

Half-Year Financial Report 2019

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Key topics after the period

Restructuring of the Food Solutions business is proceeding



Apetit Plc has agreed on selling its fresh cut products business to the Swedish company Greenfood AB

- Restructuring of Food Solutions business is proceeding as a result of the agreed sales of the fresh cut products business
- The sale of the fresh cut products business to Swedish Greenfood AB has been agreed in July
 - The transaction is expected to be completed in the second half of 2019. It requires the approval of the competition authorities.
 - Apetit will recognise a non-recurring sales gain of around EUR 2 million after taxes for the corporate transaction
- The corporate transaction is expected to have a positive effect on Apetit's full-year operational EBIT





Greenfood AB and Salico Oy

- Greenfood is a Swedish, one of the leading groups focusing on health food in the Nordics
- In 2018, the net sales of the company was EUR 470 million and amount of the personnel 1,300
- In Finland, Greenfood AB is a owner of Salico Oy, Satotukku Oy, Picadeli Oy ja Snackpoint Oy
- After the completed transaction, the fresh cut products business will be consolidated as part of Salico Oy
 - Salico is one of the leading Finnish suppliers of fresh cut fruit and vegetable products to food service, retail and fast food chains
 - In Finland, Salico's production unit is located in Juva
 - Salico has approximately 100 people in its service



Key events

The early part of the year was heavily loss-making due to the old harvest, the outlook for the rest of the year is encouraging based on good harvest forecasts

- Key factors for poor performance in the first half of the year
 - Harvest was the smallest in the millennium
 - Lack of opportunities to export Finnish grain
 - Imbalance of supply and demand in the Baltic market
 - Significantly decreased price level towards new harvest season
- Strong crop outlook in main areas of supply (Finland and Baltics)
- For the rest of the year, the business outlook is encouraging, without the burden of the previous harvest season

In addition to restructuring, the Food Solutions business has several growth paths

More organic

- Demand for organic food is growing strongly in Finland, and organic food has also significant export opportunities
- Apetit's product range will be complemented by several new organic products during the fall

Sustainable freshwater fish

- We will continue to invest in the utilization of responsible domestic fish in our products
- Autumn novelty Järvikalapuikot will complement the product family based on domestic fish

Peas to be exported

- Significant increase in pea cultivation areas
- Harvest of export quality has been implemented according to the plans

The availability of domestic raw material is limited - the share of foreign rape will increase

- Domestic oilseed crops have fallen significantly for the current harvest season
 - The smallest sowing area in 40 years and at the same time it is about a third lower than last year
- The abundance of pests has also reduced the total harvest
- The challenging situation was already apparent earlier this year. We have already carried out additional procurement of foreign rape.



Business review



Net sales and profit

Continuing operations

April-June 2019

- Net sales EUR 64.5 (66.7) million
- Operational EBITDA EUR -1.2 (1.1) million
- Operational profit EUR -2.5 (0.1) million

January-June 2019

- Net sales EUR 135.5 (120.5) million
- Operational EBITDA EUR 0.9 (2.0) million
- Operational profit EUR -1.7 (0.0) million

Group, incl. discontinued operations

April-June 2019

- Net sales EUR 69.6 (72.8) million
- Operational EBITDA EUR -1.3 (0.9) million
- Operational profit EUR -3.0 (-0.6) million

January-June 2019

- Net sales EUR (132.5) million
- Operational EBITDA EUR 0.5 (1.5) million
- Operational profit EUR -2.7 (-1.4) million



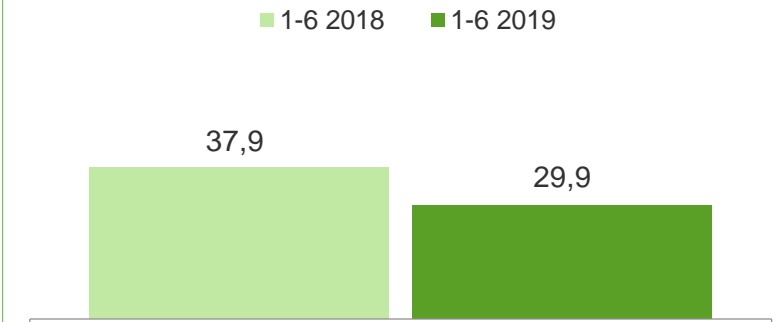
Food Solutions 1-6 2019

Implemented adjustment measures improved profitability

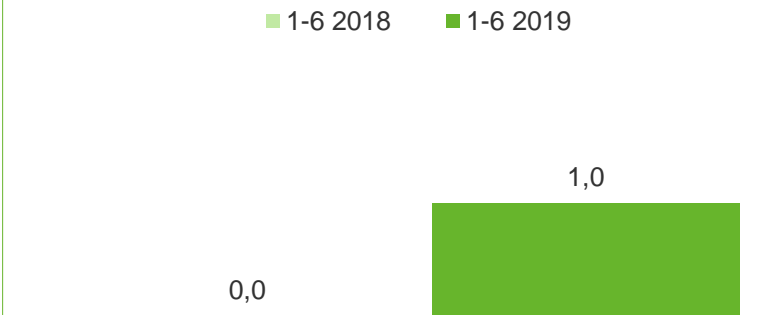


- The divestment of the service sales decreased net sales
 - The last service sale operations were divested at the end of April
 - The divestment of service sales was implemented as planned
- The sales of frozen products remained at the comparison period's level, while the sales of patty and ball products increased
- Due to the poor harvest season in 2018, the export volumes of peas were lower than in the comparison period
- Apetit has built a new patty and ball production line at its plant in Säkylä. The new line started production at the beginning of August.
 - The new line will double the production capacity of plant and fish based patties and balls

Net sales, EUR million



Operational profit, EUR million



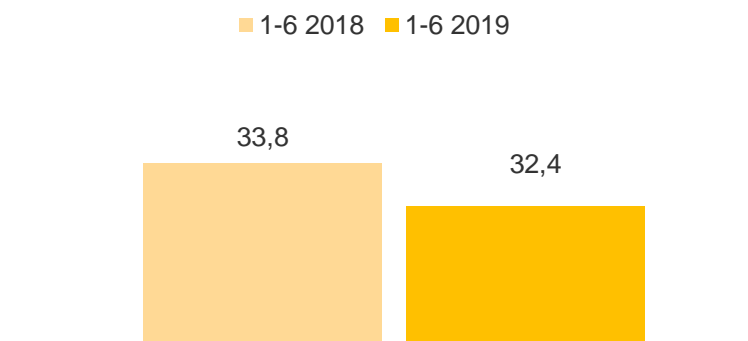


Challenges in the availability of raw materials weakened profitability

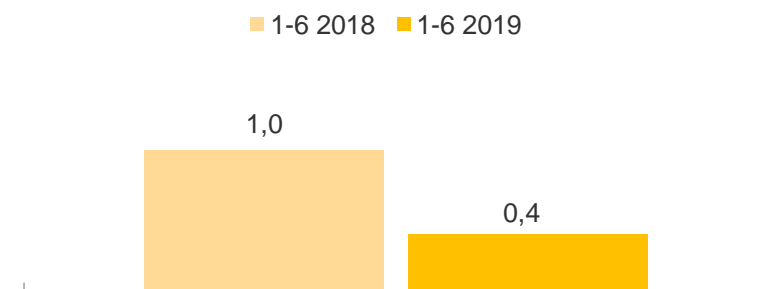


- Net sales declined from the comparison period due to deliveries being postponed to the second half of the year
- Challenges in raw material availability in Finland and its neighbouring regions weakened profitability
- A project to develop a rapeseed protein ingredient continued as planned
 - The purpose is to develop a new ingredient with high nutritional content for the international food market
 - An application for a novel food marketing authorisation was filed at the end of 2018
 - Its composition and manufacturing method have been patented in Finland since the beginning of August
- The 2019 oilseed harvest in Finland is likely to be markedly weaker than in 2018
 - A significant decrease in rapeseed cultivation areas in Finland
 - Exceptionally high numbers of pests

Net sales, EUR million



Operational profit, EUR million

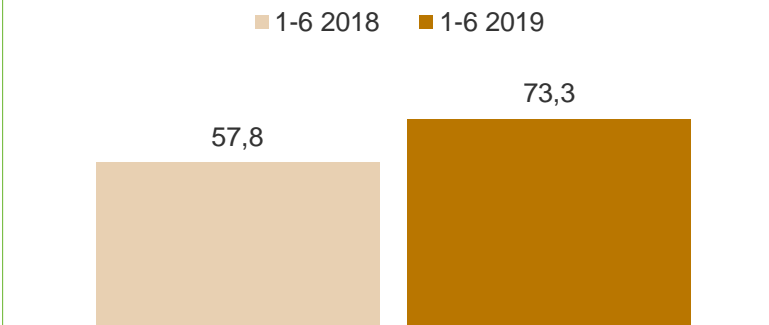


Significantly decreased price level in the new harvest season further burdened grain trading

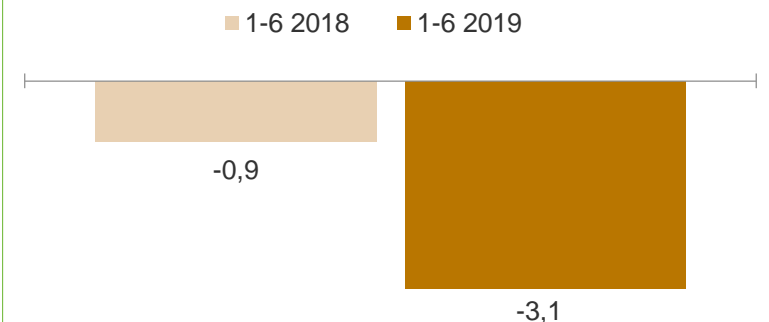


- Net sales increased due to increased delivery volumes on the comparison period
 - In early 2019, exceptionally high grain stocks that had been built up due to an imbalance of supply and demand were delivered
- Due to the good crop outlook for 2019, grain prices decreased considerably during the spring
 - This significantly reduced margin opportunities related to old harvest stocks purchased at high prices
 - This reduced significantly the margin for high-value stocks bought from the old harvest
- According to forecasts the 2019 grain crop in Finland will be good
- Farmer's Avena Berner - the new operating model has been implemented during 2019 according to plan

Net sales, EUR million



Operational profit, EUR million



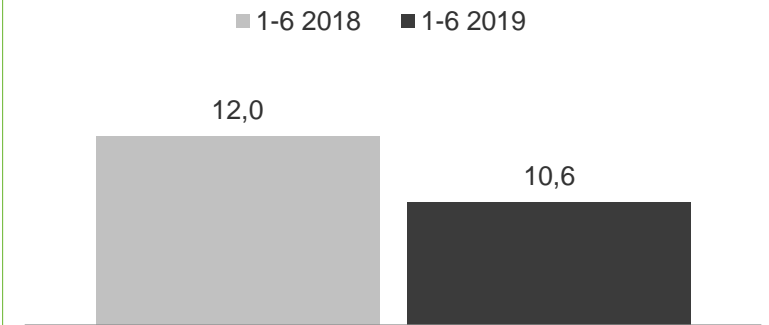


Discontinued operations (Fresh Cut Products, Seafood) 1-6 2019

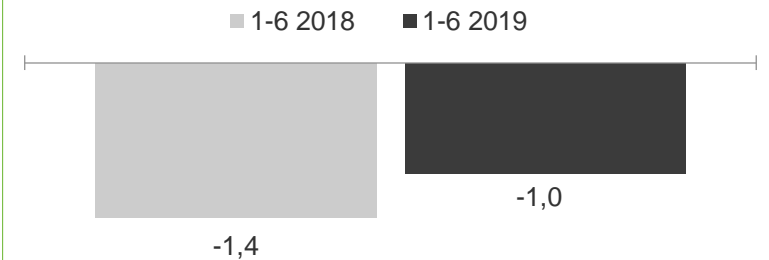
Operational EBIT of Fresh Cut Products improved by implemented adjustment and efficiency measures

- Net sales of the Fresh Cut Products business decreased on the comparison period due to the discontinuation of inter-company product sales according to plan
- The adjustment and efficiency measures that were implemented had a positive effect on the operational EBIT
- Seafood business is included in discontinued operations for 2018, and its impact is limited to financial items

Net sales, EUR million



Operational profit, EUR million





Strong financial position

EUR million

30.6.2019

30.6.2018

Working capital, continuing operations	27,2	28,4
Group's net cash flow from operating activities	29,8	-0,1
Group's total equity	94,8	104,0
Group's net debt	8,4	-4,9
Group's Equity ratio, %	71,6 %	76,1 %
Group's Gearing, %	8,9 %	-4,7 %
Group's Operational return on capital employed, (ROCE-%)	-2,3 %	0,6 %

Apetit is applying the IFRS 16 Leases standard as of 1 January 2019. A simplified procedure has been applied to the transition and the figures for the year preceding implementation have not been adjusted. This affects especially the comparability of operational EBITDA, the equity ratio and gearing. Interest-bearing liabilities of EUR 7.1 million have been recognized in the balance sheet at the end of June as a result of the adoption of the standard.

A photograph of a person's arm and hand reaching into a field of golden wheat. The person is wearing a grey t-shirt. A semi-transparent green banner is overlaid across the middle of the image, containing the text 'Profit guidance unchanged' in white. The background is a vast field of wheat under bright sunlight.

Profit guidance unchanged



Profit guidance for 2019

- The Group's full-year operational EBIT is expected to improve year-on-year (EUR -1.0 million in 2018). The profit outlook for early 2019 was burdened by the weak grain crop of 2018. Opportunities to export Finnish grain were limited, and an imbalance of supply and demand posed challenges in the grain trade in the Baltic countries.

Strategy implementation

Strategic focus areas RENEWAL, INTERNATIONALISATION and EFFICIENCY IMPROVEMENT

Investment in a patty and ball production line at the Säkylä plant

Investment of the bioenergy plant in Kirkkonummi

Shareholding in the development company Foodwest

Significant invests in product development – new products

A new type of operating model Viljelijän Avena Berner

Increasing the share of international food sales

The restructuring of the food business

Rapeseed protein ingredient

The implemented strategy measures strengthen Apetit's position as the number one in vegetables and build a foundation for further development of the businesses.

Apetit

Apetit continues
renewal of
plant-based eating -
Tasty novelties of
fall 2019



#Domestic
freshwater fish



#Healthy
snacks

Vegetables
for a treat



The organic
family is
expanding

