



Apetit



Apetit Plc's Half-Year Report 1 January–30 June 2020:

A positive turnaround for Apetit as all of the Group's businesses improve their profitability

April–June 2020, continuing operations*

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

January–June 2020, continuing operations*

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

*) Apetit's continuing operations are Food Solutions, including the frozen foods category, Oilseed Products and Grain Trade. In addition to the three reporting segments (Food Solutions, Oilseed Products, Grain Trade), Apetit will report Group Functions, consisting of the expenses related to Group management, strategic projects and listing on the stock exchange that are not allocated to the three business segments.

The reporting principles mentioned above are in effect starting from the company's reporting for the first half of 2020. The comparison figures for 2019 and the first quarter of 2020 in accordance with the new reporting model were published on 12 June 2020. Apetit also discontinued the use of alternative profitability-based performance measures.

The information in this report is unaudited. The figures in brackets refer to the corresponding period in 2019, and the comparison period means the corresponding period in the previous year, unless otherwise stated. The comparison figures have been adjusted to correspond to the continuing operations in 2020, except the service business, which is included in the comparison figures for the first half of 2019. The service business was gradually divested by the end of April 2019.

Key events during the period:

- Apetit published its strategy and financial objectives for 2020–2022 in May: Further strengthening of the unique value chain is at the core of the renewed strategy.

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.

Esa Mäki, CEO:

“We achieved a positive turnaround in profits as all of the Group’s businesses improved their profitability in the second quarter: 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 positive profit performance of the Group 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 and improvements in efficiency in everything we do.

The impacts of the COVID-19 pandemic vary between the Group’s businesses. In Food Solutions, sales in the retail segment remained at a high level in the second quarter, even if the uptick in demand levelled off compared to the early days of the exceptional circumstances. Food service sales saw a partial recovery in the early summer but were significantly below the reference 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.

The COVID-19 pandemic has required extra effort in every stage of the food supply chain, but Finnish food production has proved its resilience and functionality even under exceptional circumstances. This has led to a marked increase in the visibility and appreciation of domestic food. I want to take this opportunity to thank our stakeholders and Apetit’s personnel for their flexibility and ability to work under challenging circumstances.

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. The area under cultivation of oilseed plants was at a record low and the domestic oilseed harvest is expected to be the worst in decades. The total harvest of domestic grains is likely to be substantially weaker than in the previous year. In the Baltic countries, the harvest outlook is good for grains as well as oilseed plants.

The European Food Safety Authority (EFSA) issued a verdict in late July in favour of granting a novel food authorisation for Apetit’s rapeseed ingredient. This is an important step in the long process that developing an entirely new food product entails. The final decision on the novel food authorisation is expected at the beginning of 2021 at the latest.

In May, Apetit published its new strategy for 2020–2022. The five strategic focus areas are *Optimising core business functions*, *Strong foothold in Sweden*, *Growth from plant-based added value products*, *Developing farming partnerships* and *Sustainable actions*.

In accordance with the strategic focus areas, Apetit focuses on improving its performance in all of its operations, strengthening its market position in Sweden particularly in the food segment, pursuing growth from new plant-based added value products, developing and expanding farmer partnerships in all of the company’s businesses and continuously improving the sustainability of operations through practical actions.

The turnaround in profitability that we have achieved puts us in a good position to implement our new strategy and accomplish the targets set in it. In line with our vision, we aim to make Apetit a successful Finnish company focusing on plant-based food products.”

KEY FIGURES

EUR million	4–6 2020	4–6 2019	Change	1–6 2020	1–6 2019	Change	2019
Continuing operations							
Net sales	73.7	64.5	14%	138.8	135.5	2%	296.9
EBITDA	1.6	-2.5		3.3	-1.3		0.8
Operating profit	0.1	-3.9		0.3	-3.9		-4.8
Share of profit of associated company Sucros	-0.3	0.1		-0.7	-0.3		-0.9
Profit for the period	-0.3	-3.3		-0.8	-3.9		-5.4
Earnings per share, EUR	-0.05	-0.54		-0.13	-0.63		-0.87
Working capital at the end of the period				22.1	27.2		64.0
Investment Group (incl. operations discontinued during the comparison period)				3.3	7.3		11.5
Net sales	73.7	69.6		138.9	146.0		312.6
EBITDA	1.7	-2.6		3.4	-1.6		2.9
Operating profit	0.2	-4.4		0.4	-4.9		-3.4
Profit for the period	-0.2	-3.7		-0.7	-4.8		-4.4
Earnings per share, EUR	-0.04	-0.60		-0.12	-0.77		-0.71
Equity per share, EUR				14.65	15.25		15.09
ROCE %				1.5%	-6.6%		-4.0%
Net cash flow from operating activities				45.9	29.8		-5.9
Equity ratio				68.8%	71.6%		55.0%
Gearing				-4.7%	8.9%		35.9%

NET SALES AND PROFIT OF CONTINUING OPERATIONS

April–June

Net sales in the second quarter were EUR 73.7 (64.5) million. The operating profit was EUR 0.1 (-3.9) million. The operating profit includes capitalisation of fixed costs arising from harvest-time production and a decrease in grain stocks in the amount of EUR -1.2 (-1.1) million.

The share of the profit of the associated company Sucros was EUR -0.3 (0.1) million in April–June.

The profit before taxes was EUR -0.3 (-3.9) million, and taxes on the profit for the period came to EUR -0.1 (0.6) million. Profit for the period came to EUR -0.3 (-3.3) million, and earnings per share amounted to EUR -0.05 (-0.54).

January–June

Net sales in January–June amounted to EUR 138.8 (135.5) million. The operating profit was EUR 0.3 (-3.9) million. The operating profit includes capitalisation of fixed costs arising from harvest-time production and a decrease in grain stocks in the amount of EUR -1.6 (-1.9) million.

The share of the profit of the associated company Sucros was EUR -0.7 (-0.3) million in January–June.

Financial income and expenses totalled EUR -0.3 (-0.4) million.

The profit before taxes was EUR -0.7 (-4.6) million, and taxes on the profit for the period came to EUR -0.1 (0.7) million. Profit for the period came to EUR -0.8 (-3.9) million, and earnings per share amounted to EUR -0.13 (-0.63).

CASH FLOW, FINANCING AND BALANCE SHEET

Apetit Group's balance sheet position remained strong in terms of the equity ratio as well as liquidity. The Group had no net debt on 30 June 2020.

The consolidated cash flow from operating activities amounted to EUR 45.9 (29.8) million in January–June. The impact of the change in working capital was EUR 42.9 (32.5) million. The effect of seasonality on the change in working capital is presented below under 'Seasonality of operations'.

The net cash flow from investing activities was EUR -3.3 (-7.5) million. The cash flow from financing activities came to EUR -19.1 (-19.8) million, including EUR -15.5 (-18.0) million in net loan repayments and EUR -2.8 (-2.5) million in dividend payments.

At the end of the period, the continuing operations had EUR 22.1 (12.0) million in interest-bearing liabilities and EUR 26.4 (5.1) million in liquid assets. Net interest-bearing liabilities totalled EUR -4.2 (6.8) million.

The consolidated balance sheet total stood at EUR 132.5 (132.4) million. At the end of the review period, equity totalled EUR 91.2 (94.8) million. The equity ratio was 68.8 (71.6) per cent, and gearing was -4.7 (8.9) per cent. The Group's liquidity is managed by committed credit facilities, fixed loans and a commercial paper programme. At the end of the period, the available credit facilities amounted to EUR 24 (29) million. The total of commercial papers issued stood at EUR 10.0 (3.0) million.

INVESTMENT

Investment by continuing operations in non-current assets came to EUR 3.3 (7.3) million and was divided as follows: Food Solutions EUR 1.5 (6.8) million, Oilseed Products EUR 1.6 (0.4) million and Grain Trade EUR 0.1 (0.0) million.

PERSONNEL

In January–June 2020, the continuing operations had 335 (383) employees in full-time equivalents. Apetit Group had 357 employees at the end of June. The number of employees at Apetit's Säkylä plant varies during the year based on the harvest seasons.

STRATEGY

Strategy period 2020–2022

Apetit Plc has published its strategy for 2020–2022. A key feature of the renewed strategy is strengthening the existing unique value chain that has a strong foundation in Finnish primary production. The operations of the strategy season aim towards the objective of building Apetit into a successful Finnish company focusing on plant-based food products.

The strategy specifies five strategic focus areas for Apetit Group:

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 exports. 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

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.

OPERATING ENVIRONMENT

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. Consequently, 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. In the Oilseed Products business, the demand for vegetable oils grew particularly in the retail segment. In the Grain Trade business, the exceptional circumstances have only had a minor impact, mainly in the form of increased market volatility.

Apetit aims to anticipate the business impacts of the pandemic to the greatest extent possible and consider the impacts of various scenarios on the Group's operations in the short term as well as the long term.

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 this end, 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 and 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. The precautionary measures take into account all of the key functions in the company's value chain, such as raw material sourcing and the procurement of materials as well as production and logistics, customer cooperation, sales and support functions. The Finnish food supply chain has proved its resilience and functionality even under difficult and exceptional circumstances. This has led to a marked increase in the visibility and appreciation of domestic food production.

SUSTAINABLE VALUE CHAIN

Apetit engages in, and develops, sustainable business in accordance with the objectives specified in the corporate responsibility programme. The key measures taken to support sustainable business are as follows:

Bioenergy plant in Kirkkonummi

Apetit is building a bioenergy plant in connection at the Kirkkonummi oil milling plant. It will replace the current energy solution that uses non-renewable fuels and will halve the Group's CO₂ emissions per production tonne by 2022.

Experimental farm promotes carbon farming and soil health

Apetit participates in the Carbon Action project, which involves researchers, farmers and companies working together to promote farming practices that sequester carbon. Apetit is offering its experimental farm for use in the project for a period of five years to promote research, development and practices related to carbon farming.

In addition to Carbon Action project activities, the experimental farm is currently piloting measures that improve soil health. They promote adaptation to climate change by influencing soil health and water resource management to improve the soil's capacity to retain water, nutrients and carbon.

Sustainable packaging solutions

As part of the long-term development of packaging solutions, Apetit is committed to reducing the thickness of packaging plastic used in consumer packaging, increasing the recyclability of packaging, improving the clarity of recycling indications and instructions on packaging as well as choosing materials manufactured from renewable natural resources where possible.

Bioenergy from side streams

Side streams from harvest season production, such as husks and plant material discarded during quality assurance processes, are delivered to a biogas plant located near the Säkylä production facility, where they are turned into bioenergy and soil improvement products. In the future, production side streams from the Kirkkonummi oil milling plant will also be used as fuel in the company's own bioenergy plant.

Products made from domestic lake fish

Apetit's product family based on domestic lake fish has established its position on Finnish consumers' dinner tables. Apetit freshwater fish fingers are made from roach caught in Finnish lakes as part of fish stock management, which increases Apetit's selection of sustainable fish products. Fish stock management helps reduce the eutrophication of lakes, among other things. The other products in the product family include Järvikalapihvit freshwater fish cakes and Särkisen fish balls made from roach.

Improving material efficiency

At the beginning of 2020, Apetit joined the food industry's material efficiency commitment with goals such as improving the efficiency of the use of raw materials, reducing the volumes of mixed waste and cutting back on water consumption. By enhancing material efficiency, Apetit seeks to improve the efficiency of its production operations as well as profitability. Apetit also strives to better identify the stages of production where it is possible to not only prevent raw material and material waste, but also conserve other natural resources and further increase process efficiency.

Electricity from wind power

All of the electricity used by Apetit Group has been generated from renewable energy sources starting from 1 April 2020. Going forward, Apetit's production facilities run exclusively on wind power. The adoption of renewable energy will reduce the CO₂ emissions from Apetit Group's energy consumption by 29 per cent.

SEASONALITY OF OPERATIONS

In accordance with the IAS 2 standard, the historical cost of inventories includes a systematically allocated portion of the fixed production overheads. With production focusing on harvest time, raw materials are mainly processed into finished products during the second half of the year. This means that more fixed production overheads are recognised on the balance sheet in the second half of the year than during the first half of the year. Due to this accounting practice, most of the Group's annual profit is accrued during the second half of the year. The seasonal nature of profit accumulation is most marked in the frozen foods group of the Food Solutions segment and in the associated company Sucros, where production reflects the crop harvesting season.

Harvesting seasons also cause seasonal variation in the amount of working capital tied up in operations. Working capital tied up in Grain Trade and Oilseed Products is at its highest towards the end of the year and decreases to its lowest in the summer before the next harvest season. As the production of frozen products is also seasonal and follows the harvest period, the working capital tied up in operations is at its highest around the turn of the year in the Food Solutions segment.

Net sales in Grain Trade vary from one year and quarter to the next, even quite considerably, being dependent on the demand and supply situation and on the price level in Finland and other markets.

OVERVIEW OF OPERATING SEGMENTS



Food Solutions

Frozen vegetables and foods

EUR million	4–6 2020	4–6 2019	Change	1–6 2020	1–6 2019	Change	2019
Net sales	12.8	13.3	-3%	29.6	29.9	-1%	58.9
EBITDA	0.3	-0.2		2.3	1.2		5.9
Operating profit	-0.5	-0.8		0.7	0.0		2.5

Financial and operational performance in April–June

Net sales for April–June came to EUR 12.8 (13.3) million. The sales of frozen products grew particularly in the retail segment as food consumption shifted to people's homes due to the exceptional circumstances associated with 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, such as schools and day-care centres, scaled back their operations. The divestment of the service business also reduced the segment's net sales.

The operating profit was EUR -0.5 (-0.8) million. 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.

Summary of January–June

The net sales of Food Solutions remained on a par with the previous year, while profitability improved substantially year-on-year.

The COVID-19 pandemic resulted in sales growth in the retail segment and a substantial decline in sales in the food service channel. The gradual discontinuation of the service business reduced net sales.

Exports of frozen products to Sweden grew in line with expectations: eight products sold under the *Apetit* brand have been included in the national product selection of ICA, the largest retail chain in Sweden. The exports of frozen products doubled from the comparison period.

Investments totalled EUR 1.5 (6.8) million in the Food Solutions business.

Operating environment

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.

In the retail segment, the frozen foods category* (excluding ice cream products) grew by 18 per cent year-on-year in Finland. Food service wholesale** declined by 19 per cent in January–June. The exceptional circumstances caused by the coronavirus affected the development of the business.

*Source: Nielsen Homescan Finland **Source: Finnish Grocery Trade Association (PTY)



Oilseed Products

Vegetable oils and rapeseed meal

EUR million	4–6 2020	4–6 2019	Change	1–6 2020	1–6 2019	Change	2019
Net sales	16.0	16.4	-2%	33.1	32.4	2%	65.0
EBITDA	1.0	0.6		1.6	1.3		2.3
Operating profit	0.7	0.4		1.1	0.9		1.5

Financial and operational performance in April–June

Net sales in April–June totalled EUR 16.0 (16.4) million. The slight year-on-year decrease was attributable to the negative impact of the COVID-19 pandemic on sales to the food service segment. The main export markets were Norway and Sweden, with exports representing 25 per cent of net sales.

The operating profit was EUR 0.7 (0.4) million. Profit was improved particularly by the higher market prices of rapeseed meal and a substantial increase in the retail sales of rapeseed oil.

Summary of January–June

The net sales of Oilseed Products grew and profitability improved slightly year-on-year.

As a part of its efficiency improvement, Apetit is building a bioenergy plant in conjunction with its rapeseed oil milling plant in Kirkkonummi. Construction progressed on the bioenergy plant, which is expected to be commissioned in late 2020.

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 ingredient. Following the favourable verdict, the proposal will move forward to the European Commission, with the decision on the novel food authorisation expected at the beginning of 2021 at the latest. The development effort has also continued — with the help of funding from Business Finland — in the second stage of the project, which focuses on the customer-driven development of new ingredients based on the existing ingredient as well as combining it with other ingredients to create versatile hybrid ingredients.

Investment totalled EUR 1.6 (0.4) million and was mainly related to the construction of the bioenergy plant at the Kirkkonummi oil milling plant and replacement investments at the production plant.

Operating environment

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.



Grain Trade

Finnish and international trade in grains, oilseeds, pulses and raw materials for animal feed

EUR million	4–6 2020	4–6 2019	Change	1–6 2020	1–6 2019	Change	2019
Net sales	50.5	34.9	45%	86.8	73.3	18%	194.9
EBITDA	0.7	-2.4		0.7	-2.6		-4.8
Operating profit	0.5	-2.8		0.2	-3.4		-5.6

Financial and operational performance in April–June

Net sales in April–June grew substantially to reach EUR 50.5 (34.9) million as delivery volumes increased year-on-year.

The operating profit improved significantly and amounted to EUR 0.5 (-2.8) million. 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.

Summary of January–June

Net sales grew and profitability improved substantially year-on-year.

The effects of the COVID-19 pandemic on the grain trade have been varied: the price of grain first began to fall in the early stages of the exceptional situation, but subsequently rose quickly as the high demand for grain-based products drove the grain-using industries to take preparatory measures and increase their purchasing activity. Towards the end of the review period, the price development of grain returned to normal and fluctuations in price were mainly driven by information based on the growing season's harvest forecasts.

Investment in the Grain Trade business totalled EUR 0.1 (0.0) million.

Operating environment

Natural Resources Institute Finland 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.

Group Functions

EUR million	4–6 2020	4–6 2019	Change	1–6 2020	1–6 2020	Change	2019
Net sales	0.0	0.0		0.0	0.0		0.0
EBITDA	-0.5	-0.5		-1.3	-1.2		-2.6
Operating profit	-0.7	-0.6		-1.7	-1.5		-3.1

Group Functions, consisting of the expenses related to Group management, strategic projects and listing on the stock exchange, are reported as expenses that are not allocated to the business segments.

AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

On 27 March 2018, the Annual General Meeting authorised the Board of Directors to decide on share issues. The authorisation includes the right to issue new shares or transfer Apetit Plc shares held by the company. The authorisation covers a maximum total of 626,757 shares, consisting of up to 520,331 new shares and 106,426 Apetit Plc shares held by the company (the company held a total of 94,700 treasury shares on 30 June 2020).

The subscription price for each new share will be at least the share's nominal value (EUR 2). The transfer price for Apetit shares held by the company will be at least the market value of the share at the time of transfer, which is determined by the price quoted in public trading on the Nasdaq Helsinki. The Board of Directors will also have the right to issue shares against considerations other than cash. In the implementation of share-based incentive or reward schemes, shares can also be issued without consideration.

The authorisation includes the right to deviate from the shareholders' pre-emptive subscription right (targeted issue) if the company has an important financial reason for doing so, such as the development of the company's capital structure, the financing and implementation of corporate acquisitions or other arrangements, or the implementation of a share-based incentive or reward scheme.

The authorisation is valid until the 2021 Annual General Meeting.

USE OF THE AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

In accordance with a decision made by the Supervisory Board regarding the remuneration of Board members, a total of 6,255 Apetit Plc shares held by the company were transferred to the Board members on 3 December 2019.

SHARES

The shares of Apetit Plc are all in one series. All shares carry the same voting and dividend rights. The company has a total of 6,317,576 shares.

Treasury shares

At the end of the review period, the company held a total of 94,700 treasury shares acquired during previous years. These treasury shares represent 1.5 per cent of the company's total number of shares and votes. The company's treasury shares carry no voting or dividend rights.

Share turnover

The number of Apetit Plc shares traded on the stock exchange during the review period was 1,230,242 (495,897), representing 19.5 (7.8) per cent of the total number of shares. The highest share price quoted was EUR 10.20 (9.84) and the lowest was EUR 7.12 (8.50). The average price of shares traded was EUR 8.76 (9.05). The share turnover for the period was EUR 10.8 (4.5) million. At the end of the review period, the market capitalisation was EUR 53.9 (54.5) million.

DECISIONS OF THE ANNUAL GENERAL MEETING 2020

Apetit Plc's Annual General Meeting was held in Säkylä on 26 May 2020. The Annual General Meeting adopted the parent company's financial statements and the consolidated financial statements, and discharged the members of the Supervisory Board, the Board of Directors and the CEOs from liability for the financial year 2019. The Board of Directors' proposals to the Annual General Meeting were approved without changes.

Dividend distribution

The Annual General Meeting decided to distribute a dividend of EUR 0.45 per share in accordance with the Board's proposal. The dividend was paid on 4 June 2020.

Election of the auditors

Pasi Karppinen, APA, and PricewaterhouseCoopers Oy, Authorised Public Accountants, with Tuomo Korte, APA, as the auditor with principal responsibility, were appointed as the company's auditors for the period ending at the close of the 2021 Annual General Meeting.

ELECTION OF THE SUPERVISORY BOARD MEMBERS

The Annual General Meeting 2020 confirmed that the Supervisory Board will have 18 members elected by the Annual General Meeting. Five persons were appointed to replace members of the Supervisory Board completing their term. Jaakko Halkilahti, Marja-Liisa Mikola-Luoto, Petri Rakkolainen and Mauno Ylinen were re-elected. Olli Saaristo was elected as a new member of the Supervisory Board.

Heikki Laurinen and Pekka Perälä were elected by the Annual General Meeting as the members of the Supervisory Board's Nomination Committee.

SHORT-TERM RISKS AND UNCERTAINTIES

In addition to the impacts of the ongoing COVID-19 pandemic, the most significant short-term risks for the Apetit Group are related to the management of raw material price changes, the harvest quality and quantity of grain, oilseed plants and field vegetables, the functioning of the financing markets, the solvency of customers, the delivery performance of suppliers and service providers, and changes in the Group's business areas and customer relationships.

MATERIAL EVENTS AFTER THE END OF THE REVIEW PERIOD

At its organisational meeting on 12 August 2020, Apetit Plc's Supervisory Board appointed Harri Eela as Chair and Marja-Liisa Mikola-Luoto as Vice Chair.

The Supervisory Board decided to elect six members to Apetit Plc's Board of Directors. Lasse Aho, Annikka Hurme, Antti Korpiniemi, Simo Palokangas, Kati Rajala and Niko Simula were elected as members of the Board of Directors. Simo Palokangas was appointed as Chair of the Board of Directors and Lasse Aho as Deputy Chair.

At its organisational meeting, Apetit Plc's Board of Directors elected members to its Audit Committee from among its members until the end of the Board's term of office. Lasse Aho was elected as the Chair of the Audit Committee and Niko Simula as a member.

In accordance with the decision of the Supervisory Board, the Board members will be paid an annual remuneration of EUR 19,560 and that the Chair and Deputy Chair will receive an annual remuneration of EUR 39,060 and EUR 24,120, respectively. A total of 60 per cent of the annual remuneration will be paid in cash and 40 per cent in the form of Apetit Plc shares held by the company at the current value of the shares at the time of transfer. The remuneration will be paid once a year in December. It was also decided that the Chair and members of the Board of Directors be paid a meeting allowance of EUR 510 and EUR 300, respectively.

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.

CONSOLIDATED INCOME STATEMENT

EUR million

	4-6/ 2020	4-6/ 2019	1-6/ 2020	1-6/ 2019	1-12/ 2019
Net sales	73.7	64.5	138.8	135.5	296.9
Other operating income	0.1	0.2	0.4	0.6	1.2
Operating expenses	-72.2	-67.2	-135.9	-137.4	-297.3
Depreciation	-1.5	-1.4	-3.0	-2.6	-5.5
Impairments	0.0	0.0	0.0	0.0	-0.1
Operating profit	0.1	-3.9	0.3	-3.9	-4.8
Share of profits of associated companies	-0.3	0.1	-0.8	-0.3	-1.0
Financial income and expenses	0.0	-0.2	-0.3	-0.4	-0.7
Profit before taxes	-0.3	-3.9	-0.7	-4.6	-6.4
Income taxes	-0.1	0.6	-0.1	0.7	0.9
Profit for the period, continuing operations	-0.3	-3.3	-0.8	-3.9	-5.4
Profit for the period, discontinued operations	0.1	-0.4	0.1	-0.9	1.0
Profit for the period, equity holders of the parent	-0.2	-3.7	-0.7	-4.8	-4.4
Basic and diluted earnings per share, calculated of the profit attributable to the shareholders of the parent company, EUR,					
Continuing operations	-0.05	-0.54	-0.13	-0.63	-0.87
Discontinued operations	0.01	-0.07	0.01	-0.14	0.16
To the shareholders of the parent company	-0.04	-0.60	-0.12	-0.77	-0.71

STATEMENT OF COMPREHENSIVE INCOME

EUR million

	4-6/ 2020	4-6/ 2019	1-6/ 2020	1-6/ 2019	1-12/ 2019
Profit for the period	-0.2	-3.7	-0.7	-4.8	-4.4
Other comprehensive income					
Items which may be reclassified subsequently to profit or loss:					
Cash flow hedges	0.8	-0.4	1.0	0.2	-0.4
Taxes related to cash flow hedges	-0.2	0.1	-0.2	0.0	0.1
Translation differences	0.0	0.0	0.0	0.0	0.1
Total comprehensive income	0.4	-4.0	0.0	-4.6	-4.7
Total comprehensive income, continuing operations	0.4	-3.6	-0.1	-3.8	-5.7
Total comprehensive income, discontinued operations	0.0	-0.4	0.1	-0.9	1.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

ASSETS	30.6.2020	30.6.2019	31.12.2019
Non-current assets			
Intangible assets	2.0	2.3	2.1
Goodwill	0.4	0.4	0.4
Tangible assets	39.3	37.4	37.2
Investment in associated companies	18.7	20.9	19.4
Available-for-sale financial assets	0.0	0.0	0.0
Receivables	0.4	0.3	0.3
Deferred tax assets	4.7	6.3	5.0
Non-current assets total	65.4	67.6	64.4
Current assets			
Inventories	34.0	37.2	66.4
Trade receivables and other receivables	6.7	8.9	37.0
Cash and cash equivalents	26.4	5.1	2.9
Current assets total	67.1	51.3	106.3
Assets held for sale	-	13.5	-
Total assets	132.5	132.4	170.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

	30.6.2020	30.6.2019	31.12.2019
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent	91.2	94.8	93.9
Total equity	91.2	94.8	93.9
Non-current liabilities			
Deferred tax liabilities	0.1	1.3	0.1
Long-term financial liabilities	4.7	6.3	4.4
Non-current provisions	0.2	0.2	0.2
Other non-current liabilities	0.3	0.4	0.3
Non-current liabilities total	5.3	8.1	5.0
Current liabilities			
Short-term financial liabilities	17.4	5.7	32.2
Income tax payable	0.0	0.0	0.0
Trade payables and other liabilities	18.7	18.9	39.4
Current liabilities total	36.0	24.7	71.6
Liabilities directly associated with assets held for sale	-	4.7	0.2
Total liabilities	41.3	37.6	76.8
Total equity and liabilities	132.5	132.4	170.8

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million

	1-6 2020	1-6 2019	1-12/ 2019
Net profit for the period	-0.7	-4.8	-4.4
Adjustments, total	4.0	2.4	4.7
Change in net working capital	42.9	32.5	-5.5
Interests paid	-0.3	-0.2	-0.7
Interests received	0.0	0.0	0.0
Taxes paid	-0.1	-0.1	-0.1
Net cash flow from operating activities	45.9	29.8	-5.9
Investments in tangible and intangible assets	-3.3	-7.6	-12.3
Proceeds from sales of tangible and intangible assets	0.0	-	0.0
Proceeds from sales of business operations	-0.1	-	13.3
Acquisition of associated companies	-	-0.3	-
Proceeds from sales of associated companies	-	-	-
Proceeds from sales of other investments	-	0.4	0.4
Dividends received from investing activities	0.0	-	0.0
Net cash flow from investing activities	-3.3	-7.5	1.4
Proceeds from and repayments of short-term loans	-15.0	-18.0	9.0
Repayments of long-term loans	-0.5	-	-1.0
Repayments of lease liabilities	-0.8	-	-1.5
Proceeds from shares in the book-entry securities account	-	0.7	0.7
Dividends paid	-2.8	-2.5	-2.5
Cash flows from financing activities	-19.1	-19.8	4.8
Net change in cash and cash equivalents	23.5	2.5	0.2
Cash and cash equivalents at the beginning of the period	2.9	2.6	2.6
Cash and cash equivalents at the end of the period	26.4	5.1	2.9

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

A = Shareholders' equity at 1st January

B = Dividend distribution

C = Other changes

D = Total comprehensive income

E = Shareholders' equity at 30th June

1-6/2020

EUR million	A	B	C	D	E
Share capital	12.6				12.6
Share premium account	23.4				23.4
Net unrealised gains	-0.5			0.8	0.3
Other reserves	7.2				7.2
Own shares	-1.3				-1.3
Translation differences	0.0			0.0	0.0
Retained earnings	52.6	-2.8		-0.7	49.0
Attributable to equity holders of the parent	93.9	-2.8		0.0	91.2

1-6/2019

EUR million	A	B	C	D	E
Share capital	12.6				12.6
Share premium account	23.4				23.4
Net unrealised gains	-0.2			0.2	0.0
Other reserves	7.2				7.2
Own shares	-1.4				-1.4
Translation differences	-0.2			0.0	-0.2
Effect of the new IFRS 16 standard	-0.1				-0.1
Retained earnings	59.7	-2.5	0.8	-4.8	53.2
Attributable to equity holders of the parent	101.1	-2.5	0.8	-4.6	94.8

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim report has been prepared in accordance with the IAS 34-standard (Interim Financial Reporting). The accounting policies adopted are consistent with those of the Group's annual financial statements for the year that ended 31st December 2019 apart from the ROCE-% performance measure, the calculation formula of which was updated in connection with the new segment structure and the discontinuation of the use of alternative performance measures.

Presentation of changes in the Group structure

Apetit Suomi Oy merged with Apetit Ruoka Oy and Safu Oy merged with Apetit Ruokaratkaisut Oy on 1st January 2020.

New segment structure and discontinuing the use of alternative performance measures

Apetit Plc will expand its reporting and disclose segment-specific profitability figures also in its interim reports for the first and third quarters of the year. Simultaneously, the company will discontinue the use of alternative performance measures. The new reporting principles will be in effect starting from the company's reporting for the first half of 2020.

In addition to the three current reporting segments (Food Solutions, Oilseed Products, Grain Trade), Apetit will report Group Functions, consisting of the expenses related to Group management, strategic projects and listing on the stock exchange that are not allocated to the three business segments. The result of Apetit's associated company Sucros will continue to be reported below operating profit.

The changes only affect the segment structure and other functions and they do not change Apetit Group's reported result for 2019.

DISCONTINUED OPERATIONS, FRESH PRODUCTS AND SEAFOOD SEGMENT

Discontinued operations comprise of the fresh cut products business which was classified as a discontinued operation in 2019 after Apetit Plc sold the business to the Swedish Greenfood Group. Additionally, the 2019 result of the discontinued operations includes an impairment of the additional purchase price receivable of EUR 0.1 million relating to the Seafood segment, which was divested in 2017.

Profit for the period, discontinued operations

EUR million	1-6/2020	1-6/2019	1-12/2019
Income	0.2	10.6	15.8
Expenses	-0.1	-11.6	-14.4
Operating profit	0.1	-1.0	1.4
Financial income and expense	0.0	-0.1	-0.1
Profit before taxes	0.1	-1.1	1.3
Income taxes	0.0	0.2	-0.3
Profit for the period, discontinued operations	0.1	-0.9	1.0

Cash flows

EUR million	1-6/2020	1-6/2019	1-12/2019
Net cash flow from operating activities	0.0	0.2	0.3
Net cash flow from investing activities	-	-0.2	-0.3
Cash flows from financing activities	0.0	0.0	0.0
Net change in cash and cash equivalents	0.0	0.0	0.0

Carrying amount of net assets sold

EUR million	1-12/2019
Tangible and intangible assets and non-current receivables	11.3
Inventories	0.4
Trade receivables and other receivables	0.0
Trade payables and other liabilities	-0.6
Net assets sold	11.0

Consideration received

EUR million	1-6/2020	1-6/2019	1-12/2019
Cash received	-	-	13.8
Adjustments to consideration	-0.1	-	-0.5
Net cash flow from disposal of business	-0.1	-	13.3

SEGMENT INFORMATION

A = Food Solutions

B = Oilseed Products

C = Grain Trade

D = Group Function

E = Continuing operations

F = Discontinued operations, Fresh Products and Seafood segment

G = Total

Operating segments 1-6/2020

EUR million

	A	B	C	D	E	F	G
Total segment sales	29.6	33.1	86.8	0.0	149.4	0.0	149.4
Intra-group sales	0.0	-0.2	-10.4	0.0	-10.6	0.0	-10.6
Net sales	29.6	32.9	76.4	0.0	138.8	0.0	138.9
Operating profit	0.7	1.1	0.2	-1.7	0.3	0.1	0.4
Gross investments in non-current assets	1.5	1.6	0.1	0.0	3.3	-	3.3
Corporate acquisitions and other share purchases	-	-	-	-	-	-	-
Depreciation, amortisation	-1.7	-0.5	-0.5	-0.4	-3.0	0.0	-3.0
Impairment	-	-	-	-	-	-	-
Personnel	229	43	51	12	335	-	335

Operating segments 1-6/2019

EUR million

	A	B	C	D	E	F	G
Total segment sales	29.9	32.4	73.3	0.0	135.6	10.6	146.2
Intra-group sales	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.2
Net sales	29.9	32.3	73.3	0.0	135.5	10.5	146.0
Operating profit	0.0	0.9	-3.4	-1.5	-3.9	-1.0	-4.9
Gross investments in non-current assets	6.8	0.4	0.0	0.1	7.3	0.2	7.5
Corporate acquisitions and other share purchases	-	-	-	-	-	-	-
Depreciation, amortisation	-1.2	-0.4	-0.7	-0.3	-2.6	-0.7	-3.3
Impairment	-0.0	-	-	-	-0.0	-	-0.0
Personnel	257	43	55	15	370	115	485

Operating segments 1-12/2019

EUR million

	A	B	C	D	E	F	G
Total segment sales	58.9	65.0	194.9	0.0	318.8	15.8	334.6
Intra-group sales	0.0	-0.3	-21.6	0.0	-21.9	0.0	-22.0
Net sales	58.9	64.7	173.3	0.0	296.9	15.7	312.6
Operating profit	2.5	1.5	-5.6	-3.1	-4.8	1.4	-3.4
Gross investments in non-current assets	10.0	1.3	0.1	0.1	11.5	0.3	11.8
Corporate acquisitions and other share purchases	-	-	-	-	-	-	-
Depreciation, amortisation	-3.3	-0.9	-0.8	-0.5	-5.5	-0.7	-6.2
Impairment	-0.1	-	-	-	-0.1	-	-0.1
Personnel	255	43	55	14	367	85	452

KEY INDICATORS

	30.6.2020	30.6.2019	31.12.2019
Shareholders' equity per share, EUR	14.65	15.25	15.09
Equity ratio, %	68.8	71.6	55.0
Gearing, %	-4.7	8.9	35.9
Gross investments in non-current assets, EUR million	3.3	7.5	11.8
Corporate acquisitions and other share purchases, EUR million	-	-	-
Average number of personnel	335	485	452
Average number of shares, 1,000 pcs	6223	6217	6217

The formulas for key indicators herein are accounted for in the 2019 annual financial statements.

COLLATERALS, CONTINGENT LIABILITIES, CONTINGENT ASSETS AND OTHER COMMITMENTS

EUR million

	30.6.2020	30.6.2019	31.12.2019
Mortgages given for debts			
Guarantees	2.2	3.5	2.3
Non-cancellable agreements on other premises and services			
Within one year	1.6	1.5	1.5
After one year but not more than five years	2.0	3.7	2.9
Total	3.6	5.2	4.5

DERIVATIVE INSTRUMENTS

Outstanding nominal values of derivate instruments			
Interest rate swaps	11.9	13.4	12.4
Forward currency contracts	-	0.8	0.7
Commodity derivative instruments	35.6	18.9	35.7

CONTINGENT ASSETS

The present value of proceeds from the sale of shares in the joint entry account			
Claim for damages associated with the foreign grain supplier's neglect of delivery	3.1	1.9	3.1

INVESTMENT COMMITMENTS

Food Solutions	1.1	3.9	1.4
Oilseed Products	3.6	-	3.3

CHANGES IN TANGIBLE ASSETS

EUR million

	30.6.2020	30.6.2019	31.12.2019
Book value at the beginning of the period	33.1	37.2	37.2
Additions	3.1	7.4	11.1
Disposals	0.0	0.0	-10.5
Depreciation, amortisation and impairment	-2.0	-2.0	-4.2
Other changes	0.0	0.0	-0.5
Book value at the end of the period	34.2	42.7	33.1

RELATED PARTY TRANSACTIONS

EUR million

	1-6/ 2020	1-6/ 2019	1-12/ 2019
Sales to associated companies	0.1	0.2	0.7
Purchases from associated companies	1.8	1.8	4.2
Trade receivables and other receivables from associated companies	0.0	0.0	0.1
Trade payables and other liabilities to associated companies	0.3	0.3	0.8

In Helsinki, 21st August 2020

APETIT PLC

Board of Directors