



Apetit Oyj Half-Year Review January–June 2018

Juha Vanhainen, CEO

16.8.2018

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Key events of January–June 2018



Nearly EUR 10 million investment in a new patty and ball production line at our Säkylä plant will double the production capacity



Investment in a bioenergy plant in conjunction with the Avena Kantvik Oy rapeseed oil milling plant will significantly reduce the carbon dioxide emissions of the entire Group



Shareholding in the food business development company Foodwest will support goals focusing on r&d and providing interesting new products



Avena Nordic Grain and Viljelijän Berner joined their purchasing and sales organisations in production input and grain trade under a new operating model based on partnership



As expected, the weak harvest of 2017 continued in the first half of 2018 and substantially lowered grain trade volumes and net sales



Especially grain trade affected by two substantially weaker harvest seasons than average

- Sales volumes and the profit outlook for first half of 2018 were burdened by the weak harvest of 2017
- In addition, sales volumes and the profit outlook for 2018 are burdened by the poor harvest outlook of the current year
 - The Finnish grain harvest is estimated to be the weakest of the 21st century
 - Substantially weaker harvest than the average will limit trade opportunities especially in exports
 - The harvest of field vegetables is also likely to be lower than usual
 - The Finnish oilseed harvest is likely to be clearly weaker than in comparison period
- The combined impacts of weak harvest season will become visible during the autumn
 - The success of harvest season in other main areas of supply
 - Own actions: increasing stock levels especially in Baltics, enhancing purchase measures and creating new operating models in grain purchasing in Finland and internationally



Continuing operations* 1-6 2018

April-June 2018 (Q2)

- Net sales EUR 72.8 (76.8) million
- Operational EBITDA EUR 0.1 (0.8) million
- Operational EBIT EUR -1.4 (-0.5) million

January-June 2018 (H1)

- Net sales EUR 132.5 (150.8) million
- Operational EBITDA EUR 0.1 (1.2) million
- Operational EBIT -2.8 (-1.5) million

*Continuing operations include Food Solutions, Oilseed Products and Grain Trade.



Solid financial position

EUR million

30.6.2018

30.6.2017

Working capital, continuing operations	28.5	25.3
Group's net cash flow from operating activities H1/2018	-0.1	23.1
Group's total equity	104.0	109.0
Group's net debt	-4.9	-3.6
Group's Equity ratio, %	76.1 %	71.1 %
Group's Gearing, %	-4.7 %	-1.5 %
Group's Operational return on capital employed, R12 (ROCE-%)	0.9 %	1.9 %



Measures to improve profitability

- During the spring Apetit has implemented adjustment measures to improve profitability
 - Personnel reductions
 - Cost cuttings
 - Other cost saving measures
- Combined impact of measures in 2018 will be EUR 1.0 million and the annual total impact will be EUR 1.8 million.



New profit guidance for 2018

- The Group's full-year operational EBIT from continuing operations is expected to be lower year-on-year (2017: EUR 1.3 million). Due to the seasonal nature of the Group's operations, most of the annual profit is accrued in the second half of the year. Sales volumes and the profit outlook for 2018 are burdened by the weak harvest of 2017 and the poor harvest outlook for 2018.

A photograph of a person's hands holding a small amount of wheat grains, with some grains falling. The background is a vast field of golden wheat under bright sunlight. The text "Business segments reviews" is overlaid in white.

Business segments reviews

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Food Solutions

Frozen and fresh products groups increased faster than the general growth of the market



- Faster increase in frozen and fresh products group than the general growth of the market
- The reduction in the service sales network had a negative impact on segment net sales and reorganisation costs weakened profitability
- The sales of patty and ball products, pizzas, pre-prepared vegetables and salad meals continued to be strong
- The volume and value of sales grew on the comparison period especially in the professional food service sector and exports
- Apetit invested EUR 9.7 million in a new patty and ball production line at the Säkylä plant
- Apetit's Vegepops Porkkana-mango was chosen as the Finnish Food of the Year 2018 in May

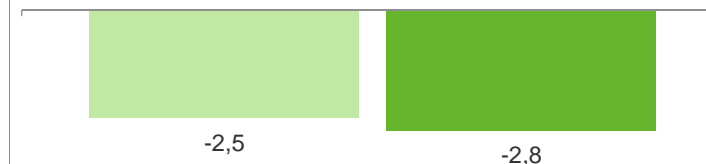
Net sales, EUR million, H1 2017 / H1 2018

■ 1-6 2017 ■ 1-6 2018



Operational EBIT, EUR million, H1 2017 / H1 2018

■ 1-6 2017 ■ 1-6 2018





Nearly EUR 10 million investment in a new production line will double the production capacity

- Vegetable and fish based patties and balls as well as other new vegetable-based value-added products will be produced in the production line
 - The product group's annual growth has been about 20% on the average
- The construction of the production line begins in August 2018 and the production is estimated to begin gradually in June 2019
- The new patty and ball production line doubles the production capacity, aims to meet the current demand and enables new products to be produced for domestic and international markets
- It will enable a more versatile product development and the production of entirely new types of vegetable-based products
- Value of the investment is EUR 9.7 million





Oilseed Products

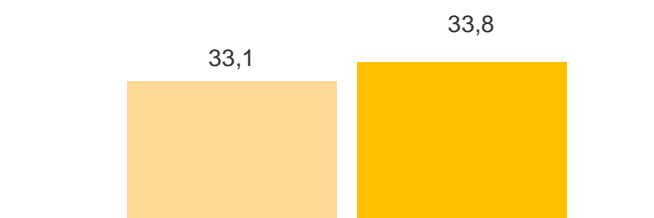
Net sales and delivery volumes in tonnes increased slightly



- Net sales and delivery volumes in tonnes increased slightly year-on-year in January–June
- Apetit will build a bioenergy plant in conjunction with the Avena Kantvik Oy rapeseed oil milling plant in Kirkkonummi
- Work on a project to develop a rapeseed ingredient continued
 - Goal is to develop a new ingredient with high nutritional content for the international food market
- The Finnish 2018 oilseed harvest is likely to be clearly weaker than in 2017

Net sales, EUR million, H1 2017 / H1 2018

■ 1-6 2017 ■ 1-6 2018



Operational EBIT, EUR million, H1 2017 / H1 2018

■ 1-6 2017 ■ 1-6 2018





Bioenergy plant will significantly reduce the carbon dioxide emissions of the entire Group

- Apetit will build a bioenergy plant in conjunction with the Avena Kantvik Oy rapeseed oil milling plant in Kirkkonummi, Finland
 - Bioenergy plant will replace the current energy solution that uses non-renewable fuels
 - Bioenergy plant will significantly reduce the carbon dioxide emissions of the entire Group
 - Building the plant is conditional to receiving environmental permit
- Investment aid of the Ministry of Economic Affairs and Employment of Finland is granted for the project
- The bioenergy plant will enable Apetit to utilise its production side streams
 - Energy self-sufficiency will increase
 - Apetit will no longer be dependent on other users of its side streams
- The value of the investment is about EUR 3.7 million





Increasing value of oilseeds with added value products as a strategic goal

- Securing the continuity of Finnish oilseed production and increasing its added value
- Apetit is developing a rapeseed ingredient with high nutritional content for the international food market
 - The ingredient has a unique composition of vegetable protein, fibre and essential fatty acids
 - Numerous uses in various product categories
 - Goal is to commercialise the product in 2020
- Target is to develop growing of oilseeds and to increase the area of cultivation in cooperation with growers
 - Ensure bigger oilseed harvests and secures self-sufficiency of Finnish vegetable protein



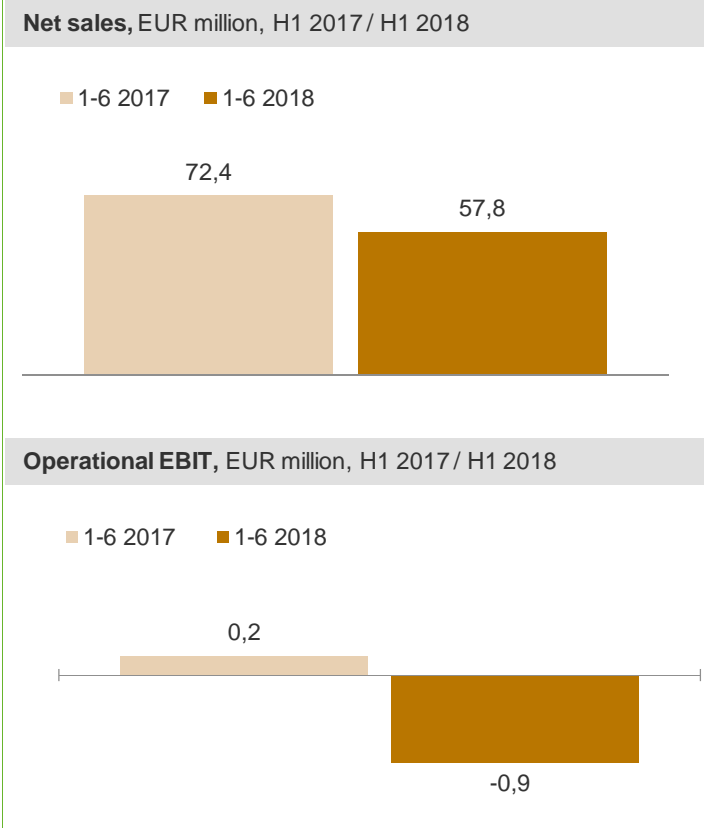


Grain Trade

The weak harvest of 2017 lowered grain trade volumes



- Net sales and delivery volumes in tonnes decreased substantially from the comparison period
- Harvest was weak by quantity and partly by quality: sales gross margins were weakened especially due to the lower export volumes than in the comparison period
 - Grain exports from Finland represented only 23 (34) per cent of net sales as the exportable surplus was small
- Apetit Group's subsidiary Avena Nordic Grain Ltd and Farmer's Berner merged their purchase and sales organisations on input and grain trade
- The 2018 grain crop may be the weakest in Finland in this century
 - More limited trading opportunities especially in exports





The price of wheat is at its highest in four years



Source: Euronext

- Wheat price on the international markets has been on the rise in last months and is at its highest in four years
- The changes in wheat prices reflect to other food and feed grain prices
- Market volatility has been relatively low over the last few years, but during the spring and summer volatility has increased due to strong weather phenomena (mostly drought) around the world



Viljelijän Avena Berner – new Finnish partnership for grain and oil crops trade and in the use and purchase of agricultural inputs

- Apetit Group's Avena Nordic Grain Ltd and Farmer's Berner merged their purchase and sales organisations on input and grain trade
- The new operating model combines strong expertise on input and grain trades
 - All services with a one stop shop principle
- The establishment of the joint organisation does not include corporate transactions
 - The grain trade will be carried out on behalf of Avena and the input trade on behalf of Berner
 - The nation-wide business will operate through many local offices and reception points





Implementation of strategy

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APETIT - NUMBER ONE IN VEGETABLES

Mission

WE CREATE WELLBEING
FROM VEGETABLES

Vision

WE LEAD THE WAY
IN VEGETABLE-BASED
FOOD SOLUTIONS



Values



RESPONSIBLE OPERATIONS



BOLD RENEWAL

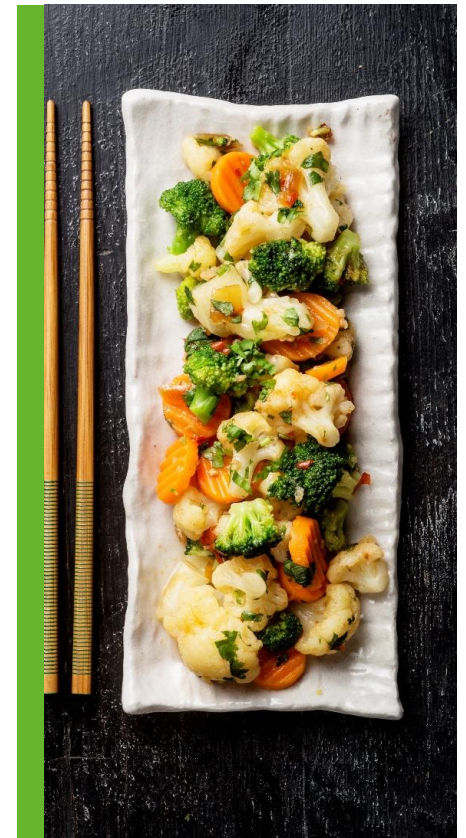


SUCCESS THROUGH COOPERATION



Operating environment backed up by strategic choices – consumption of vegetables still increasing

- Consumption of vegetables is increasing
 - Many have added up vegetables and different vegetable options to their diet
 - Taste is still crucial factor in decision of purchasing and in repeating the purchase
 - Consumer appreciate well-being, taste, easiness, organic foods and domesticity
- Substantially increased selection of vegetable-based foods in markets tells about high demand
 - Consumers have found new products to part of their diet
 - The market for snacks, ready-to-eat and on-the-go meals is still growing
 - There are notable interest for different kind of vegetable-based solutions also in HoReCa sector





Strategic actions build foundation for future

- Apetit has continued actions in its focus areas in internationalisation, renewing and efficiency improvement based on strategy published in March 2018
 - Investment of new patty and ball production line at Säkylä
 - Building a bioenergy plant in Kirkkonummi
 - Shareholding in a food business development company Foodwest
 - A new partnership-based operating model – Farmer's Avena Berner
 - Increasing international food trade
- Implemented actions according to the strategy strengthen Apetit's position as the leader in vegetable-based food solutions and build foundation for further development of business

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Apetit continues to develop and innovate vegetable-based eating with new products in 2018



#convenience



#veggie

#sustainability



#morevegetables

