

*Apetit*



# Half-Year Report 2020

Esa Mäki, CEO, Appetit Plc



## Positive turnaround in profits as all of the Group's businesses improved profitability

- The operating profit of continuing operations improved by EUR 4 million year-on-year.
  - In the Grain Trade business, the previous profitable quarter was in 2017.
- The Group's positive profit performance was driven primarily by
  - commercial successes in the domestic market as well as exports
  - the flexible adjustment of production in exceptional circumstances
  - the recovery of trading ability in the grain trade
  - improvements in efficiency in everything we do.





# Financial performance





# Net sales, EBITDA and operating profit

## Continuing operations

### April-June 2020

- Net sales EUR 73.7 (64.5) million
- EBITDA EUR 1.6 (-2.5) million
- Operating profit EUR 0.1 (-3.9) million

### January-June 2020

- Net sales EUR 138.8 (135.5) million
- EBITDA EUR 3.3 (-1.3) million
- Operating profit EUR 0.3 (-3.9) million

## Group, incl. discontinued operations

### April-June 2020

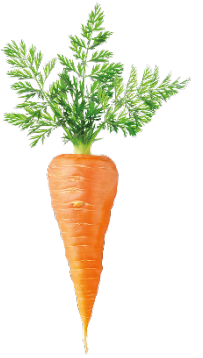
- Net sales EUR 73.7 (69.6) million
- EBITDA EUR 1.7 (-2.6) million
- Operating profit EUR 0.2 (-4.4) million

### January-June 2020

- Net sales EUR 138.9 (146.0) million
- EBITDA EUR 3.4 (-1.6) million
- Operating profit EUR 0.4 (-4.9) million

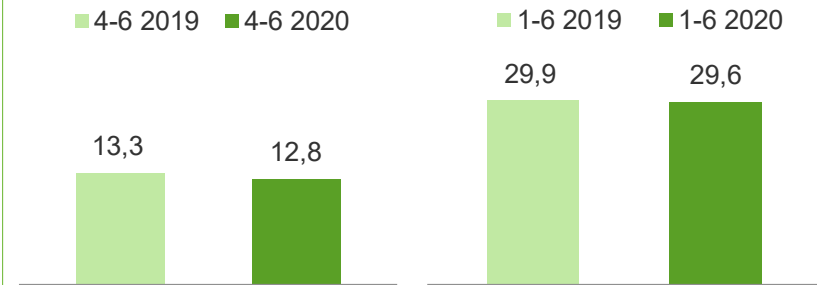


# The sales of frozen products grew particularly in the retail segment and decreased significantly in the food service channel

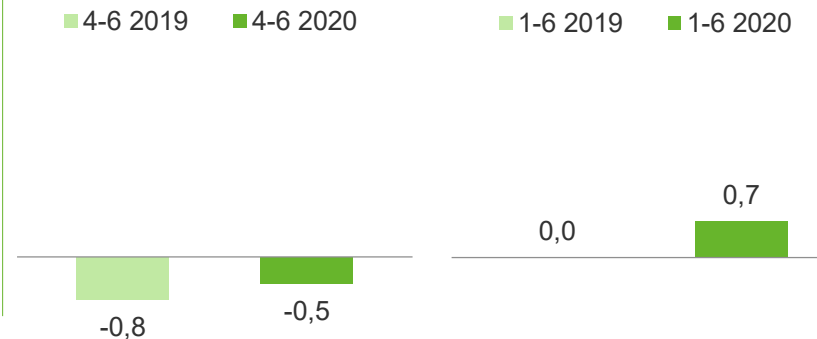


- The sales of frozen products grew particularly in the retail segment as food consumption shifted to people's homes due to the COVID-19 pandemic.
  - The exports of frozen products to Sweden also grew in line with expectations.
- Sales decreased significantly in the food service channel as restaurants were closed and other public services scaled back their operations.
- The divestment of the service business also reduced the segment's net sales.
- Profit was increased by efficiency improvement measures related to the use of raw materials and labour as well as substantial sales growth in the retail segment and export operations.
- Profit was weakened by the significant decline in sales in the food service channel.
  - The sudden change in the sales mix caused additional costs in production.

Net sales, EUR million



Operating profit, EUR million



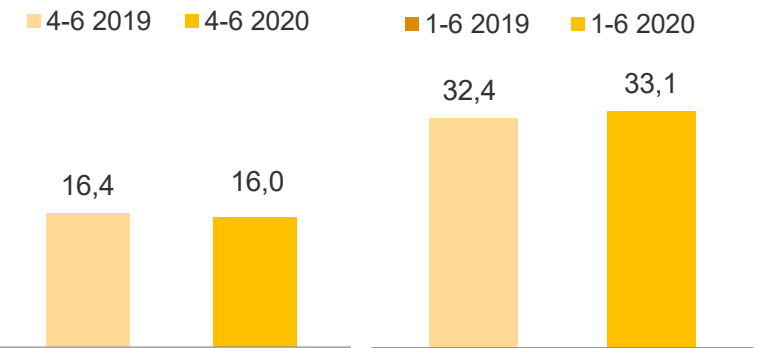


# Profit was improved particularly by the higher market prices of rapeseed meal and a substantial increase in the retail sales of rapeseed oil

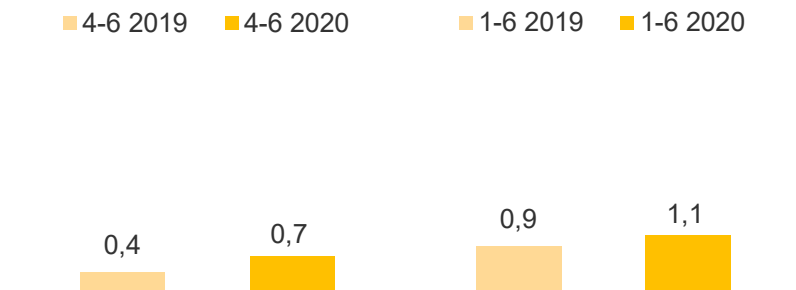


- The slight year-on-year decrease was attributable to the negative impact of the COVID-19 pandemic on sales to the food service segment.
- Profit was improved particularly by the higher market prices of rapeseed meal and a substantial increase in the retail sales of rapeseed oil.
- The European Food Safety Authority (EFSA) issued a verdict on 30 July 2020 in favour of granting a novel food authorisation for Apetit's rapeseed protein ingredient.
- The area under cultivation of oilseed plants in Finland decreased, target to increase cultivation of domestic rapeseed
  - Finland has the potential to increase the cultivation area of winter oilseed crops
  - There will also be an order for spring oilseed crops in the future

Net sales, EUR million



Operating profit, EUR million





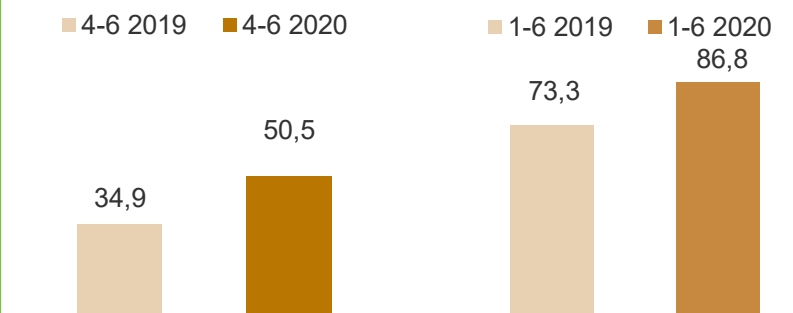
Grain Trade April-June 2020

# Operating profit was improved by increased delivery volumes, commercial successes and a reduction in freight costs

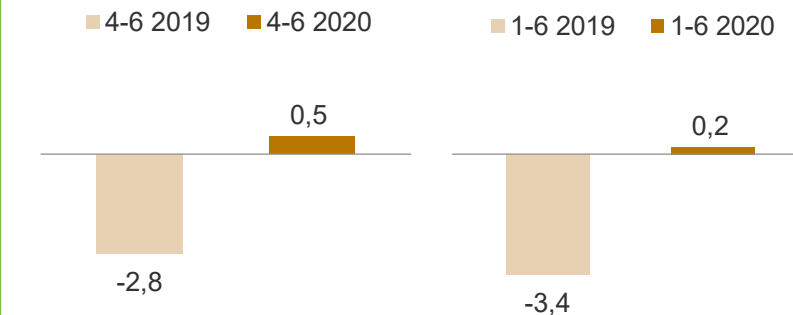


- Net sales grew substantially as delivery volumes increased year-on-year.
- The operating profit was improved by increased delivery volumes — particularly in exports — as well as commercial successes and a reduction in freight costs caused by the COVID-19 pandemic.
- In the Grain Trade business, the impacts of the pandemic have been minor, aside from market fluctuations being slightly larger than usual.

Net sales, EUR million



Operating profit, EUR million





# Strong financial position

EUR million

30.6.2020

30.6.2019

Working capital, continuing operations	<b>22.1</b>	27.2
Group's net cash flow from operating activities	<b>45.9</b>	29.8
Group's total equity	<b>91.2</b>	94.8
Group's net debt	<b>-4.2</b>	6.9
Group's Equity ratio, %	<b>68.8 %</b>	71.6 %
Group's Gearing, %	<b>-4.2 %</b>	8.9 %
Group's Operational return on capital employed, (ROCE-%)	<b>1.5 %</b>	-6.6 %



A close-up, slightly blurred photograph of a large field of green peas. The peas are vibrant green and densely packed, filling the entire frame. A semi-transparent green horizontal band is overlaid across the middle of the image, serving as a background for the title text.

# Profit guidance



## Profit guidance for 2020 unchanged

The full-year operating profit is expected to improve year-on-year (EUR -4.8 million in 2019) and to show a profit.

With Apetit Plc discontinuing the use of alternative profitability-based performance measures, the profit guidance has been changed to correspond to the current reporting principles.





# Harvest season outlook



## The harvest of outdoor-grown vegetables is expected to be moderate



### Food Solutions

- The cultivation season got off to a slow start as the cold springtime weather delayed sowing and the start of the growing season.
- In June, the hot and dry conditions posed challenges, particularly for pea cultivation.
- The earliest pea varieties suffered from the hot and dry weather and the size of the total pea harvest will fall short of the targets.
- In general, the harvest of outdoor-grown vegetables is expected to be moderate.





# Domestic oilseed harvest is record low



## Oilseed Products

- The area under cultivation of oilseed plants in Finland decreased by approximately 18 per cent from the previous year and was only about 30,000 hectares (2019: 36,700 ha).
- Pests and the dry conditions in June will also reduce the yields per hectare for oilseed plants.
- Consequently, the domestic oilseed harvest is expected to be the worst in over 40 years.
- The outlook of the crop yield per hectare for oilseed plants sown in the autumn is excellent, but the area under cultivation has been low.



# Fairly small domestic grain harvest



## Grain Trade

- Natural Resources Institute Finland (LUKE) forecasts a fairly small domestic harvest of approximately 3.3 million tonnes for 2020, which covers the domestic consumption.
- The harvest expectations for all grains are lower than last year.
- The total domestic grain harvest is likely to be 16 per cent lower than in the previous year.
- In the Baltic countries, on the other hand, the harvest outlook is good.





# Impacts and measures of the COVID-19 pandemic



# Impacts of the COVID-19 pandemic on Apetit's businesses

- The exceptional circumstances associated with the coronavirus have affected the Food Solutions business the most, with the retail demand for food increasing sharply in the spring.
  - Food consumption shifted to people's homes to a significant degree during the exceptional situation as restaurants were closed and other public services, such as schools and day-care centres, scaled back their operations.
  - The sales of consumer products were exceptionally high for a time, with demand then levelling off towards summer.
  - In the food service segment, demand naturally declined to a significant degree. Demand in the food service channel began to gradually increase in June but was still substantially below the pre-pandemic period.
  - The sudden change in the sales mix caused additional costs in production.
- In the Oilseed Products business, the demand for vegetable oils grew particularly in the retail segment.
- In the Grain Trade business, the impacts of the pandemic have been minor, aside from market fluctuations being slightly larger than usual.





## Apetit's measures related to the COVID-19 pandemic

- Apetit's goal during the COVID-19 pandemic has been to ensure the health of employees, customers and other stakeholders while ensuring the uninterrupted continuation of production, business operations and the food supply chain.
- To achieve this goal e.g. following measures have been implemented
  - the production units have implemented various arrangements to minimise interaction between employees and with outside parties
  - increased the use of personal protective equipment
  - further improved hygiene standards at various work areas
  - instructed office employees to work remotely
- Apetit ensures the functioning of the food supply chain by complying with the guidelines issued by the authorities and by preparing for both exceptional and normal operating conditions in its businesses.



# Strategy 2020-2022



# Strong integration to domestic primary production – unique value chain

## Food solutions



We produce vegetable-based food solutions with high degree of domestic raw-materials.

Each year, Finnish contract growers provide Apetit with around 34 million kilos of pure, responsibly grown vegetables: potatoes, carrots, peas, swedes, spinach, celery, parsnip, leeks and beetroot.

## Oilseed products



We refine high-quality vegetable oils for consumers, professionals and industry. We use around 90 per cent of domestic rapeseed harvest.

We are systematically seeking to increase rapeseed production in Finland in cooperation with growers over the long term.

## Grain trade



We buy grain mainly straight from growers. We are a significant marketer of Finnish grain in Finland and abroad.

Domestic partnership, Farmer's Avena Berner, at the service of Finnish grower (input and grain trades).



# The phenomena in the operating environment steering the strategy

Growth of frozen food markets

Increase in seasonal variations in harvest

Making daily life easier

Increase in demand for plant-based products

The emphasis on climate-responsible everyday actions

Importance of the food origin

Well-being as a trend

Building a value chain







# The Group's Must Win Battles and measures

## Optimising core business functions

- We will improve process efficiency in all of our operations.
- We will scale our operations in relation to the company's existing size.
- We will improve resource efficiency through partnerships. We will develop our trading ability in the grain trade.

## Strong foothold in Sweden

- We will strengthen the Swedish market as the primary focus area of food export.
- We will ensure and deepen our existing customer relationships and also build new customer relationships.
- We will develop and expand our market-specific product portfolio.
- We will build appropriate partnerships for other selected markets.

## Growth from plant-based added value products

- We will increase the sales of our existing product portfolio and expand our customer base.
- We will expand to new product segments. We will strengthen our commercial position in Foodservice channels.
- We will create a model for the commercialisation of the rapeseed protein ingredient.

## Developing farming partnerships

- Food Solutions: We will expand contract farming in pea and possible new plants. We will improve the preconditions for farming by developing cultivation measures, soil health and plant protection measures, among other things. We will make use of new opportunities, such as carbon farming.
- Oilseed Products: We will deepen our contract farming model to ensure the availability of Finnish raw materials.
- Grain Trade: We will become the farmer's primary partner by developing logistics solutions and utilising selected partnerships.

## Sustainable actions

- We will promote cultivation development and implement new sustainable cultivation methods.
- We will provide new diverse alternatives to increase plant-based and sustainable eating.
- We will make sustainability an even more intertwined part of all of our operations.
- We will decrease the Group's environmental and climate impacts in accordance with set objectives.



# Financial objectives

## Financial objectives

- EBITDA will be EUR 14 million in 2022 (continuing operations in 2019 EUR 2.5 million)
- Return on capital employed (ROCE %) > 8% (2019: -4.0%)
- The realisation of set strategic objectives is based on regular harvest development and systematic execution of strategic measures. The company is open to corporate transactions that are in line with its strategy. The possible impacts of the ongoing COVID-19 pandemic on financial objectives will be reassessed later, if necessary.

## Dividend policy remains as before

The Board of Directors of Apetit Plc aims to ensure that the company's shares provide shareholders with a good return on investment and retain their value. The company will distribute at least 50 per cent of the profit for the financial year in dividends.

MISSION:  
GOOD FOOD FOR  
EVERYONE. LOCALLY.

VISION:  
SUCCESSFUL FINNISH COMPANY  
FOCUSING ON PLANT-BASED  
FOOD PRODUCTS

MAKING EVERYDAY  
LIFE EASIER

UNIQUE VALUE CHAIN

IMPORTANCE OF THE FOOD ORIGIN

WELL-BEING

STRATEGIC CHOICES:

OPTIMISING CORE BUSINESS FUNCTIONS • STRONG FOOTHOLD IN SWEDEN  
GROWTH FROM PLANT-BASED ADDED VALUE PRODUCTS  
DEVELOPING FARMING PARTNERSHIPS • SUSTAINABLE ACTIONS

CLIMATE-  
RESPONSIBLE ACTIONS

INTEGRATION INTO DOMESTIC  
PRIMARY PRODUCTION

SUCCESS THROUGH COOPERATION

CORE VALUES:

BOLD RENEWAL

RESPONSIBLE OPERATIONS

DOMESTIC  
INGREDIENTS

*Apetit*

**kiitos.**