

# Apetit 2016 Financial Statements Bulletin



New 100 % vegan  
rissoles in stores

**Juha Vanhainen, CEO**  
**Sami Saarnio, CFO**

Briefing for Analysts and Media  
23rd February 2017, Scandic Simonkenttä, Helsinki

*Apetit*

# Apetit Financial Statements 2016

## October-December 2016 (Q4)

- Net Sales EUR 100.1 (113.8) million
- Operational EBITDA EUR 3.4 (4.5) million
- Operational EBIT EUR 1.6 (2.7) million
- The share of profit of the associated company Sucros EUR 1.5 (0.4) million

## Full year 2016

- Net Sales EUR 386.5 (380.8) million
- Operational EBITDA EUR 7.5 (8.5) million
- Operational EBIT EUR 0.9 (2.6\*) million
- The share of profit of the associated company Sucros EUR 0.7 (-1.0) million
- Consolidated cash flow EUR 21.9 (-17.1) million

### Customer

Succesful product launches

Frozen products back on growth track

Good start for Tuorekset ready-to-use vegetables

### Financials

Positive cash flow and strong balance sheet

Freed-up working capital

### Growth

New market position established in the Baltics

New products, focus on added value products

### Efficiency

Efficiency investments in Seafood provide fast results

High utilisation rate in vegetable oil mill

### Innovation

R&D –investments provide short and long term results

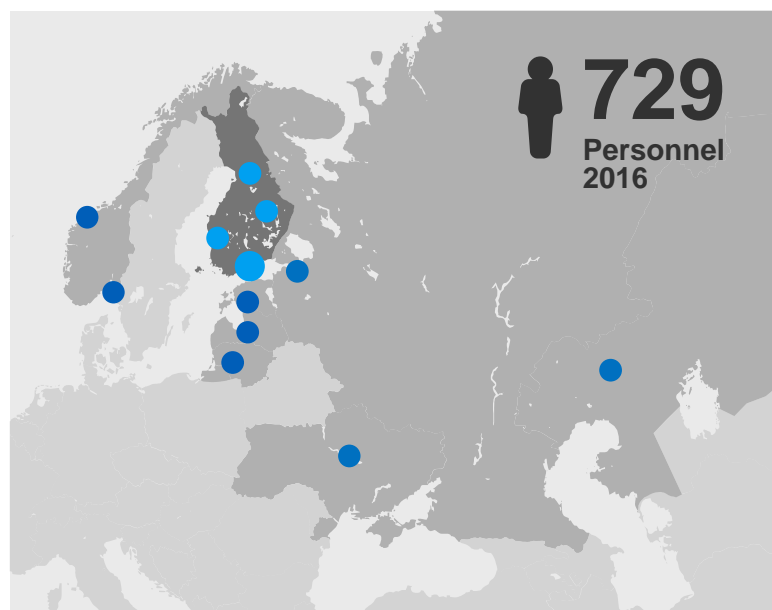
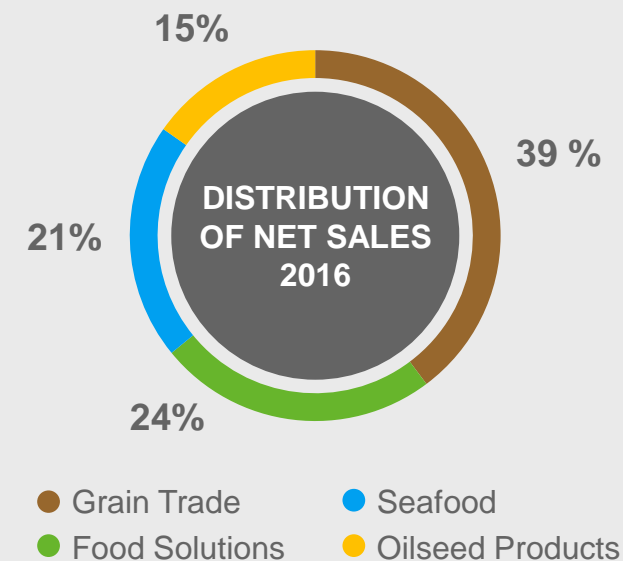
Good progress in digitalisation projects





# Creating Wellbeing with Vegetables

- Apetit produces food solutions based on vegetables, fish and vegetable oils
- Apetit is active in the trading of grains, oilseeds and raw materials for feeds in Finland and internationally
- Its customers include consumers, the retail trade, the HoReCa (hotel, restaurant, catering) sector and the food industry
- Founded in 1950
- Listed on Nasdaq Helsinki in 1989



Our vision 2018  
**The leader in  
vegetable-based  
food solutions**

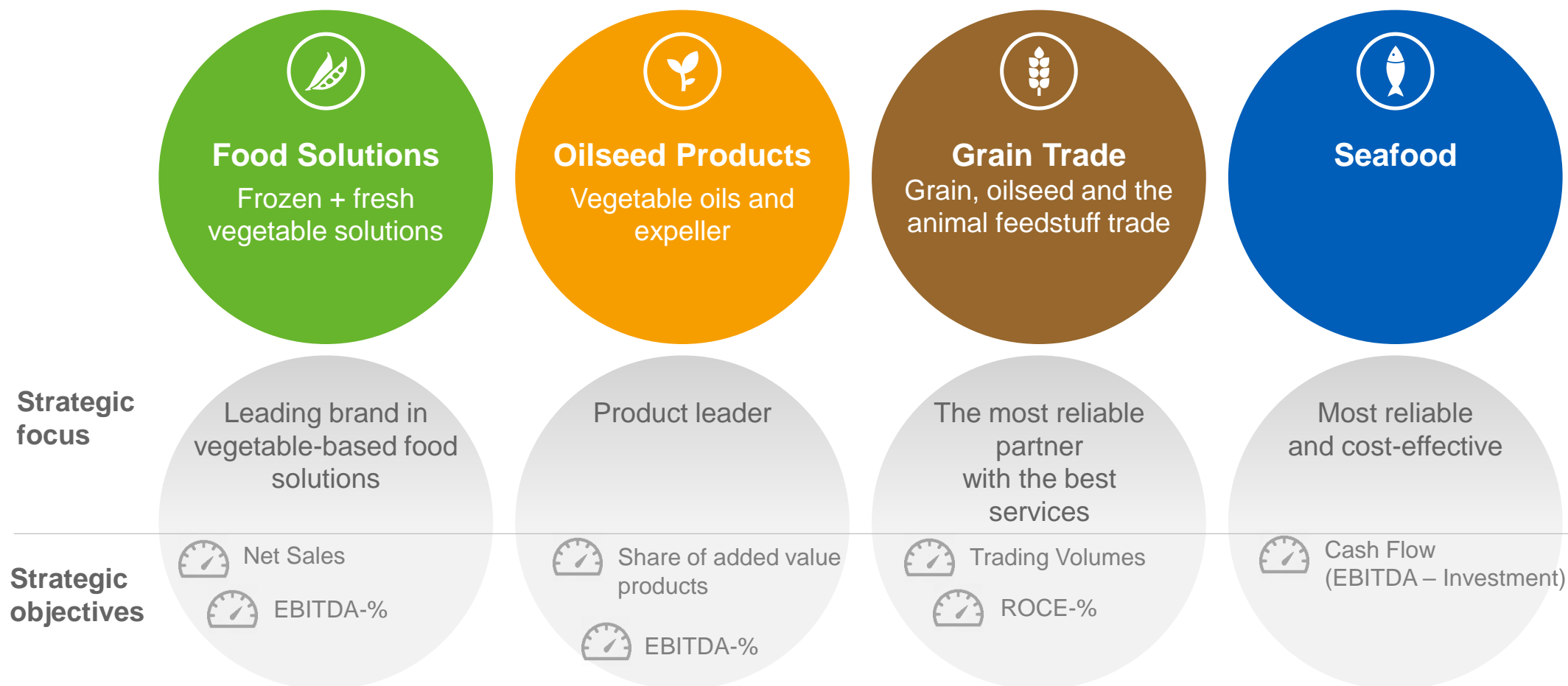


# Business segment review





# Business segments – strategic focuses and target positions



# Frozen food group grows as expected, the fresh products in the middle of business model transition

## CONSUMER AND CUSTOMER

In frozen foods, our investment in new products, and in marketing have caused sales to regain growth while also increasing brand awareness

The fresh products group is being developed from a direct-delivery wholesaler into a fresh product partner and a manufacturer of consumer products

## GOOD SALES DEVELOPMENT IN FROZEN PRODUCTS

- Segment net sales were 25.7 (25.4) M€
- Sales by the frozen foods group to the retail trade and the professional food service sector improved on the comparison period
- Sales in the fresh products decreased in professional food service sector
- Service sales increased

## PROFITABILITY WAS BURDENED BY BUSINESS MODEL TRANSITION IN FRESH PRODUCTS

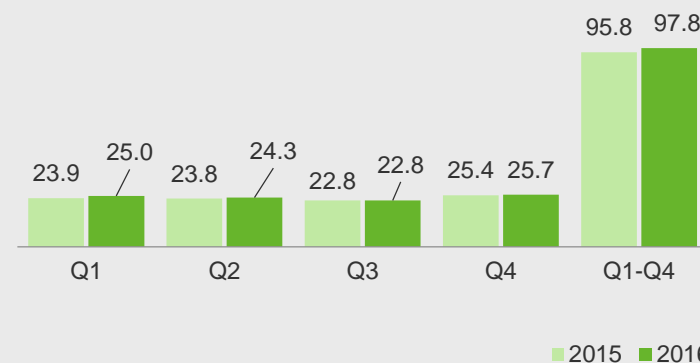
- Segment operational EBIT was -0.1 (1.8) M€
- The profitability of the frozen foods group was at a good level
- In fresh products, profitability was burdened by low sales and the investment required for the transition to a new operating model
- The greater volume of the harvest meant that the amount of fixed costs capitalised in inventories in October–December was EUR 0.2 million higher than in the comparison period

## INVESTMENT IN GROWTH

- Full year investment in Food Solutions totalled EUR 5.7 (4.3) million
- Investment was mainly related to the construction of production lines for consumer-packaged, pre-prepared vegetables at the Kivikko production plant in Helsinki and production equipment at the frozen food plant in Säkylä

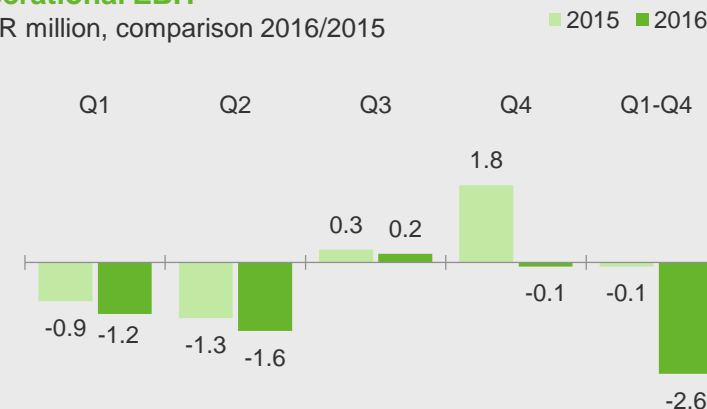
## Net Sales

EUR million, comparison 2016/2015



## Operational EBIT

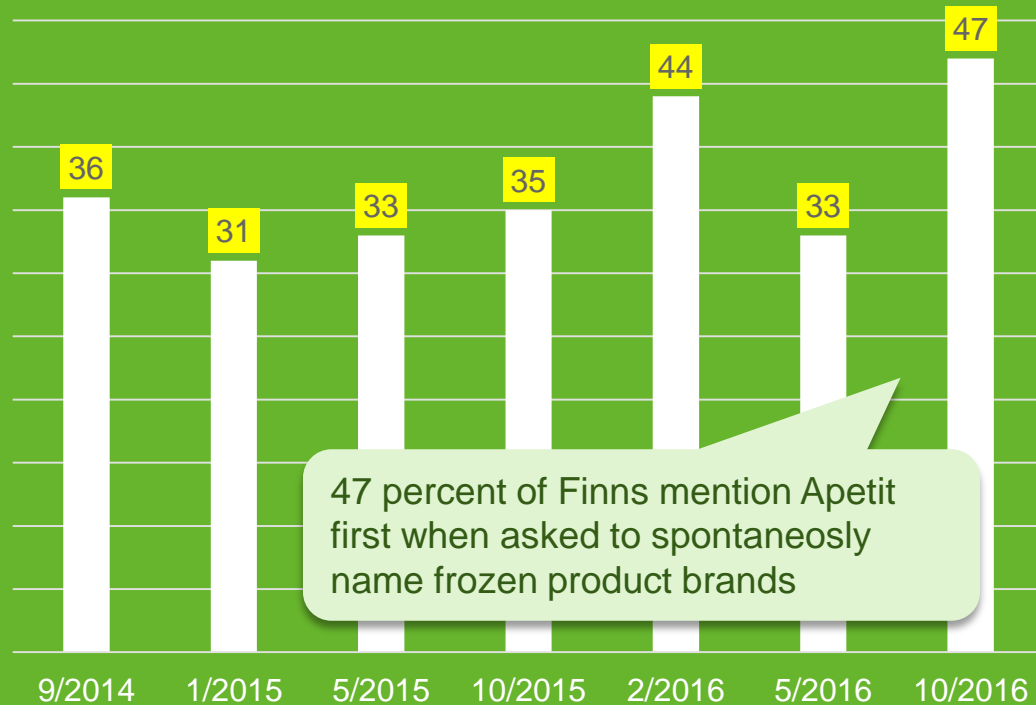
EUR million, comparison 2016/2015





# Improved brand awareness, good sales development in frozen products

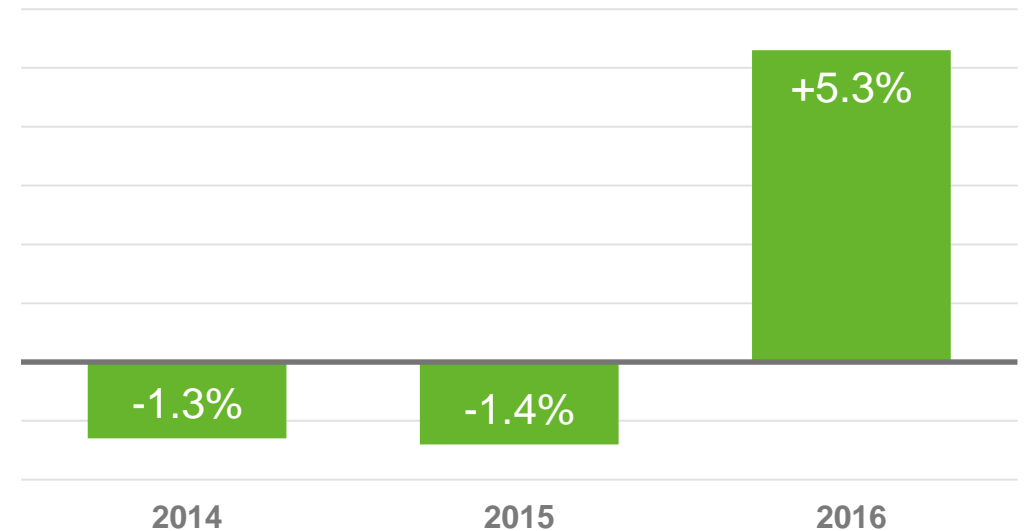
Apetit brand Top of Mind –development 2014-2016



Top of Mind –awareness improved, positive brand assessments increased

Source: SuperCrush, Finnish Norstat consumer panel N=911

Frozen foods net sales development 2014-2016  
Annual change, per cent



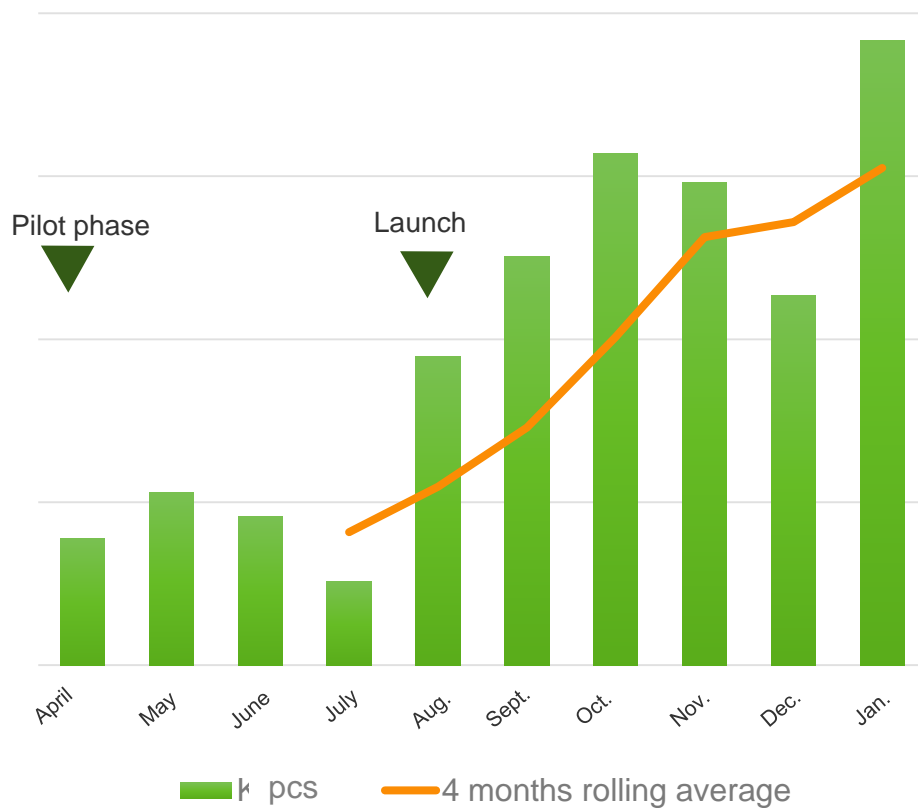
Frozen food group has regained growth after long period of steady sales

case.

Expansion into the fruit and vegetable section in retail

# Tuorekset-sales continued on a good track

Delivery volumes 4/2016 – 1/2017



- Tuorekset product assortment varies with the seasons. The new products launched in January have received good feedback
- Tuorekset have also established their location in retail stores, making them easier to find

**~1000 pcs**

Store coverage\*

**~ 50 %**

Product awareness was reached in four weeks after launch\*\*



# Net sales grew, EBIT improved year-on-year

## OPERATING ENVIRONMENT

The oilseed growing season was mostly favourable in Finland, and the crops were better than in previous years

With regard to Finnish farming, the outlook for the forthcoming harvest season is good

## EBIT IMPROVED YEAR-ON-YEAR

- Segment's operational EBIT was 0.6 (0.3) M€
- Due to the lower market price of rapeseed expeller for farm animal feed, the relative gross margin was lower than in the comparison period
- Profitability was boosted by high capacity utilization in Kirkkonummi production plant

## NET SALES BOOSTED BY ADDED VALUE PRODUCTS

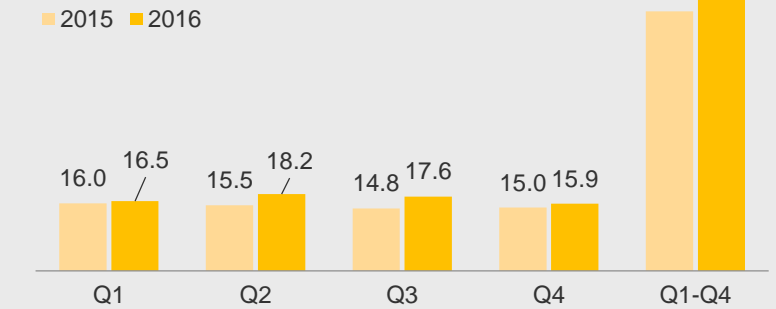
- Segment's net sales was 15.9 (15.0) M€
- The delivery volume of oilseed products in tonnes in October–December was higher than in the comparison period
- The sales of packaged and special products were higher than in the comparison period, representing 32.2 (26.9) per cent of the segment's net sales
- Exports represent 32 per cent of net sales

## STRATEGIC GROWTH PROJECTS

- The vegetable oil packaging plant extension that was opened in June quickly enabled to increase delivery volumes of packaged products in this quarter, particularly to the export markets
- Investment in 2016 was 1.9 (1.0) M€

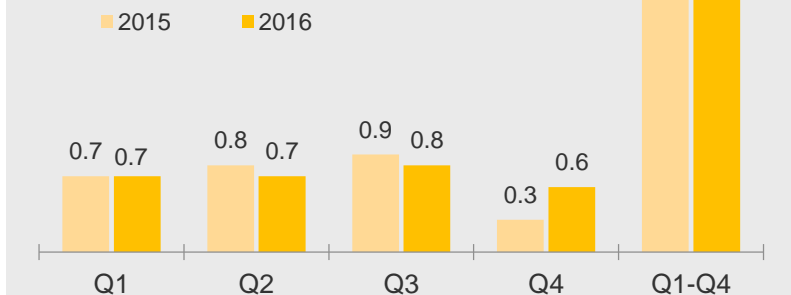
### Net Sales

EUR million, comparison 2016/2015



### Operational EBIT

EUR million, comparison 2016/2015





Grain Trade

# Plentiful supply burdened profitability

## OPERATIONAL ENVIRONMENT

The price level in the international grain market was relatively low due to the high levels of grain stocks

The International Grains Council is expecting grain production in the 2016–2017 harvest season to rise to its highest ever level and is expecting stock levels to increase further

## PLENTIFUL SUPPLY AFFECTED THE PROFITABILITY

- Segment's operational EBIT was 0.2 (1.2) M€
- Operational EBIT was burdened by low margins in the grain markets and lower volumes in comparison to the corresponding period of the previous year
- Stock levels and, consequently, the amount of tied-up working capital decreased in October–December

## NET SALES DECREASED YEAR-ON-YEAR

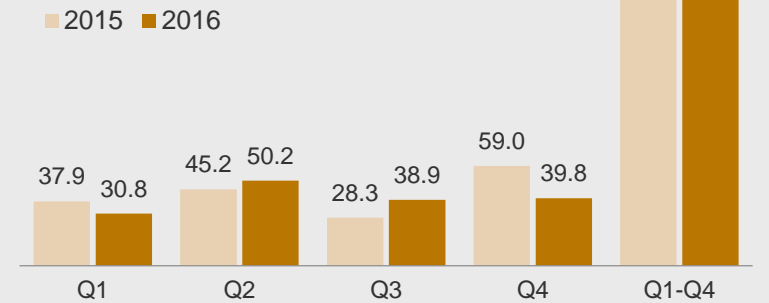
- Segment's net sales decreased and was 39.8 (59.0) M€
- Delivery volumes in tonnes also declined from the comparison period
- Sales volume in Q4 was 244 (300) thousand tonnes
- Full year sales volume increased to 853 (833) thousand tonnes

## UTILISING GROWTH POTENTIAL IN BALTICS

- Establishing new market position in Latvia proceeded as planned
- SIA Avena Nordic Grain started its operations and established contacts with local farmers and logistics operators according to plan

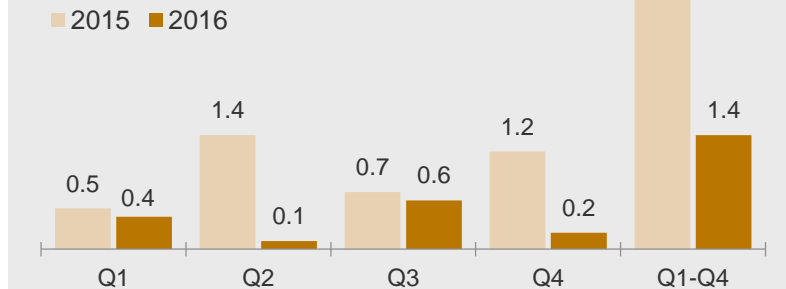
### Net Sales

EUR million, comparison 2016/2015

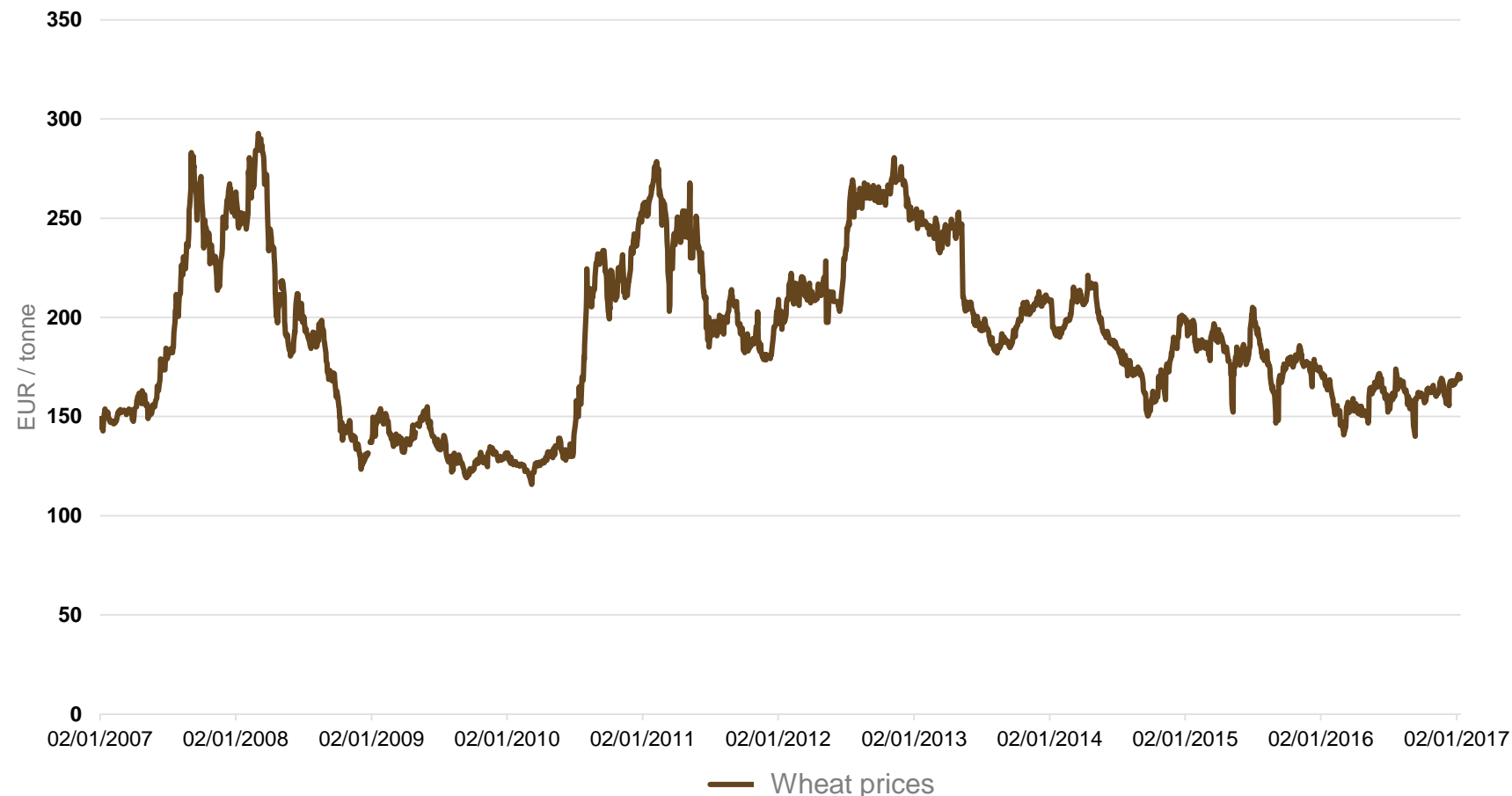


### Operational EBIT

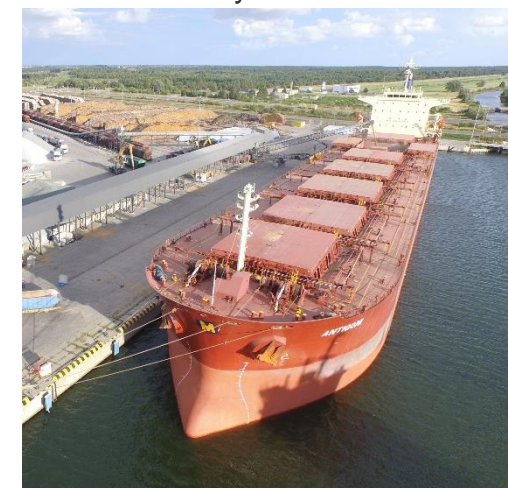
EUR million, comparison 2016/2015



# The price level in grain market declining, price fluctuations have decreased



- The price of wheat on the international market has fallen over the last two harvest seasons
- The changes in wheat prices affect also other food and feed grain prices
- Market volatility has remained on relatively low lever over the last few years





#### OPERATIONAL ENVIRONMENT

Throughout 2016, the price level of Norwegian salmon was higher than in the previous year

The increase in the price of Norwegian salmon was also reflected in the price of rainbow trout

In Finland, the price increase has significantly reduced sales volumes in retail stores

#### PRICES OF RAW MATERIAL INCREASED NET SALES

- Segment's net sales increased to 24.1 (21.2) M€
- The price of Norwegian salmon was higher than in the comparison period and reduced the segment's sales volumes in Finland
- In Norway, the sales of fishcakes and shellfish products continued to be at a good level, in Sweden, however, sales declined as a result of the high prices of shellfish products

#### OPERATIONAL EFFICIENCY IMPROVED PROFITABILITY

- Segment's operational EBIT was 0.8 (-0.6) M€
- The efficiency boosting investments and improvements in processes in Kuopio have yielded good results
- In Norway the profitability developed favourably due to increased sales and good production efficiency

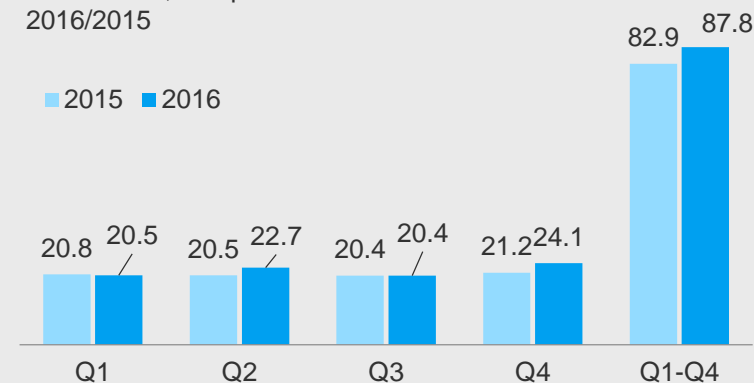
#### INVESTMENT PROGRAMME IN KUPIO COMPLETED – CASH FLOW IMPROVED

- The completion of the profitability investment programme in Kuopio resulted in an improvement of operating cash flow to 0.9 (-0.4) M€ in October-December
- Investment in 2016 was 2.0 (1.6) M€ and focused mainly on equipment investments for the Kuopio to improve production efficiency

#### Net Sales

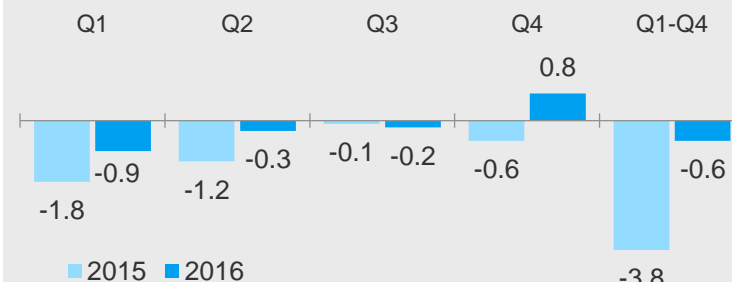
EUR million, comparison 2016/2015

■ 2015 ■ 2016



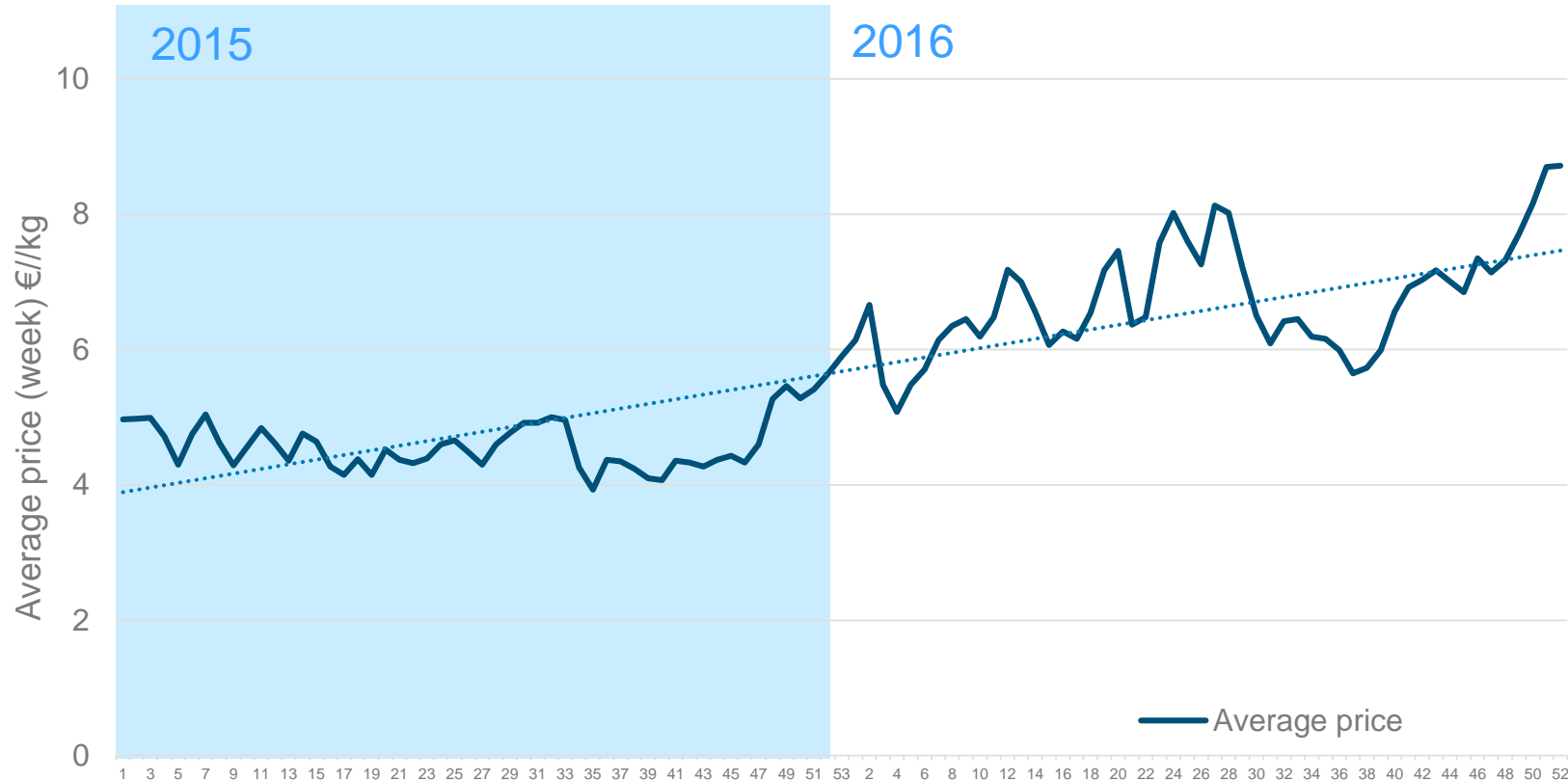
#### Operational EBIT

EUR million, comparison 2016/2015



# Norwegian salmon price increased significantly in 2016

Salmon price development 2015-2016  
(Nasdaq Salmon Index)

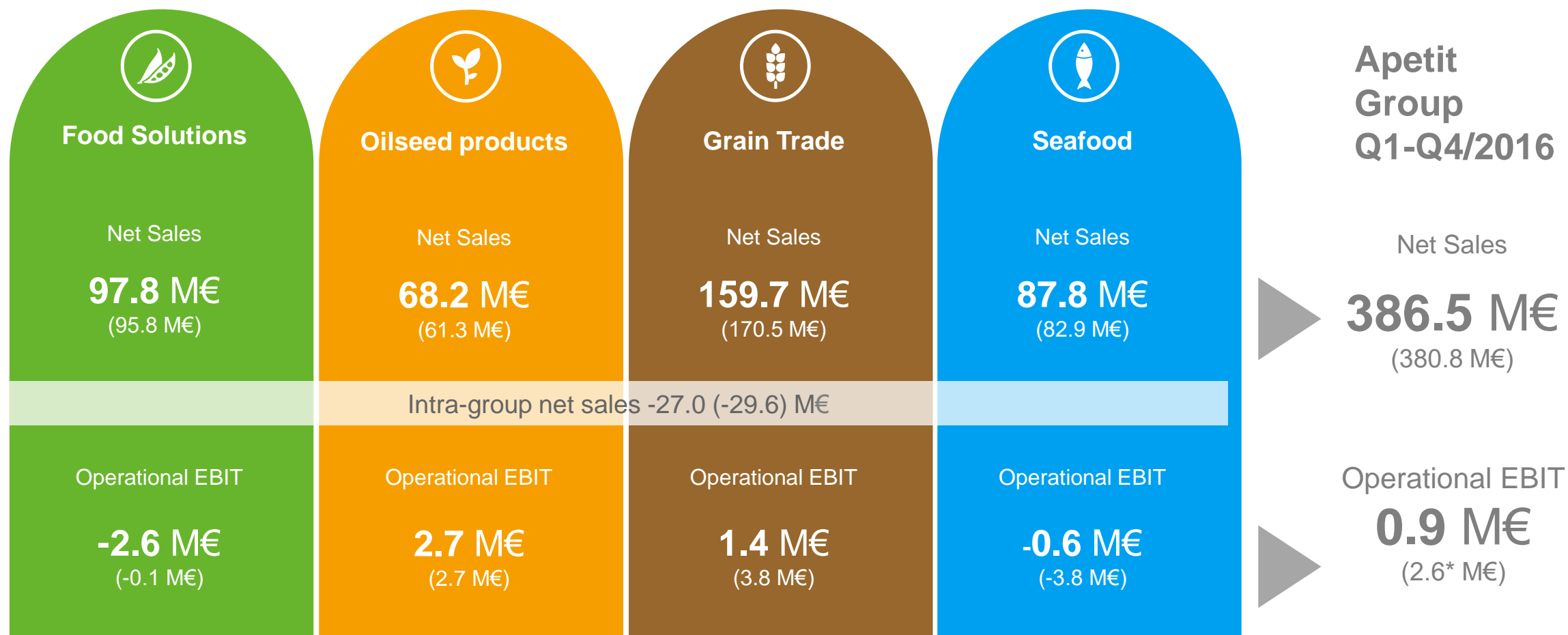


Nasdaq Salmon Index

The Nasdaq Salmon Index is the weighted average of weekly reported sales prices reported to Nasdaq Commodities by a panel of Norwegian salmon exporters and salmon producers with export license. Nasdaq Salmon Index is an exporters selling price.

- Throughout 2016, the price level of Norwegian salmon was higher than in the previous year
- The high price of salmon is the result of the globally growing demand for fish and production problems at Chilean fish farms, which have reduced supply
- The increase in the price of Norwegian salmon was also reflected in the price of rainbow trout. In Finland, the price increase has significantly reduced sales volumes in retail stores

# Performance in 2016, by segment



\* The operational EBIT in the comparison period includes by EUR 0.7 million in profit made from the sale of a property in the Länsi-Säkylä industrial estate

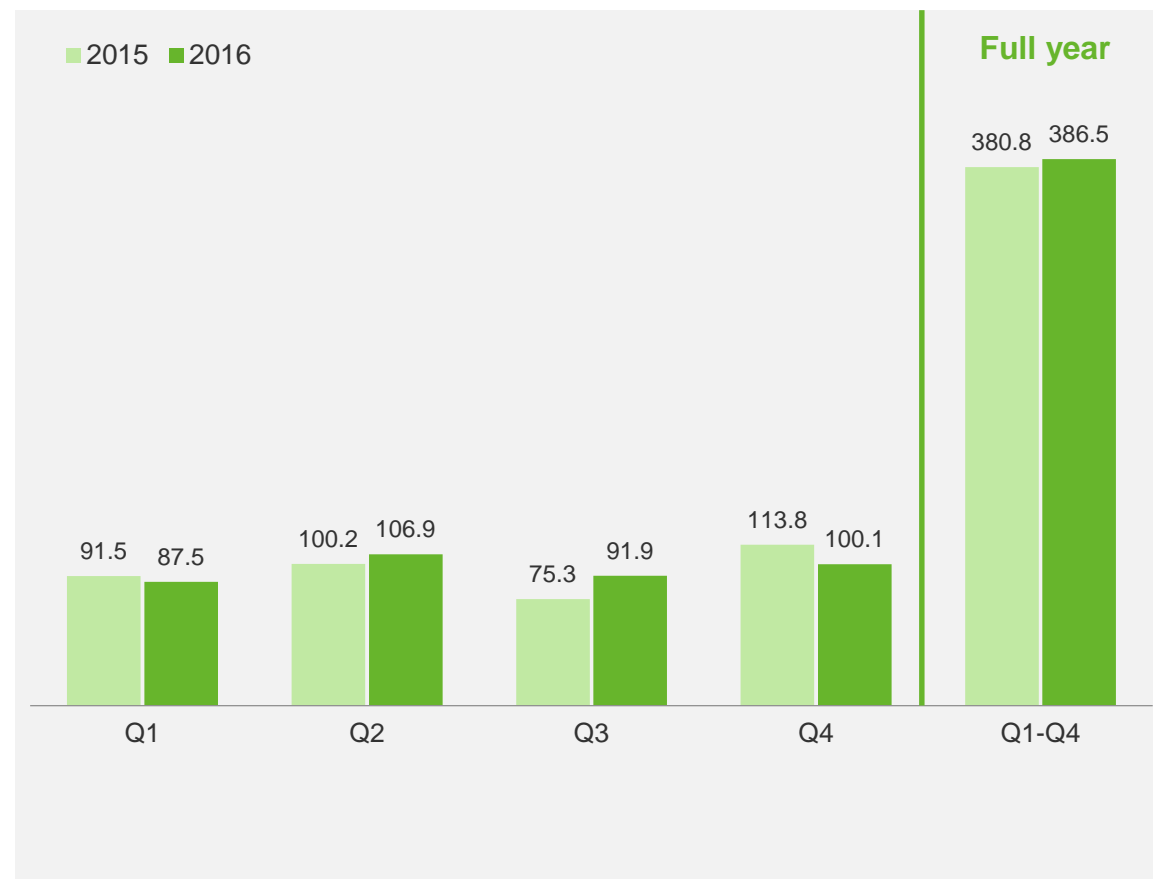




# Apetit Group's Net Sales and Operational EBIT Q1-Q4/2016

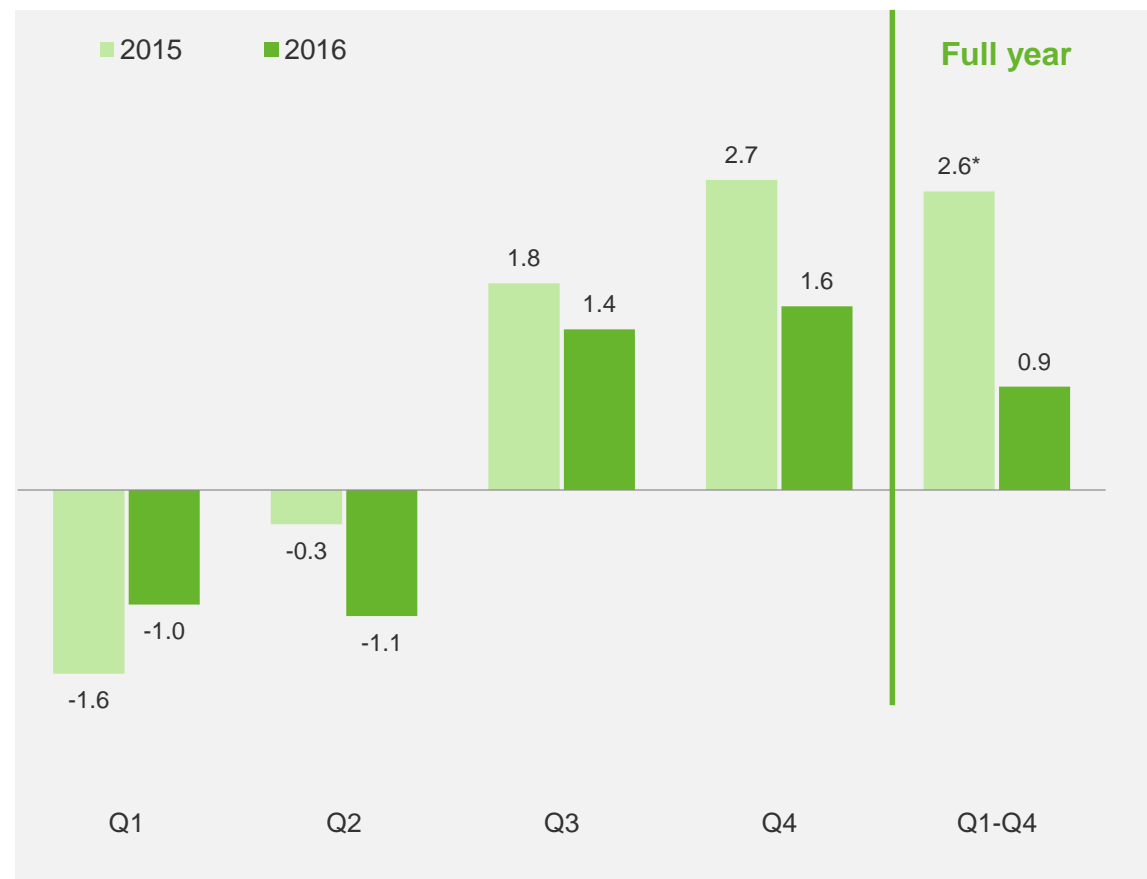
## Net Sales

EUR million, comparison 2016/2015



## Operational EBIT

EUR million, comparison 2016/2015



\* The operational EBIT in the comparison period includes by EUR 0.7 million in profit made from the sale of a property in the Länsi-Säkylä industrial estate



# Solid financial position

EUR, million

Dec. 31 2016

Dec. 31 2015

Working capital	<b>52.9</b>	69.6
Net cash flow from operating activities	<b>21.9</b>	-17.1
Net debt	<b>14.5</b>	23.0
Equity ratio, %	<b>64.1 %</b>	61.1 %
Gearing, %	<b>12.4 %</b>	19.0 %
Operational return on capital employed (ROCE-%)	<b>1.2 %</b>	1.2 %
Return on capital employed (ROCE-%)	<b>0.9 %</b>	-1.5 %
Return on equity (ROE-%)	<b>1.0 %</b>	-3.7 %

Freed-up  
working capital

Positive cash flow

High equity ratio supports  
investment





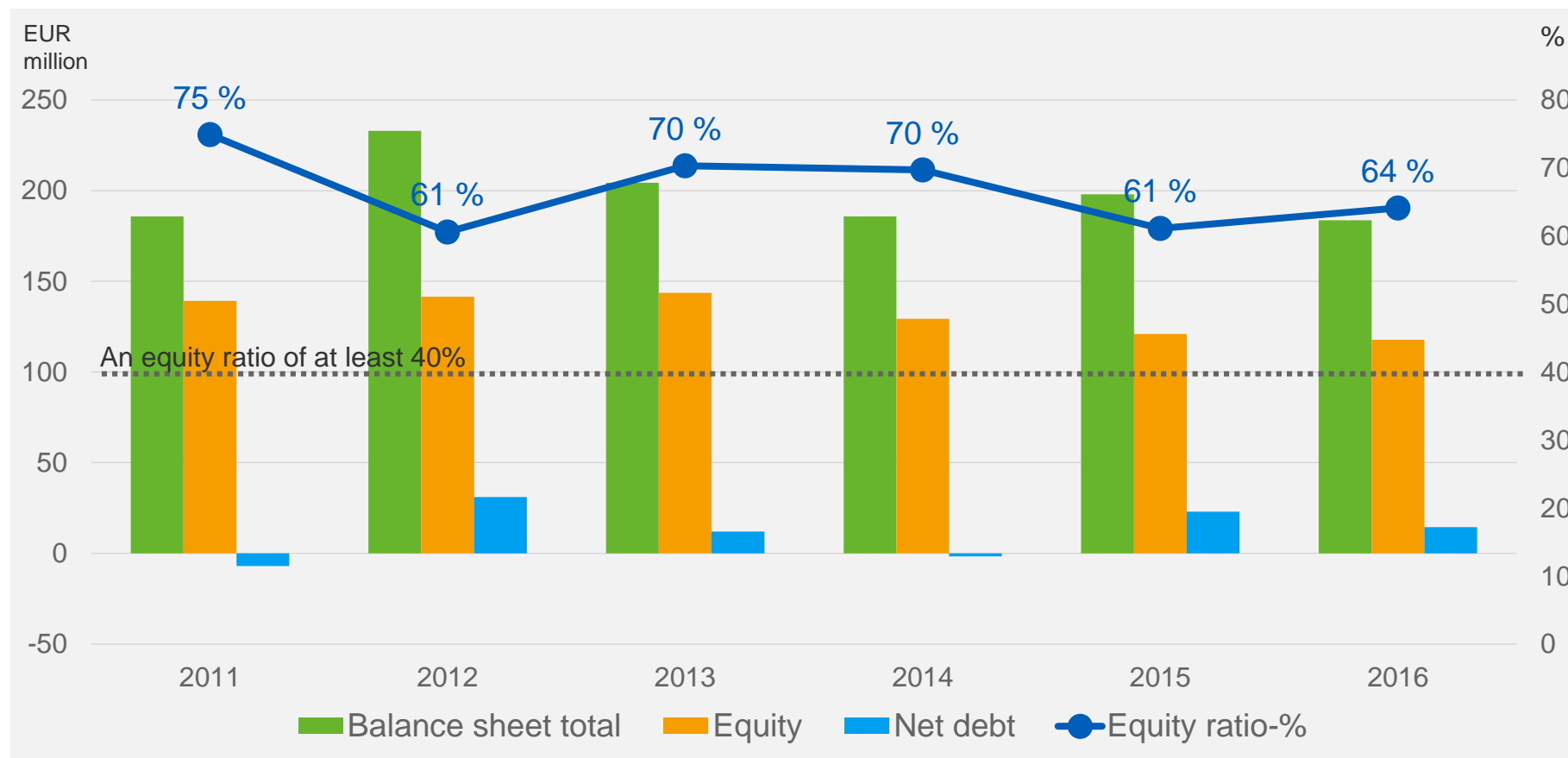
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# Strategy review



# Strong balance sheet for the new year 2017

Balance sheet total, equity, net debt and equity ratio-% 2011 - 2016



To manage its liquidity, the Group has:

- A commercial paper programme of EUR 100 million
- The total of commercial papers issued stood at EUR 11 million at the turn of the year
- EUR 45 million binding long-term credit facilities
  - EUR 40 million undrawn

# Strategic objectives and success stories of 2016

2016



Food



Expansion in fresh products

Renewal of frozen products

Enhancing production efficiency

Oilseed



In-depth R&D operations

Assesments (further processing)

Grain



Expanding the in the Baltic countries

Partnerships

Assesments

Fish



Investment in efficiency

Efficiency measures

Success stories in 2016

- Renewal & product development: Tuorekset, new frozen products, digitalisation
- Tuorekset, successful launch
- Frozen food sales & brand awareness improved
- Packaged oil sales boosted by packaging plant investment, also in export
- In-depth R&D established in Oilseed products
- Establishing market share in Baltics succesfull
- In Grain trade good volume development in the difficult market situation
- Efficiency investment program ready in Seafood, positive cash flow reached in H2/2016



# Apetit's strategic aim is to be the leader in vegetable-based food solutions







# Strategic guidelines



**Growth through higher value-added products and an attractive brand**



**Increased agility, with a focus on the production and commercial scale**



**New opportunities and industrial symbioses for the food chain from the bioeconomy**



**Primary production in partnership networks through closer cooperation**



**Investment in services and international sales**



**Leader of digitalisation in primary production and the consumer interface**

Continuous improvement and development of competitiveness

We are open to sector solutions that are suitable for our strategy

All business operations must be profitable over the long term

# *Apetit* Outlook for 2017

Sales in the Finnish retail sector and professional food service sector are expected to pick up in comparison to the previous year, but the price competition is expected to remain intensive. Ample supply is expected to continue to prevail in the global grains market, keeping prices and margins at a low level. This situation is not expected to change significantly before a more specific outlook is available for the new harvest season.

The Group's full-year operational EBIT\* is expected to improve year-on-year (EUR 0.9 million in 2016). Due to the seasonal nature of the Group's operations, most of the annual profit is accrued in the second half of the year.

With regard to profitability, favourable development will be supported by higher added value and positive sales development in Food Solutions, improved operational efficiency in Seafood and increased sales volumes in Grain Trade in comparison to the previous year.

Due to the substantial effect of international grain market price fluctuations on the Group's net sales, Apetit will not issue any estimates of its expected full-year net sales.

\*) Due to the amendments to the regulations of the European Securities and Markets Authority (ESMA), Apetit has replaced the key figure "operating profit excluding non-recurring items" with the key figure "operational EBIT" as of 2016. Operational EBIT does not include restructuring expenses, any significant impairment on goodwill or other balance sheet items or reversal of impairment, the profit of the associated company Sucros or other extraordinary and material items.

*Apetit*

2017:  
Apetit  
develops  
and innovates  
eating

#kasvisjauhis



#vegepops



#apetit



#vege

#tuorekset

VEGEMESSUT  
28.1.2017 | Kattilohalli, Helsinki | #vegemessut



#vegebuumi



#puolikiloapäivässä



Visio 2018  
The leader in  
vegetable-based  
food solutions





# Dividend proposal Annual General Meeting

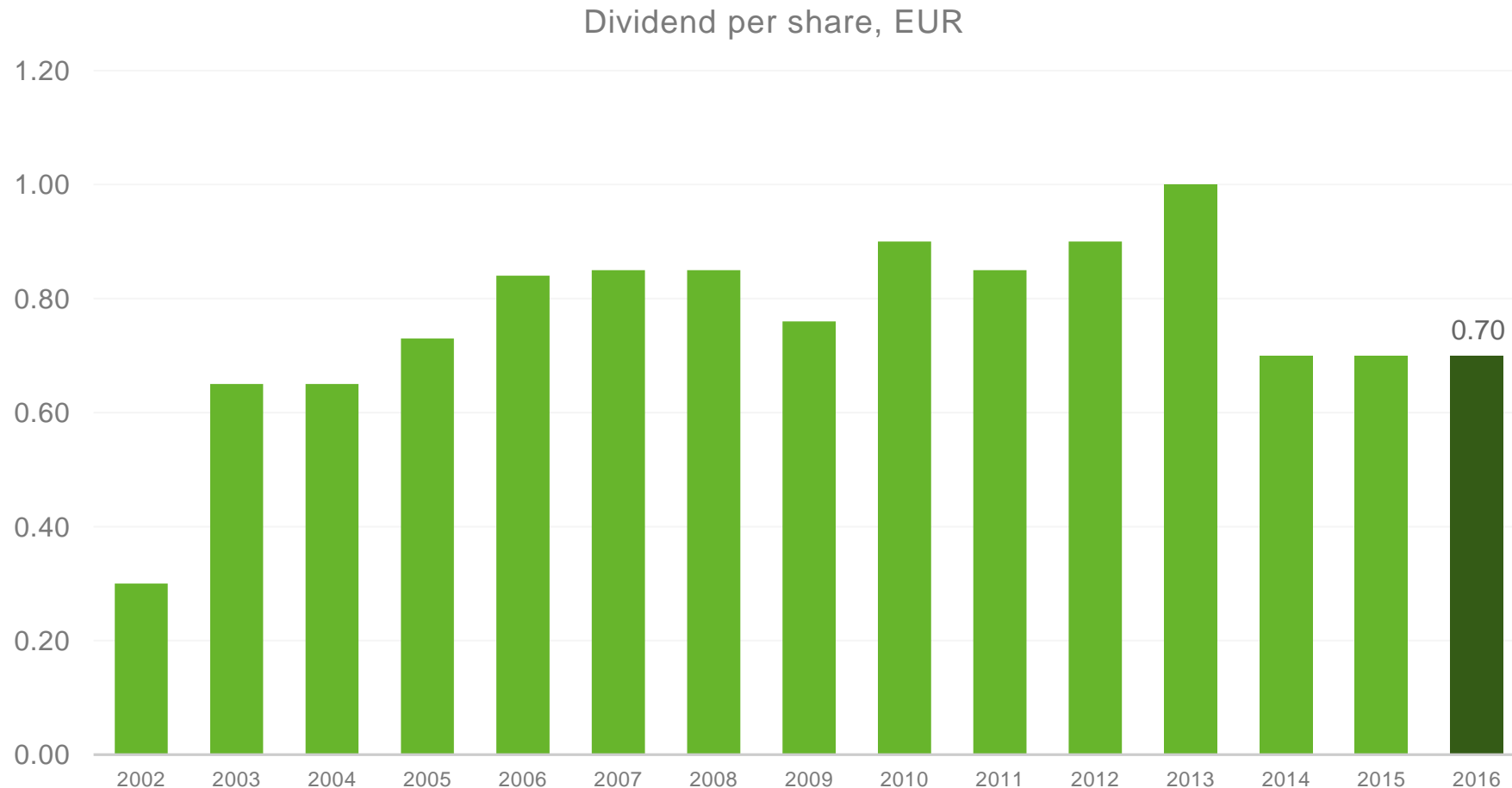
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# Dividend proposal for the AGM 2017

The Board of Directors' dividend proposal to the Annual General Meeting is EUR **0.70** per share.



## Dividend policy

The aim of the Apetit plc Board is to ensure that the share generates a good return and retains its value.

Dividend policy supports this goal.

The company will distribute in dividends at least 40 per cent of the profit for the financial year but not less than EUR 0.70 per share.

\*BOD's proposal

## Annual Report

Apetit Plc's Annual Report for 2016 will be published in the week beginning on 27 February 2016 at [www.apetitgroup.fi](http://www.apetitgroup.fi)

## Annual General Meeting

The Annual General Meeting will be held in Säkylä on Friday, 24 March 2017 at 1:00 p.m

*Apetit*

**Thank you**