



Apetit Plc

Interim Report for January – March 2014

Briefing for Analysts and Media
13th May 2014 at 10.00 am - Scandic Simonkenttä, Helsinki

Veijo Meriläinen, CEO



Material events subsequent to the end of the review period

Change of Apetit Plc's CEO

- **Apetit Plc's Board of Directors has relieved CEO Matti Karppinen on 29th April 2014 of his duties. He served the Apetit Group since September 2005. The search for the new CEO has been initiated.**
- The Chairman of the Board of Directors, **Aappo Kontu:**
- "The Board sees that success in the on-going restructuring of Apetit business model and organization, as well the solving the profitability challenges in certain Food Business product categories call for a new kind of leadership. Therefore, we have decided to relieve Matti Karppinen of his duties and initiate the search for a new CEO".
- The Deputy Chairman of the Board of Directors M.Sc.(Agric.), eMBA Veijo Meriläinen is appointed as CEO of Apetit Group until a successor has been appointed.
- "We thank Matti Karppinen for his long-term contribution and commitment to Apetit Group and the development of it's businesses in many areas."

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 in fresh fish and seafood products. Major position in grains and oilseeds.

Main markets

- Finland: Frozen foods, food solutions and vegetable oils
- Finland, Sweden and Norway: fresh fish and food products
- International: Grains and feedsuff

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





Apetit group structure

Food Business

Grains and Oilseeds Business

Other Operations

Apetit Pakaste 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%)



Key Figures for Q1/2014

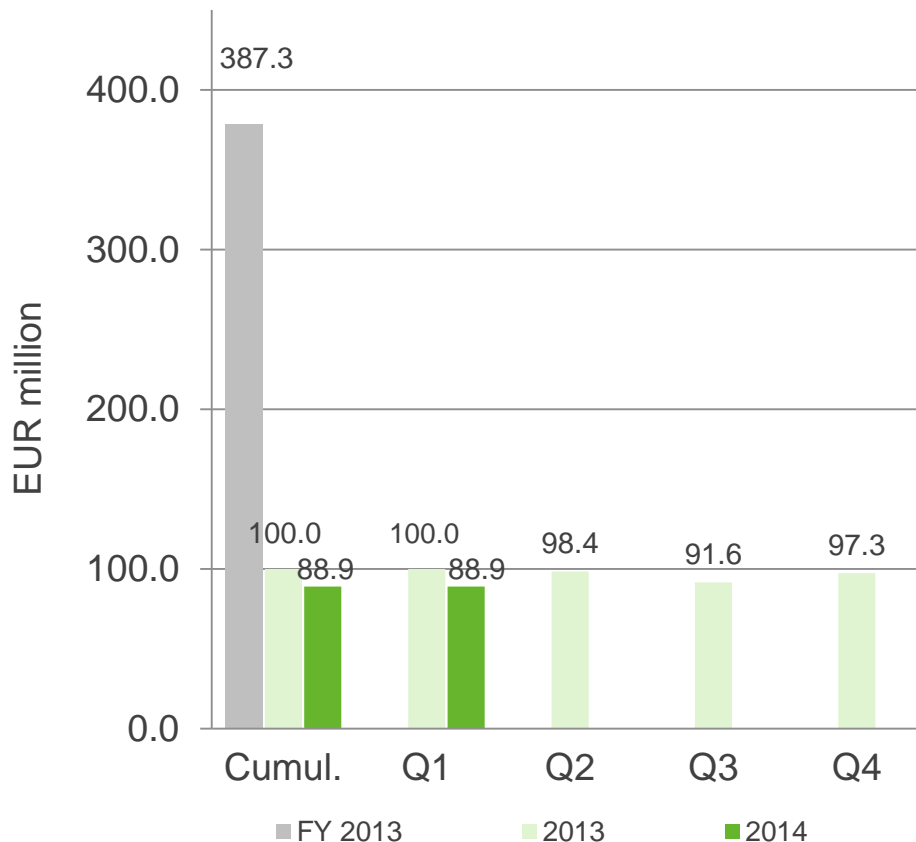
EUR million	Q1/ 2014	Q1/ 2013	Change	2013
Net sales	88.9	100.0	- 11 %	387.3
Operating profit excl. non.-recurring items	-0.2	1.3		12.2
Operating profit	-0.7	1.2		9.4
Profit before taxes	-1.0	0.7		9.3
Profit for the period	-1.2	0.7		9.3
Earnings per share, EUR	-0.14	0.16		1.63
Shareholders' equity per share, EUR	21.77	21.60		22.90
Equity ratio, %	69.5	63.3		70.3
Return on equity (ROE), %				6.5
Return on investment (ROI),%				7.0



Net sales

Net sales

Apetit group, comparison 2014/2013



**Q1 consolidated net sales
EUR 88.9 (100.0) million**

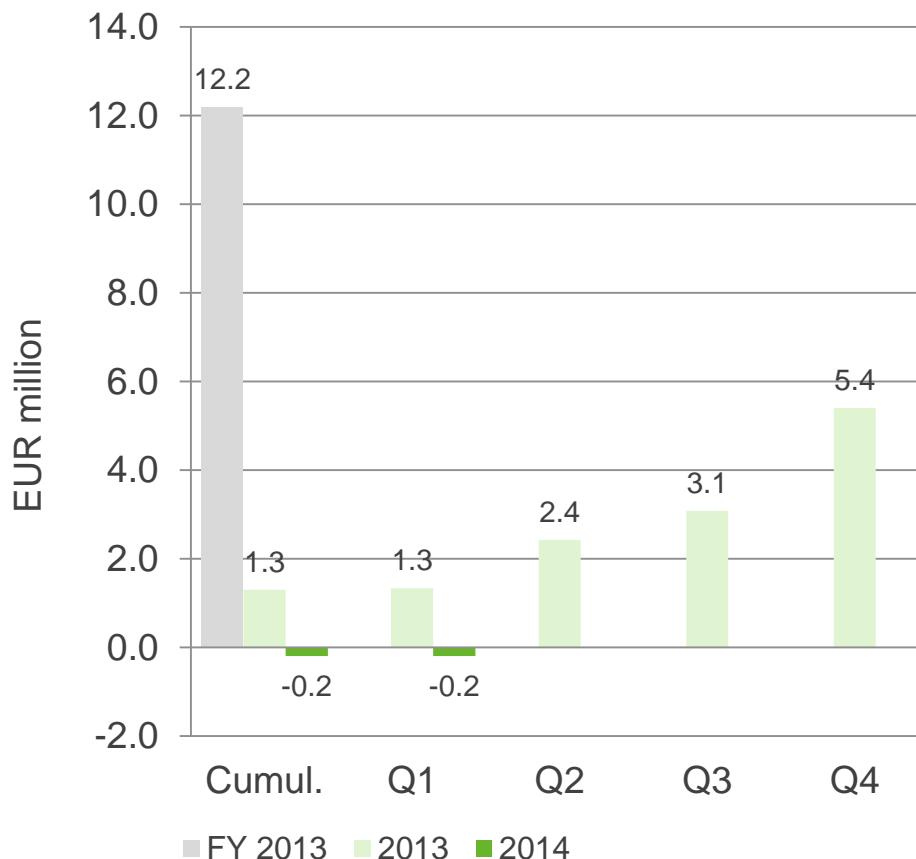
- 11 %

- Net sales in the Food Business and in the Grains and Oilseeds Business were down year on year.
- Net sales in the Grains and Oilseeds Business were lower as a result of the decrease in market prices.

Operating profit, excl. non-recurring items

Operating profit, excl. non-recurring items

Apetit group, comparison 2014/2013



Q1 Operating profit excluding non-recurring items EUR -0.2 (1.3) million

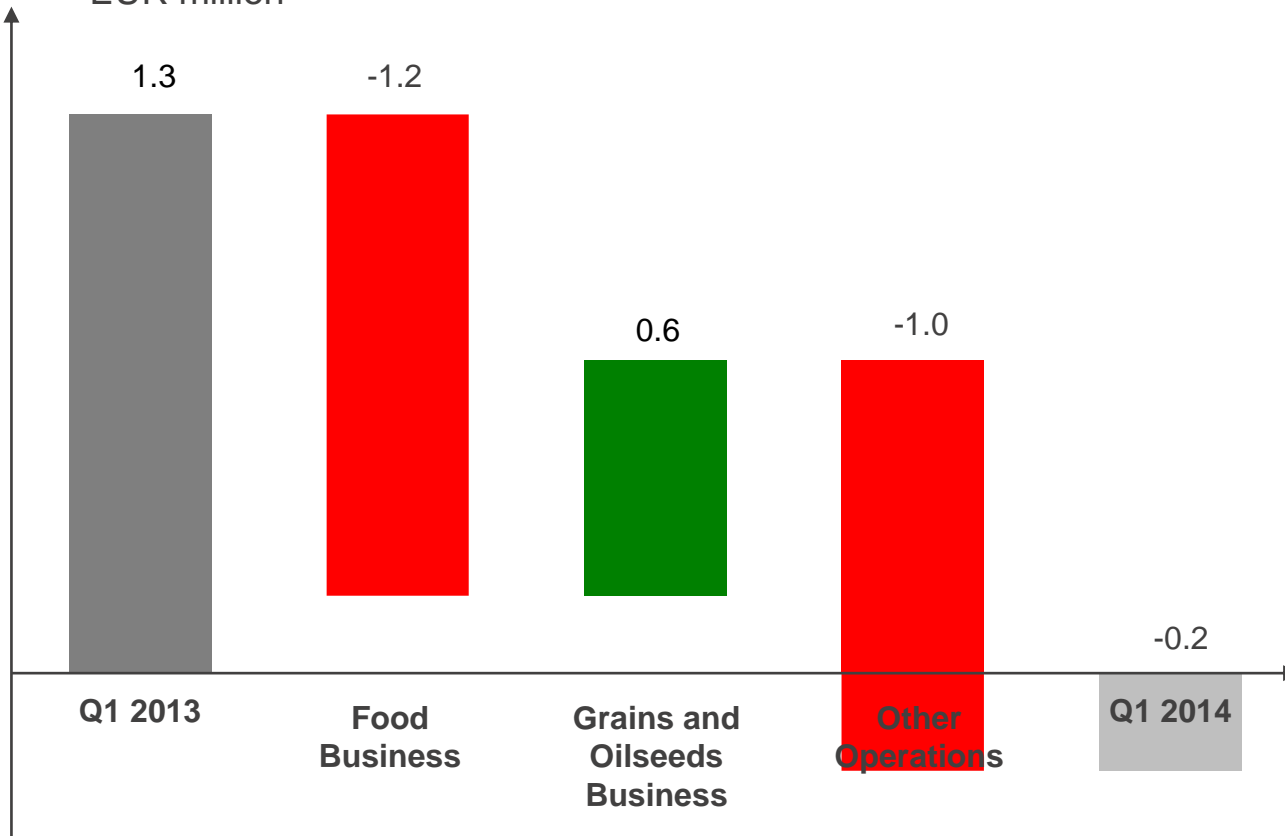
- In the Food Business and in Other Operations, the operating profit excluding non-recurring items was down from the previous year.
- The Food Business operating profit in the comparison period included EUR 1.1 million recognised as income in association with the additional purchase price of Caternet Finland Oy.
- In the Grains and Oilseeds Business, the profit excluding non-recurring items was up on the comparison period.
- Non-recurring items totalled EUR -0.4 (-0.2) million and were related to the Other Operations segment.
- The operating profit includes EUR -0.3 (0.6) million as the share of the profits of associated companies.



Operating profit, excl. non-recurring items

Change Q1/2014 vs. Q1/2013

EUR million



- In January-March, 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.
- 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, Kivikko 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

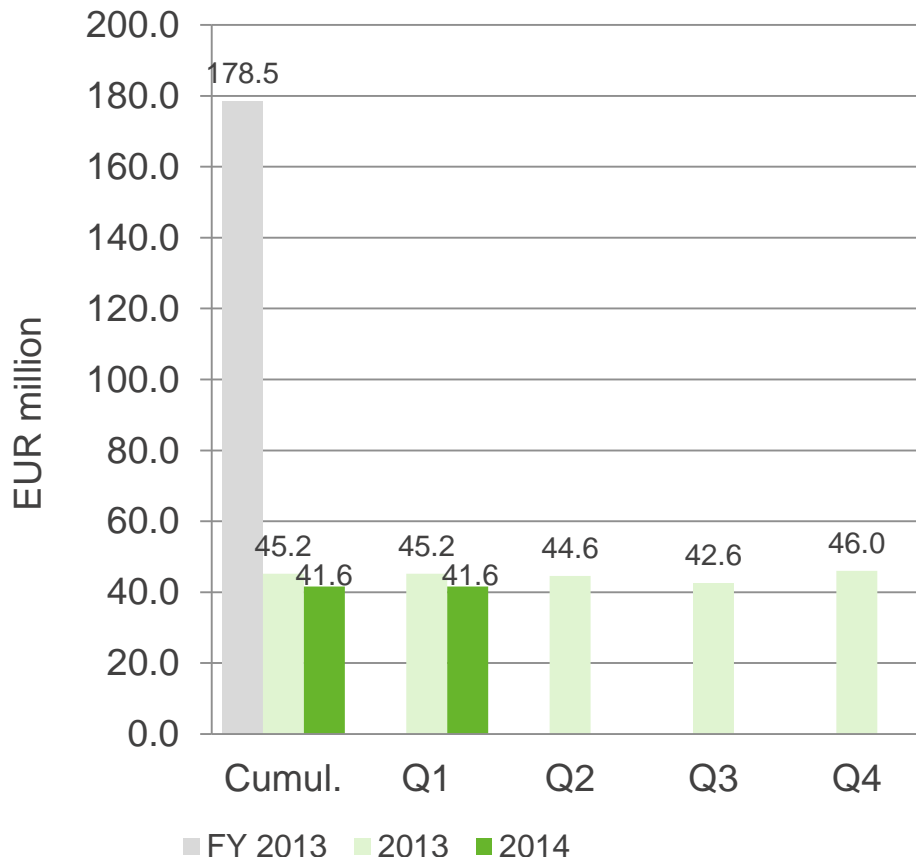
- Apetit supplies the professional food service sector with food products that make great meals – even on a daily basis if needed.
- The product range includes fresh and ready-to-use vegetable and fruit products, salads.
- Production unit in Kivikko, which is centrally located in Helsinki capital region.



Net sales were down in Food Business

Net sales

Food Business, comparison 2014/2013



**Q1 net sales EUR
41.6 (45.2) million**

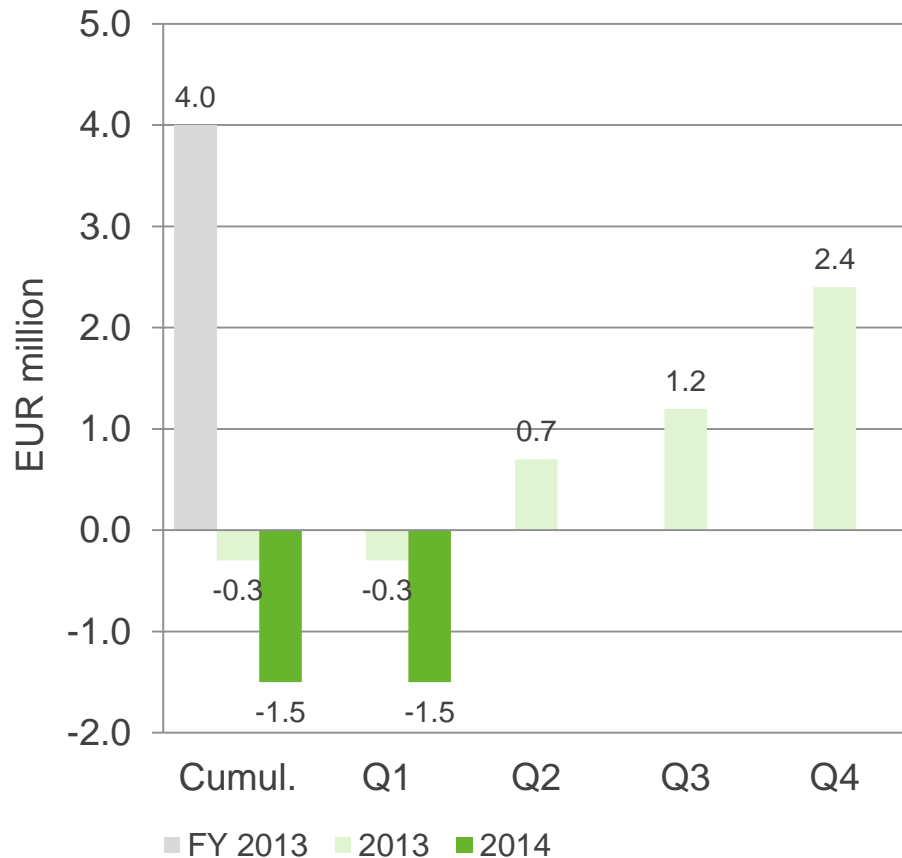
- 8 %

- First-quarter sales of frozen vegetables and frozen ready meals were below the level for the comparison period.
- Sales volumes of fresh product group and fish product group were down year on year.
- The drop in sales of fish product group in Finland was partly the result of the significant Easter sales period occurring in April in the current year compared with March in 2013.
- In Finland, surveys by the Federation of Finnish Commerce show that sales in the retail sector fell in 2013 by about one per cent, and the trend in the current year has also been negative.

Operating profit excluding non-recurring items was down

Operating profit, excl. non-recurring items

Food Business, comparison 2014/2013



Q1 operating profit excl. non-recurring items EUR -1.5 (-0.3) million

- The profitability of frozen foods product group was up from the comparison period figure.
- The profitability of fresh product group and fish product group in Finland was unsatisfactory.
- The operating profit for the comparison period included the positive effect of a EUR 1.1 million as the reduction in the estimate of the additional purchase price of Caternet Finland Oy.
- The share in the profit of associated company Taimen was EUR -0.1 (-0.2) million.

Profitability programmes in Food Business

Overhead savings in Food Business

- As a consequence of the weak state of the market and the unsatisfactory profit performance, it was decided during the first quarter that savings in overheads should be made in the Food Business in Finland through cost cutting measures and temporary lay-offs.
- It is anticipated that these measures will reduce overhead costs in 2014 by EUR 1.6 million in comparison with the figures for 2013. Savings of EUR 0.2 million towards this total were made in January-March.

Profitability programs in fish and fresh product groups in Finland

- In addition, programmes aimed at achieving a significant profitability improvement were launched in Finland in the fish and fresh products groups, covering all areas of operations.
- The aims of the programmes are to bring changes in operating methods in order to achieve a lasting competitive edge.
- The financial impact of these programmes will be examined later in the year.

Apetit Kotimainen range expanded and sales were up



Apetit Kotimainen Perunakuutio (400 g) (Home-grown potato cubes) was introduced in March. Now it's easy to cook potatoes in just ten minutes to be used in soups, salads and salty pastries.

Home-grown content means more to consumers each year

- Apetit Kotimainen sales were up by 13% from the previous year.
- In the consumer-packaged product group there are already 21 frozen and 10 fish products.
- There are 18 frozen products offered to the professional food service sector and 14 fish products in service sales.
- Apetit aims to strengthen the awareness and home-grown reputation of Apetit Kotimainen product range.

The consumer demand for 100 % finnish products is rising. The all-new package and website design for Neito oil were introduced in spring 2014.



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

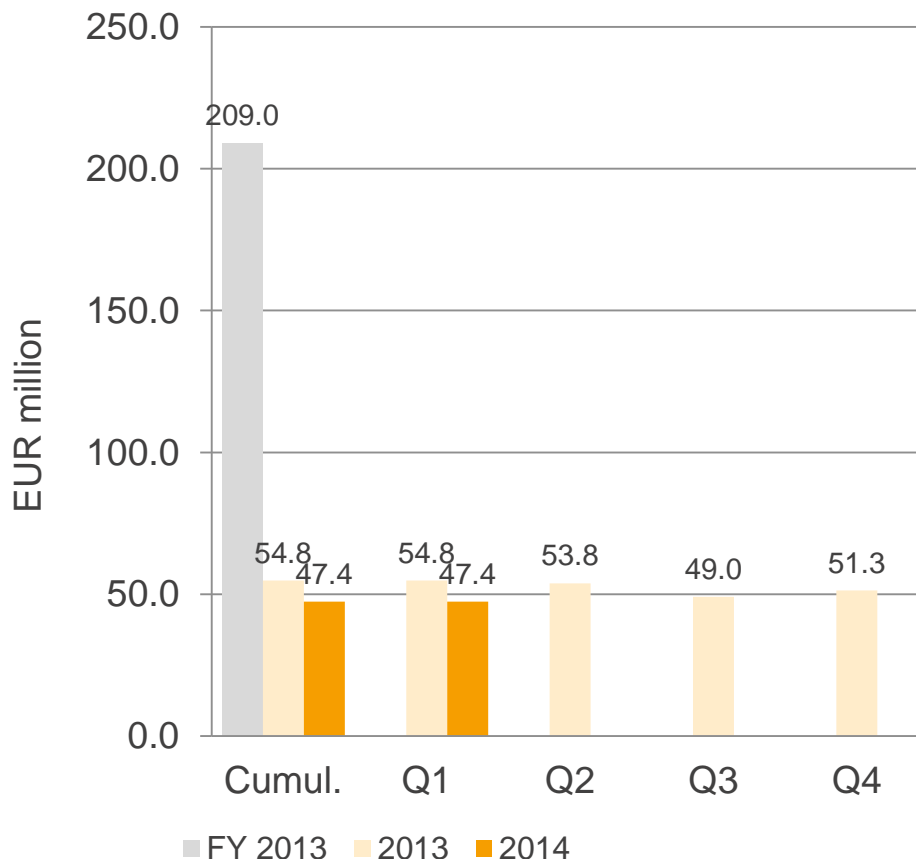
- Mildola's main raw material is Finnish rapeseed.
- Mildola's production process is environmentally friendly and chemical free, therefore the healthy microcomponents of the rapeseeds remain in the oil. Over 99.9% of the seed is used in the process.
- Protein feed created in the refining process is a valuable ingredient in farm animal feed.



Net sales in Grains and Oilseeds Business were down

Net sales

Grains and Oilseeds Business, comparison 2014/2013



Q1 net sales

EUR 47.4 (54.8) million

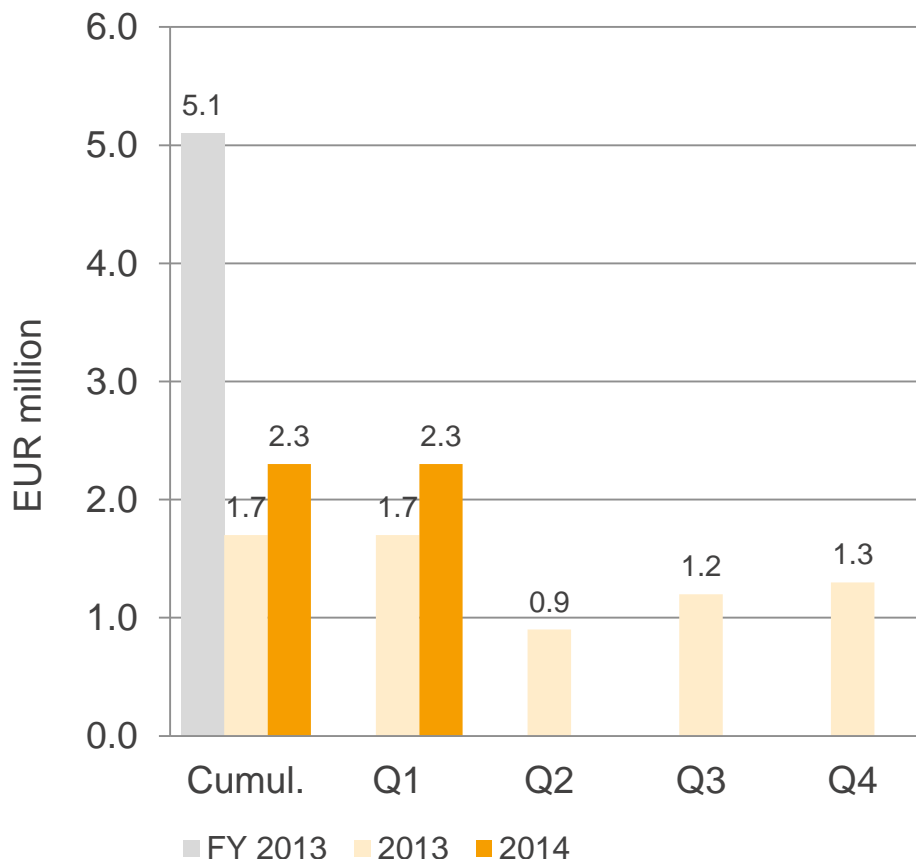
- 14%

- The grain trading sales volumes in tonnes were up on the comparison period. Sales volumes of oilseed product group were also up.
- Net sales in the Grains and Oilseeds Business were down as a result of the decrease in world market prices.
- The volumes in packaged rapeseed oils are intentionally and steadily increased.

Operating profit excluding non-recurring items was up

Operating profit, excl. non-recurring items

Grains and Oilseeds Business, comparison 2014/2013



Q1 operating profit, excluding non-recurring items was EUR 2.3 (1.7) million

- The operating profit excluding non-recurring items was higher than the previous year particularly as a result of the favourable trend in the refining margin for oilseed products.
- The positive trend in profitability was supported by successful raw material purchasing and by the steady volume growth for packaged rapeseed oil.
- The profit for the period includes a refund on energy taxes and a defined benefit plan refund, totalling altogether EUR 0.4 (0.0) million.

The continuation and development of rapeseed growing in Finland

A background image of a vast rapeseed field with bright yellow flowers in the foreground and a line of green trees in the distance under a blue sky with white clouds.

The area under rapeseed is expected to grow – the increase may, however, be limited by the availability of treated seeds.

- 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.
- In Finland, a survey of growers revealed that the area under cultivation is expected to grow in the 2014/2015 crop year by about 15 per cent to over 61,000 hectares but the increase in may, however, be limited by the availability of treated seeds for 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

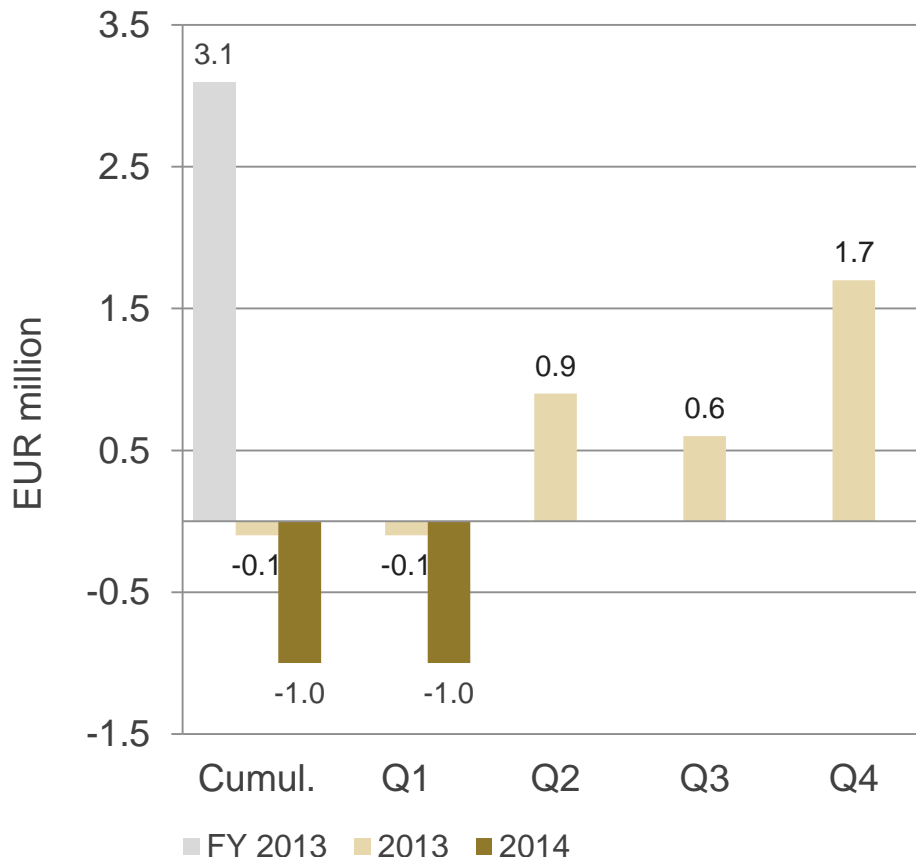
Other Operations

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 was down

Operating profit, excluding non-recurring items
Other Operations, comparison 2014/2013



Q1 operating profit, excluding non-recurring items EUR -1.0 (-0.1) million

- The segment's first-quarter operating profit excluding non-recurring items was down from the previous year.
- The share in the profit of associated company Sucros was EUR -0.2 (0.8) million. The result for the associated company Sucros was adversely affected by the declining market price of sugar and by the exceptionally large post adjustment items for transfer prices in the period.
- Non-recurring items amounted to EUR -0.4 (-0.2) 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 company's estimate of its full-year profit performance for 2014 has been updated.

- The Apetit Group is aiming to achieve organic growth in its Food Business and Grains and Oilseeds Business. The 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. Net sales for the first half of 2014 are expected to be lower than in the previous year as a result of lower market prices for grains.
- The company's estimate of its full-year profit performance for 2014 has been updated. On 25 February 2014, Apetit stated in its financial statements bulletin that the Group's full-year operating profit excluding non-recurring items is not expected to exceed the previous year's level. The company's new assessment is that the Group's full-year operating profit excluding non-recurring items is expected to fall short of the previous year's level.
- In the Other Operations segment, lower market prices for sugar are expected to weaken the result for the associated company Sucros. In the Food Business and the Grains and Oilseeds Business, the company is seeking an improvement in profitability from the figures for 2013. The second half of the year is expected to be more significant in terms of the total result than in 2013. The operating profit before non-recurring items for the first half of the year is expected to be lower than in the previous year.
- In addition, the outcome of the shareholder agreement dispute concerning Sucros may have a significant effect on the result for 2014. The decision is expected to be issued during 2014.



Other current issues

Restructuring the Food Business

- In 2013, the Apetit Group completed a significant restructuring of its Finnish consumer businesses, the objective of which is to raise consumer and customer orientation to an entirely new level, improve profitability and boost growth.
- Our objective is to make Apetit the preferred food solution for consumers who value wellbeing and the preferred partner for customers that value good service.



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 implementation of the new organisation and operating model has proceeded as planned.
- 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.
- The decision of the Arbitration Tribunal in the case is expected to be obtained during 2014.



Herkullista. Kotimaista.
Pakastealtaasta.



Tuoretta kalaa
herkkupöytiin.



Asiantuntevaa vilja- ja
öljykasvikauppaa.



Hyvän aterian ainekset
ammattikeittiöille.

Thank you for your interest

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