be transferred to customer prices due to long agreement periods.
- The profitability of the fresh products group was slightly better than a year earlier.
- The overhead costs for January-June were EUR 1.0 million lower than in the same period the previous year due the savings in overhead and layoffs carried out focusing to the current year.
- The share of the profit of the associated company Taimen was EUR 0.4 (0.3) million.



# Profitability programmes in Food Business

## 2014 overhead savings in Food Business

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- During the period savings in overhead and layoffs were carried out in the Food Business in Finland focusing to the current year in response to the weak state of the market and the unsatisfactory profitability.
- The aim is to achieve a EUR 1.6 million reduction in overhead costs in 2014 in comparison with the figures for 2013.
- Savings of EUR 0.8 million towards this total were made during the April-June period. The overhead costs for January-June were EUR 1.0 million lower than in the same period the previous year.

## Long-term profitability programmes in fish and fresh product groups in Finland

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- The long-term programmes to improve the profitability of the fish and fresh products groups in Finland are continuing.
- The measures will be carried out mainly in 2014 and 2015 and will improve the efficiency of operations in purchasing, the supply chain and sales.
- The programmes are designed to bring substantial changes in the product groups' operating methods and structures in order to achieve a lasting competitive edge.
- The expected financial impact of these programmes will be announced later in the year.



# New packages are full of colors and flavours!



- The delicious Apetit products will be 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.
- The new packages are introduced to consumers and professionals in the beginning of September.

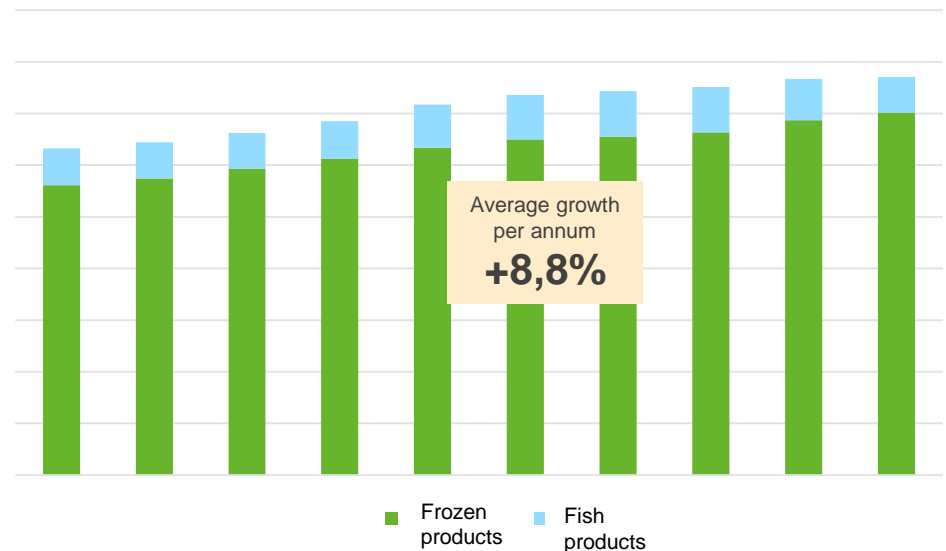




# Apetit Kotimainen range sales were up

- Sales of the Apetit Kotimainen product range continued to grow, and were 3 per cent higher than in the same period in 2013.
- However, the sales growth of the product range was slowed by the discontinuation of less profitable products in the fish products group as well as reduced sales.
- In the frozen products group, the sales growth of the Kotimainen product range continued to be solid.
- In the consumer-packaged product group there are already 21 frozen and 4 fish products.

Apetit Kotimainen product range  
Sales development R12



**Apetit Kotimainen Perunamaukkaat (400 g) ) will be introduced in September.**





# 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.

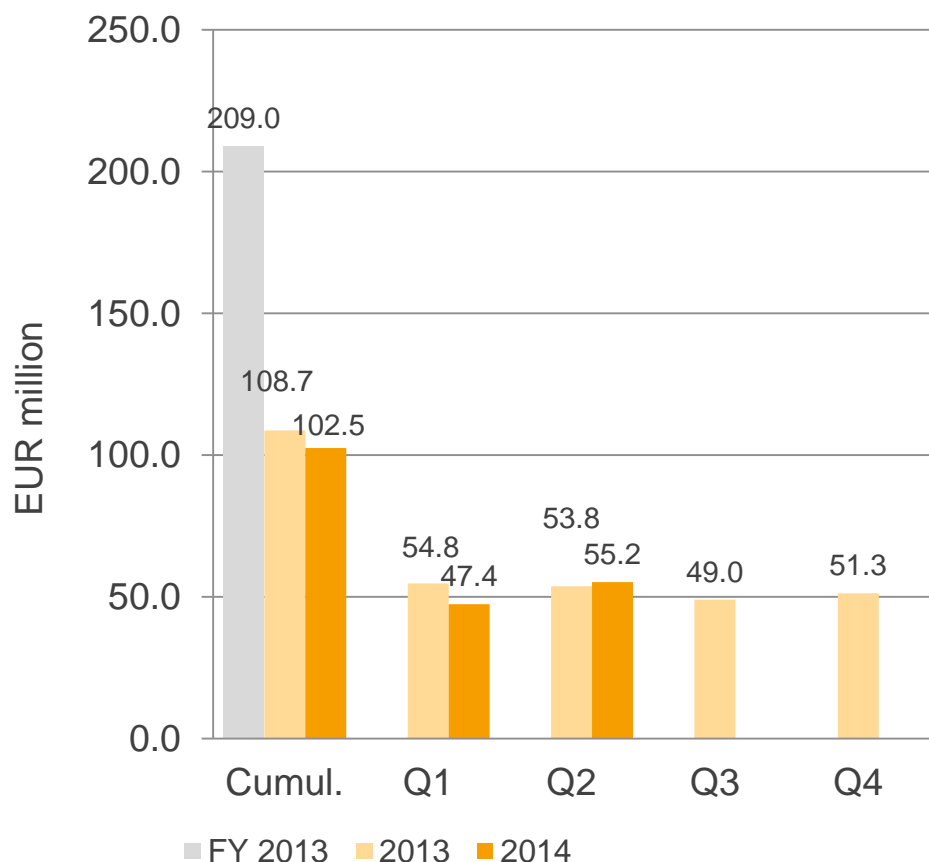




# Net sales in Grains and Oilseeds Business was up in Q2

## Net sales

Grains and Oilseeds Business, comparison 2014/2013



**Q2 net sales were EUR 55.2 (53.8) million**

**+ 2 %**

- Net sales in the second quarter were up year on year especially as a result of the high grain trade volume in tonnes.
- Grain trade tonnage sales grew by approximately 40 per cent on the previous year, but lower prices in the global market reduced the net sales growth in euros.
- Tonnage sales of packaged vegetable oil products also grew on the previous year.
- The combined sales tonnage of oilseed products was at the previous year's level.

**Q1-Q2 net sales were EUR 102.5 (108.7) million**

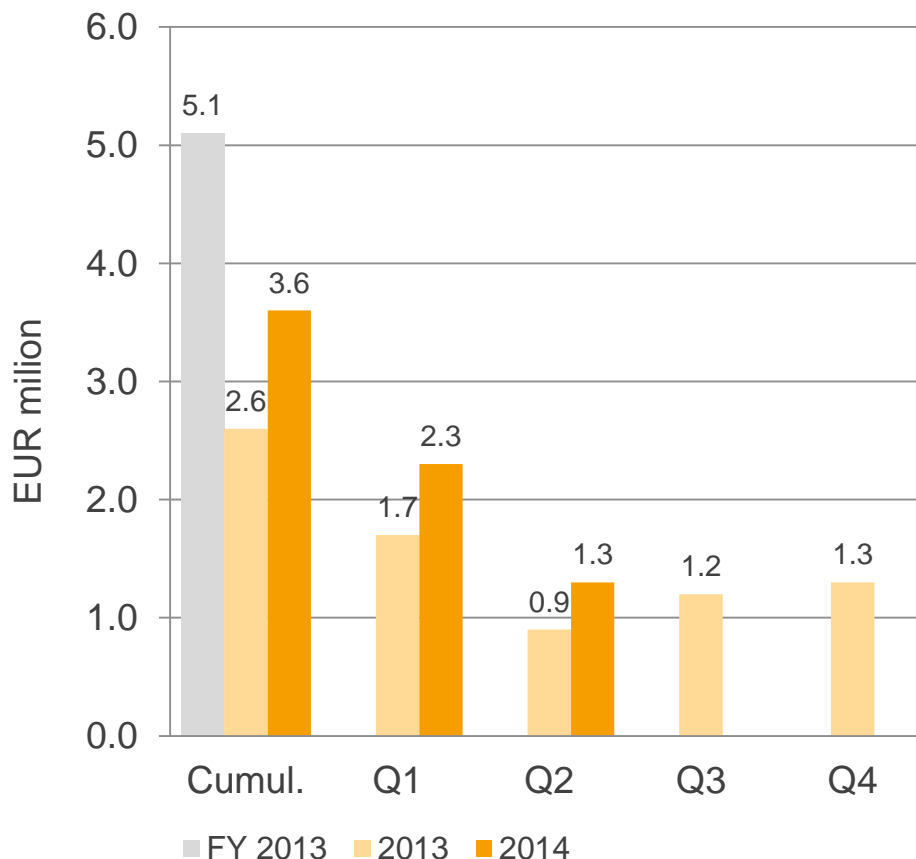
**- 6%**

- Sales in euros declined in both the grain trade and in oilseed products.
- Tonnage sales of grains increased and were 21 percent higher than in the comparison period.
- Tonnage sales of packaged vegetable oils were also up on the previous year. Sales of packaged vegetable oils to the food industry grew, in particular.
- The combined sales tonnage of oilseed products was at the previous year's level.

# Operating profit excluding non-recurring items was up

## Operating profit, excl. non-recurring items

Grains and Oilseeds Business, comparison 2014/2013



## Q2 operating profit, excluding non-recurring items was EUR 1.3 (0.9) million

- The good profit performance was supported by the strong grain trade tonnage growth.
- In oilseed products, by the growth in sales of packaged vegetable oils and the success on the expeller market.

## Q1-Q2 operating profit, excluding non-recurring items was EUR 3.6 (2.6) million

- The good profit performance was supported by the strong grain trade tonnage growth.
- In oilseed products, by the growth in sales of packaged vegetable oils and the better refining margin for oilseed products.

# The continuation and development of rapeseed growing in Finland

**The rapeseed crop in Finland is expected to be lower than in 2013.**

- As of 1 December 2013, the EU has banned the use of seed treatments that contain 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) has granted a special permit, valid for spring 2014, for the sale, marketing and use in Finland of seeds that were already treated earlier. However, new seeds must not be treated with the prohibited substances.
- Finland's turnip and oilseed rape crop is expected to be 66,000 tonnes, which is in turnip rape crop 22 per cent and in oilseed rape crop 8 per cent lower than in 2013. The decline was probably attributable to growers' uncertainty about the usability 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 production with a very high utilisation rate in the refining of oilseeds and by focusing on expertise in refining and purchasing. This enables profitable vegetable oil milling with greater volumes of imported rapeseed, if necessary.





# **Other Operations overview**



## Other Operations

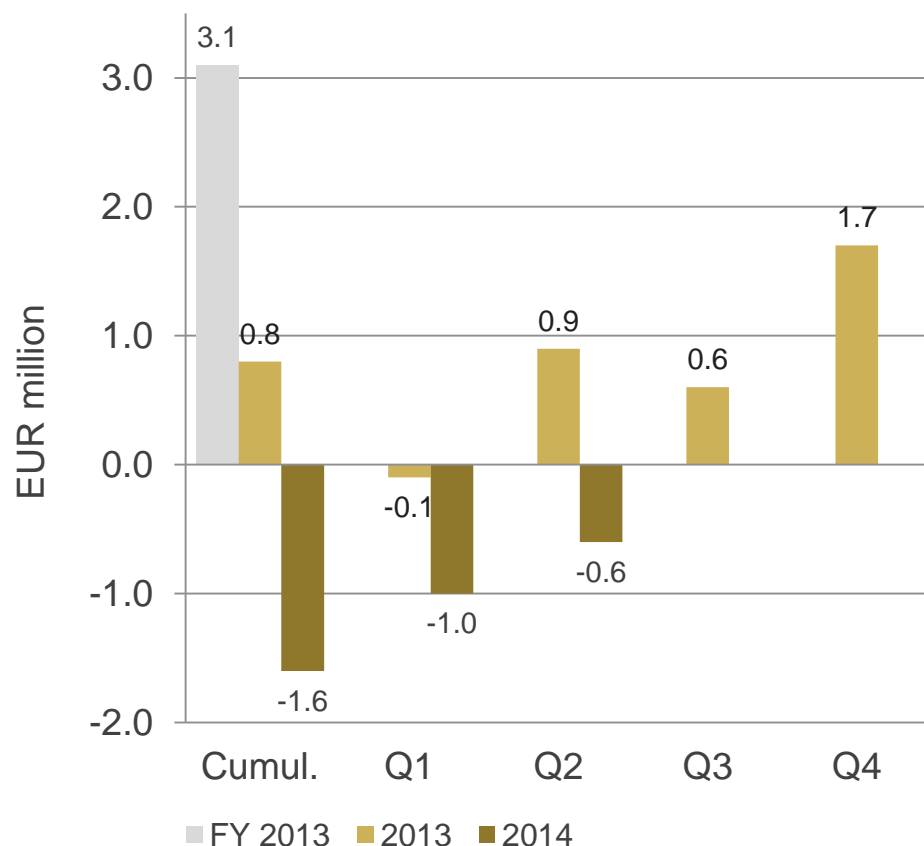
### Other Operations segment

- 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 -0.6 (0.9) million

- The segment's second-quarter operating profit excluding non-recurring items was down from the previous year.
- The share of the profit of the associated company Sucros was EUR 0.5 (1.5) million. The result for the associated company Sucros was adversely affected by the declining market price of sugar.
- Non-recurring items amounted to EUR -0.1 (-0.3) million and comprised expenses paid to external consultants in the arbitration court case concerning the shareholder agreement dispute between Apetit Plc and Nordic Sugar.

## Q1-Q2 operating profit, excluding non-recurring items was EUR -1.6 (0.8) million

- The segment's January-June operating profit excluding non-recurring items was down from the previous year.
- The share of the profit of the associated company Sucros was EUR 0.3 (2.3) million.
- The result for the associated company Sucros in January-June was adversely affected by the declining market price of sugar and by the exceptionally large post adjustment items for transfer prices in the first quarter.
- Non-recurring items amounted to EUR -0.5 (-0.5) million and comprised expenses paid to external consultants in the arbitration court case concerning the shareholder agreement dispute between Apetit Plc and Nordic Sugar.



# Outlook for 2014

## Outlook for 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 or to be no higher than the previous year's level.
- The Group's full-year operating profit excluding non-recurring items is expected to fall short of the previous year's level. In the Food Business, the market conditions are expected to continue to be challenging. 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 vegetable oil products, and by the success in raw material procurement. In the Other Operations segment, lower market prices for sugar are expected to weaken the result for the associated company Sucros. The Group's July-December operating profit excluding non-recurring items is not expected to decrease or to be no higher than the previous year's level.
- In addition, the outcome of the shareholder agreement dispute concerning Sucros may have a significant effect on the result for 2014. Apetit has received a notification from the Arbitral Tribunal that the Arbitral Award regarding the dispute is rendered to the Parties on Tuesday 19 August 2014, unless nothing unexpected will take place.

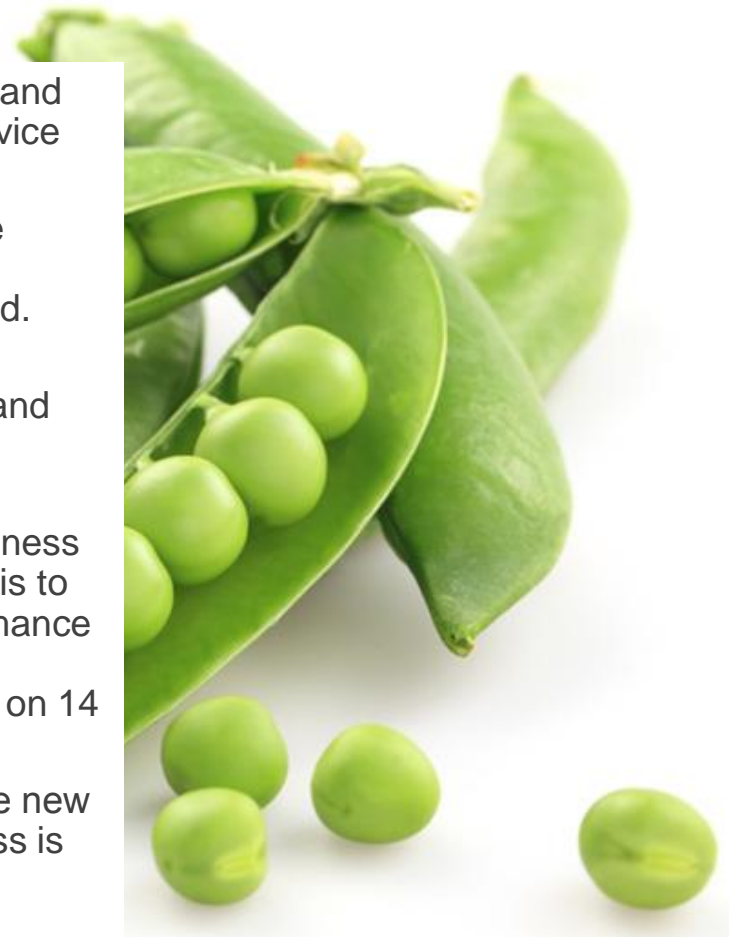




## Other current issues

## Apetit's new business structure was in place from the beginning of 2014

- The Food Business combines the previous Frozen Foods and the Seafood businesses, Caternet Finland Oy and the service company Apetit Suomi Oy.
- With a merged organisation and consistent processes, the effectiveness of strategic planning and implementation, operating profitability and growth potential can be improved.
- Benefits also include better overall monitoring of financial matters and quality, more efficient procurement, ordering and delivery processes and much improved consumer understanding and marketing.
- The Finnish organisation and responsibilities of Food Business will be changed in August. The purpose of these changes is to promote the implementation of strategy and clarify performance responsibilities inside the organisation. More detailed information has been given in the stock exchange release on 14 August 2014.
- The changes to the company's legal structure to match the new operating model will take place after the integrating process is ready.





# Shareholder agreement dispute between Apetit and Nordic Sugar

- Apetit Plc (20%) and Nordic Sugar Oy (80%) are joint owners of Sucros Ltd. The shareholder agreement that was drawn up when Sucros Ltd was established includes special protection for Apetit Plc as the minority owner.
- According to Apetit Plc, Nordic Sugar has committed 3 breaches against the agreement.
- According to the terms and conditions of the shareholder agreement, one proven breach will incur a contractual penalty totalling EUR 8.9 million per breach. Therefore the penalty could total a maximum of close to EUR 27 million.
- In return, Nordic Sugar has called for a contractual penalty of EUR 4.5 million to be imposed on Apetit Plc for a breach of shareholder agreement in connection with the dismissal of Sucros's managing director.
- Both parties have denied the breaches of agreement claimed by the other party.
- More detailed information has been given in Financial Statements Bulletin (16 February 2012), Interim Report January-March (4 May 2012) and Interim Report January – June (15 August 2012) and in their Briefing material.
- Apetit has received a notification from the Arbitral Tribunal that the Arbitral Award regarding the dispute is rendered to the Parties on Tuesday 19 August 2014, unless nothing unexpected will take place.



Herkullista. Kotimaista.  
Pakastealtaasta.



Tuoretta kalaa  
herkkupöytiin.



Asiantuntevaa vilja- ja  
öljykasvikauppaa.



Hyvän aterian ainekset  
ammattikeittiöille.

## Thank you for your interest

### Contact information

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