
Apetit

Apetit Plc's Half-Year Report 1 January–30 June 2021

Apetit's profitability was lower than last year – Grain Trade still unprofitable, Food Solutions and Oilseed Products improved their operating profit

April–June 2021, continuing operations*

- Net sales amounted to EUR 68.7 (73.7) million
- EBITDA was EUR 0.3 (1.6) million
- Operating profit was EUR -1.2 (0.1) million

January–June 2021, continuing operations*

- Net sales amounted to EUR 136.4 (138.8) million
- EBITDA was EUR 2.8 (3.3) million
- Operating profit was EUR -0.3 (0.3) million

*) Apetit's continuing operations are Food Solutions, 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 information in this report is unaudited. The figures in brackets refer to the corresponding period in 2020, and the comparison period means the corresponding period in the previous year, unless otherwise stated.

PROFIT GUIDANCE FOR 2021 UNCHANGED

The full-year operating profit from continuing operations is expected to improve year-on-year (EUR 3.9 million in 2020).

Esa Mäki, CEO:

“Apetit Group’s net sales declined and profitability decreased year-on-year due to the continued weakening of the Grain Trade segment’s result. Oilseed Products continued its strong profit performance in the second quarter. The result of Food Solutions improved year-on-year but was slightly in the negative due to the seasonality of operations. On a positive note, the profit performance of Apetit’s processing businesses was good for the entire first half of the year.

In Food Solutions, retail demand remained strong in the second quarter, with sales being boosted particularly by the mixed vegetable products launched in the spring and targeted at the barbecue season. A clear recovery from the effects of the corona pandemic has also been seen in the Food service channel. It is particularly pleasing that profitability improved substantially in all sales channels.

In May, we announced we will invest approximately EUR 2 million in a new frozen pizza production line at our Pudasjärvi plant. The investment covers the modernisation of the entire production equipment in the existing building. The investment will bring about significant improvements to Apetit’s range of frozen pizzas, particularly with regard to taste and texture: we want to offer Finnish consumers even more delicious pizza made from ingredients with as high a degree of domestic sourcing as possible. The redesigned range of pizzas will be launched next year.

Retail sales in Sweden continued to grow in line with our targets throughout the first half of the year, and we have recently also seen a slight recovery in the Swedish professional food service segment. The value of food exports grew by a third and amounted to approximately EUR 2.5 million in January–June.

The demand for oilseed products remained strong in all product groups in the second quarter, with end product prices increasing substantially due to higher raw material costs. Towards the end of the review period, demand in the food service channel also returned to the pre-pandemic level. The excellent result was attributable to demand as well as the strong refining margin.

Our focus in the development of our rapeseed ingredient has been on the commercialisation of the product development project. We will begin test production of the ingredient at a subcontractor’s premises in August–September. The produced rapeseed ingredient will be delivered later in the year for production testing by customers as well as to be sold. In the initial stage, the end product use of the ingredient will be focused on plant protein products and gluten-free baked goods. Our aim is to start commercial scale production in 2022.

The Kantvik bioenergy plant was commissioned at the beginning of August. It significantly reduces the Group’s CO_2 emissions and energy costs. Milling rapeseed to produce vegetable oil is the Group’s most energy-intensive production process.

The result of Grain Trade was negatively affected by the difficult market conditions in the international wheat trade and the unsuccessful response to unpredictable market changes. After a peak in supply caused by the export tariffs imposed by Russia, the international demand for wheat was very weak in March–April. Consequently, the large wheat reserves in the Baltic countries were delivered in their entirety to customers in May–June at a significant loss. In addition, Finnish grain exports in the first half of the year were lower than usual due to the previous year’s small harvest.

Exceptional arrangements related to the COVID-19 pandemic continue in Apetit Group. We are actively monitoring the situation and will react to any changes. Throughout the pandemic, we have successfully achieved our goal of ensuring the health and safety of our employees and ensuring undisrupted operations throughout the food supply chain.

The current cultivation season has been primarily characterised by hot and dry weather conditions. Autumn oilseed plants have nevertheless thrived. The total area under cultivation for domestic oilseed plants this year grew by nearly a third compared to last year and the harvest outlook is positive.

Apetit's systematic efforts to increase the cultivation area of oilseed plants and interest in oilseed plant cultivation are continuing: the contract farming of oilseed plants has nearly doubled from last year. The domestic grain harvest is expected to be weaker than average. In the Baltic countries, the harvest is expected to be fair, but substantially lower than the record harvest last year. The harvest of outdoor-grown vegetables, excluding peas, is expected to be moderate.

Corporate responsibility is an integral aspect of Apetit's business throughout the value chain, from field to fork. As an example of this, we continuously develop our existing products as well as new products that respond to growing consumer demand for sustainable food choices. This autumn, we will strengthen our local fish strategy by expanding our product range with Baltic Sea fish fingers made from delicious herring caught in the Baltic Sea. Increasing the consumption of domestic fish has a significant impact on the health of Finland's inland waters and the Baltic Sea: for example, the roach we used in 2020 saw us remove phosphorus from lakes in an amount that would otherwise have led to the growth of 60,000 bucketfuls of blue-green algae. Our sustainable food choices are meaningful."

EUR million	**4–6 2021**	4–6 2020	Change	**1–6 2021**	1–6 2020	Change	1–12 2020
Continuing operations							
Net sales	**68.7**	73.7	-7%	**136.4**	138.8	-2%	292.9
EBITDA	**0.3**	1.6		**2.8**	3.3		10.1
Operating profit	**-1.2**	0.1		**-0.3**	0.3		3.9
Share of profit of associated company Sucros	**-0.2**	-0.3		**-0.6**	-0.7		0.3
Profit for the period	**-1.2**	-0.3		**-1.1**	-0.8		3.1
Earnings per share, EUR	**-0.19**	-0.05		**-0.17**	-0.13		0.49
Working capital at the end of the period				**25.5**	22.1		48.4
Investment				**3.4**	**3.3**		7.8
Group (incl. discontinued operations)							
Net sales	**68.7**	73.7	-7%	**136.4**	138.9	-2%	293.0
EBITDA	**0.3**	1.7		**2.8**	3.4		10.2
Operating profit	**-1.2**	0.2		**-0.3**	0.4		4.1
Profit for the period	**-1.2**	-0.2		**-1.1**	-0.7		3.2
Earnings per share, EUR	**-0.19**	-0.04		**-0.17**	-0.12		0.52
Equity per share, EUR				**14.48**	14.65		15.26
ROCE %				**2.9**	1.6		3.3
Net cash flow from operating activities				**24.4**	45.9		26.8
Equity ratio, %				**76.3**	68.8		66.5
Gearing, %				**3.1**	-4.7		21.7

NET SALES AND PROFIT OF CONTINUING OPERATIONS

April–June

Net sales in the second quarter were EUR 68.7 (73.7) million. Operating profit was EUR -1.2 (0.1) 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 -1.1 (-1.2) million.

The share of the profit of the associated company Sucros was EUR -0.2 (-0.3) million in April–June.

The profit before taxes was EUR -1.5 (-0.3) million, and taxes on the profit for the period came to EUR 0.3 (-0.1) million. Profit for the period came to EUR -1.2 (-0.3) million, and earnings per share amounted to EUR -0.19 (-0.05).

January–June

Net sales in January–June amounted to EUR 136.4 (138.8) million Operating profit was EUR -0.3 (0.3) 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 -1.5 (-1.6) million.

The share of the profit of the associated company Sucros was EUR -0.6 (-0.7) million in January–June.

Financial income and expenses totalled EUR -0.2 (-0.3) million.

The profit before taxes was EUR -1.1 (-0.7) million, and taxes on the profit for the period came to EUR 0.0 (-0.1) million. Profit for the period came to EUR -1.1 (-0.8) million, and earnings per share amounted to EUR -0.17 (-0.13).

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 consolidated cash flow from operating activities amounted to EUR 24.4 (45.9) million in January–June. The impact of the change in working capital was EUR 22.0 (42.9) million. The effect of seasonality on the change in working capital is presented under the heading *Seasonality of operations*.

The net cash flow from investing activities was EUR -3.3 (-3.3) million. The cash flow from financing activities came to EUR -16.7 (-19.1) million, including EUR -13.0 (-15.5) million in net loan repayments and EUR -3.1 (-2.8) million in dividend payments.

At the end of the period, the Group had EUR 8.3 (22.1) million in interest-bearing liabilities and EUR 5.5 (26.4) million in liquid assets. Net interest-bearing liabilities totalled EUR 2.8 (-4.2) million.

The consolidated balance sheet total stood at EUR 118.3 (132.5) million. At the end of the review period, equity totalled EUR 90.3 (91.2) million. The equity ratio was 76.3 (68.8) per cent, and gearing was 3.1 (-4.7) 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 29 (24) million. The total of commercial papers issued stood at EUR 3.0 (10.0) million.

INVESTMENT

Investment by continuing operations in non-current assets came to EUR 3.4 (3.3) million and was divided as follows: Food Solutions EUR 1.0 (1.5) million, Oilseed Products EUR 2.2 (1.6) million, Grain Trade EUR 0.1 (0.1) million and Group Functions EUR 0.1 (0.0) million.

PERSONNEL

In January–June 2021, the continuing operations had 323 (335) employees in full-time equivalents. Apetit Group had 356 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

A key feature of Apetit's strategy is strengthening the existing unique value chain that has a strong foundation in Finnish primary production. The operations of the strategy period 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 Food service 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 fertility 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 0.8 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.

OPERATING ENVIRONMENT

Factors affecting demand

Compared to the pre-pandemic period, the retail sales of food were still at a higher level than usual. Grocery sales increased by 3.9 per cent in January–June. In the retail segment, the frozen foods category (excluding ice cream products) grew by 5 per cent in Finland during the first half of the year. In the food service channel, signs of recovery were seen in the late spring and summer as restaurant restrictions were eased and schools largely returned to contact instruction. The overall demand for vegetable oils in the retail segment is traditionally stable, but the share of total sales represented by domestic rapeseed oil has grown substantially in recent times. Towards the end of the review period, the demand for vegetable oil in the food service channel returned to the pre-pandemic level.

General food-related trends that are gaining strength include consumer consciousness of quality and sustainability as well as valuing domestic products, which has boosted the demand for Finnish branded products. Consumers also value products that help make meals quick, easy, diverse and healthy. Interest in comprehensive well-being is also continuing to grow. Apetit's product portfolio is based on plant- and fish-based products that make daily life easier and increase well-being, and the demand for these products is expected to grow further.

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

In Apetit Group, the impacts of the COVID-19 pandemic vary by business. Thanks to its proactive and systematic approach, Apetit has been able to maintain normal operations throughout the pandemic.

Food Solutions

The COVID-19 pandemic has affected the Food Solutions business the most.The retail demand for food increased substantially when the exceptional situation began in spring 2020. Since then, food consumption has shifted to people's homes as restaurants and other public services, such as schools and day-care centres, have scaled back their operations. The sales of consumer products were exceptionally high for a time in the early stages of the COVID-19 pandemic, with demand levelling off subsequently.

In the food service segment, demand has been significantly lower than usual since the start of the pandemic as restaurants and other public services, such as schools and day-care centres, have operated at a significantly smaller scale than normal. While there have been signs of a recovery in demand in the food service channel recently, demand has still remained below the pre-pandemic level.

Oilseed Products

In the Oilseed Products business, the demand for vegetable oils has grown particularly in the retail segment. In the professional food service sector, the demand for vegetable oils returned to the pre-pandemic level in the second quarter of 2021.

Grain Trade

In the Grain Trade business, the COVID-19 pandemic has only had a minor impact, mainly in the form of increased market volatility in the early stages of the pandemic.

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 undisrupted continuation of production, business operations and the food supply chain. To this end, the production units and other operations 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. During the COVID-19 pandemic, 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’s corporate responsibility is based on sustainable food choices: Through its operations, Apetit wants to contribute to a food supply chain that supports the well-being of people and the environment. Apetit’s products are based on domestic ingredients, vegetables and local fish.

In its corporate responsibility programme published in March 2021, Apetit made commitments including a 75 per cent reduction in emissions from its own operations* and transitioning to 100 per cent recyclable packaging materials**.

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 has built a bioenergy plant connected to the Kirkkonummi vegetable oil milling plant. The bioenergy plant was commissioned at the beginning of August. It replaced the current energy solution that uses non-renewable fuels and significantly reduced the Group’s CO_2 emissions.

Promotion of carbon farming and soil fertility
Apetit participates in several projects which study carbon sequestration in soil, promote carbon farming and develop soil fertility improvement measures. Research, development and practical implementation of measures related to carbon farming and soil fertility are carried out at Apetit’s Räpi experimental farm and on the fields of contract growers. The improvement of natural soil fertility aims not only at carbon sequestration but also at the reduction of nutrient runoffs.

Sustainable packaging solutions
As part of the long-term development of packaging solutions, Apetit is committed to 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.

Utilisation of side streams
Side streams from harvest season production, such as peeling waste and plant material discarded during quality assurance processes, have been delivered for use as bioenergy raw material. Production side streams from the Kirkkonummi oil milling plant can be used to a large extent as fuel in the company's own bioenergy plant.

Products made from domestic lake fish
Apetit's product family based on domestic local fish has established its position on Finnish consumers' dinner tables. Research has shown that local fish products help curb eutrophication and have a moderate carbon footprint. The products in this product family include domestic freshwater fish fingers and fish cakes as well as Särkisen fish balls made from roach. Baltic Sea fish fingers made from delicious herring caught in the Baltic Sea will be added to the product family this coming autumn.

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. A material review was conducted at the Säkylä production facility in late 2020.

Electricity from wind power
All of the electricity used by Apetit Group's production facilities has been generated from renewable energy sources starting from 1 April 2020. Apetit's production facilities run exclusively on wind power. Following the adoption of wind power, Apetit Group's total CO_2 emissions in 2020 decreased by approximately 37 per cent compared to 2019.

*Includes Scope 1 and Scope 2 emissions in accordance with the GHG Protocol.
***Includes the packaging materials of Apetit products sold through retail channels.

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.

Food Solutions

Frozen vegetable products and frozen ready meals

EUR million	4–6 2021	4–6 2020	Change	1–6 2021	1–6 2020	Change	1–12 2020
Net sales	**14.0**	12.8	9%	**30.7**	29.6	4%	60.1
EBITDA	**0.8**	0.3		**3.2**	2.3		8.4
Operating profit	**-0.1**	-0.5		**1.5**	0.7		5.0

Financial and operational performance in April–June

Net sales grew and amounted to EUR 14.0 (12.8) million in April–June. The sales of frozen products increased especially in the food service channel. Export sales also grew slightly compared to the reference period. In the retail segment, the sales of frozen food and frozen vegetable products are seasonally lower in the summer months than at other times of the year.

Operating profit was EUR -0.1 (-0.5) million. Profitability was improved by the increased efficiency of the supply chain as well as the management of fixed costs. While signs of a recovery were seen in the food service channel, sales in that segment have not yet returned to the pre-pandemic level, which has a negative effect on profitability.

Summary of January–June

The net sales of Food Solutions increased slightly and profitability improved substantially year-on-year with operating profit amounting to EUR 1.5 (0.7) million.

The exports of frozen food and frozen vegetable products to Sweden and other selected markets grew in line with expectations. Food exports accounted for 8 per cent of net sales (1–6/2020: 6%) and were mainly targeted at Sweden, Italy and the United Kingdom.

Investments totalled EUR 1.0 (1.5) million in the Food Solutions business and were mainly allocated to increasing the efficiency of production at the Säkylä frozen foods plant to reduce water consumption, for example, and the pizza investment made in Pudasjärvi.

Operating environment

The growing season got off to a rainy start in May, which delayed the planting of field vegetables to some degree. The prolonged hot and dry conditions in the summer also posed challenges, especially for pea cultivation, but also for other vegetables. 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 5 per cent year-on-year in Finland. Wholesale food service sales** increased by 0.8 per cent in January–June. In June, wholesale food service sales** grew by 17.8 per cent compared to June of last year.

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

Oilseed Products

Vegetable oils and rapeseed expeller

EUR million	4–6 2021	4–6 2020	Change	1–6 2021	1–6 2020	Change	1–12 2020
Net sales	**19.9**	16.0	24%	**40.4**	33.1	22%	65.8
EBITDA	**1.2**	1.0		**2.8**	1.6		3.0
Operating profit	**0.9**	0.7		**2.2**	1.1		2.0

Financial and operational performance in April–June

Net sales grew substantially in April–June and amounted to EUR 19.9 (16.0) million. Net sales were boosted by strong demand in all product categories as well as higher market prices. The main export markets were Norway and Sweden, with exports representing 20 per cent of net sales.

Operating profit was EUR 0.9 (0.7) million. Profit was improved by strong demand in all product categories as well as higher market prices. The increased costs of raw materials began to have an impact on profitability in the second quarter.

Summary of January–June

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

As a part of the improvement of efficiency, a bioenergy plant has been built at the rapeseed oil milling plant in Kirkkonummi. The bioenergy plant was commissioned at the beginning of August. The size of the investment was nearly EUR 7 million. The plant significantly reduces the Group's CO_2 emissions and energy costs.

During the first half of the year, the rapeseed ingredient project was focused on the commercialisation of the product development project. Test production of the ingredient will start at a subcontractor's premises in August–September. The produced rapeseed ingredient will be delivered later in the year for production testing by customers as well as to be sold. The aim is to start commercial scale production in 2022.

Investment for the period totalled EUR 2.2 (1.6) 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 increased by approximately 30 per cent from the previous year and was about 38,000 hectares (2020: 30,000 ha). The oilseed plant harvest (rapeseed) is expected to amount to 48 million kilograms, which would represent a year-on-year increase of 55 per cent. The hectare harvest outlook for oilseed plants sown in the autumn has been particularly good and their total cultivated area in autumn 2021 is expected to grow substantially compared to the previous year.

The overall demand for vegetable oils in the retail segment is traditionally stable, but the share of total sales represented by domestic rapeseed oil has grown substantially in recent times. Towards the end of the review period, the demand for vegetable oil in the food service channel returned to the pre-pandemic level.

Grain Trade

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

EUR million	4–6 2021	4–6 2020	Change	1–6 2021	1–6 2020	Change	1-12 2020
Net sales	**40.3**	50.5	-20%	**76.2**	86.8	-12%	194.3
EBITDA	**-1.4**	0.7		**-2.6**	0.7		1.0
Operating profit	**-1.6**	0.5		**-3.1**	0.2		0.1

Financial and operational performance in April–June

Net sales in April–June decreased substantially to EUR 40.3 (50.5) million as delivery volumes declined year-on-year.

Operating profit was significantly weaker at EUR -1.6 (0.5) million. The result of Grain Trade was negatively affected by the difficult market conditions in the international wheat trade and the unsuccessful response to unpredictable market changes. After a peak in supply caused by the export tariffs imposed by Russia, the international demand for wheat was very weak in March–April. Consequently, the large wheat reserves in the Baltic countries were delivered in their entirety to customers in May–June at a significant loss. Finnish grain exports have also been lower than usual due to the small harvest in 2020.

Summary of January–June

Net sales decreased and profitability declined significantly year-on-year.

The market situation in the Grain Trade business remained very challenging throughout the first quarter. The result of Grain Trade has been negatively affected by unpredictable market changes related to the international wheat trade and the unsuccessful response to these market changes that are difficult to anticipate.

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

Operating environment

According to the harvest estimate of Natural Resources Institute Finland (on 16 July 2021), the domestic grain harvest in 2021 will be slightly weaker than average at approximately 3.1 million tonnes. Except for wheat and rye, the harvest expectations for grains are lower than last year. The total domestic grain harvest is expected to be 7 per cent lower than in the previous year. In the Baltic countries, the harvest is expected to be fair, but substantially lower than the record harvest last year.

Group Functions

EUR million	4–6 2021	4–6 2020	Change	1–6 2021	1–6 2020	Change	1–12 2020
Net sales	**0.0**	0.0		**0.0**	0.0		0.0
EBITDA	**-0.3**	-0.5		**-0.6**	-1.3		-2.3
Operating profit	**-0.5**	-0.7		**-0.9**	-1.7		-3.2

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.

The operating profit for 1–6/2021 includes non-recurring gains from the sale of assets in the amount of EUR 0.2 million.

CORPORATE GOVERNANCE

Corporate Governance Statement and Remuneration Statement

Apetit's Corporate Governance Statement and Remuneration Report were published on 11 March 2021 in connection with the publication of the Annual Report. The statement and report are available on Apetit's website.

Annual General Meeting 2021

Apetit Plc's Annual General Meeting was held in Säkylä on 28 May 2021. 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 CEO from liability for the financial year 2020.The Board of Directors' proposals to the Annual General Meeting were approved without changes.

Decisions of the Annual General Meeting 2021

Dividend distribution

The AGM resolved that a dividend of EUR 0.50 per share be paid for the financial year 2020. The dividend was paid on 8 June 2021. No dividend will be paid on shares held by the company.

Remuneration Report for Governing Bodies

The AGM resolved to approve Apetit's Remuneration Report for Governing Bodies 2020. In accordance with the Limited Liability Companies Act, the resolution is advisory. The Remuneration Report is available on the company's website at apetit.fi/en/corporate-governance/remuneration.

Election of the Supervisory Board, the Nomination Committee of the Supervisory Board and the auditors and deciding on their fees

It was confirmed that the Supervisory Board will have 18 members elected by the Annual General Meeting. Seven persons were elected to replace members of the Supervisory Board completing their term. Harri Eela, Juha Hämäläinen, Laura Hämäläinen, Jari Nevavuori and Markku Pärssinen were re-elected. Nicolas Berner and Kirsi Ahlgren were elected to the Supervisory Board as new members.

Pekka Perälä and Henrika Vikman were elected by the AGM as the members of the Nomination Committee of the Supervisory Board.

Ernst & Young Oy, Authorised Public Accountants, with Erika Grönlund, APA, as the auditor with principal responsibility and Osmo Valovirta, APA, were elected as the company's auditors for the period ending at the close of the 2022 AGM.

The AGM decided that a monthly fee of EUR 1,000 be paid to the Chair of the Supervisory Board and EUR 665 to the Deputy Chair. The AGM decided that the meeting allowance paid to the members of the Supervisory Board and the members of the Nomination Committee of the Supervisory Board would be EUR 300. Compensation for travelling expenses will be paid in accordance with the general travel rules of Apetit Plc. The AGM decided that the auditors' fees be paid according to an invoice approved by the company.

Authorising the Board of Directors to decide on the repurchase of the company's own shares

The AGM decided to authorise the Board of Directors to decide on the repurchase of a maximum of 80,000 (eighty thousand) of the company's own shares using the unrestricted equity of the company representing approximately 1.27 per cent of all of the shares in the company. The authorisation includes the right to accept the company's own shares as a pledge. The authorisation is valid until the close of the Annual General Meeting 2022, but no longer than until 31 May 2022.

Authorising the Board of Directors to decide on the issuing of new shares and on the transfer of Apetit Plc shares held by the company (share issue)

The AGM decided to authorise the Board of Directors to decide on issuing new shares as follows: based on the authorisation, a total maximum of 600,000 (six hundred thousand) shares can be issued, which corresponds to approximately 9.5% of all shares of the company at this time. Both new shares and shares held by the company may be issued based on the authorisation.

The authorisation is valid until the close of the Annual General Meeting 2023, but no longer than until 31 May 2023. The authorisation replaces the previous share issue authorisation given on 27 March 2018.

SHARES AND SHARE OWNERSHIP

Shares, share capital and trading

The shares of Apetit Plc are all in one series. All shares carry the same voting and dividend rights. The Articles of Association specify that the number of votes a shareholder is entitled to exercise cannot exceed one tenth of the votes represented at a general meeting. The nominal value of each of the company's shares is EUR 2. At both the beginning and the end of the review period, the total number of shares issued by the company stood at 6,317,576, and the registered share capital totalled EUR 12,635,152. The minimum amount of share capital is EUR 10 million, and the maximum amount is EUR 40 million.

Treasury shares

At the end of the review period, the company held a total of 81,230 treasury shares acquired during previous years. These treasury shares represent 1.3 per cent of the company's total number of shares and votes. The company's treasury shares carry no voting or dividend rights.

Share price and trading

The number of Apetit Plc shares traded on the stock exchange during the review period was 753,037 (1,230,242), representing 11.9 (25.8) per cent of the total number of shares. The highest share price quoted was EUR 14.90 (10.20) and the lowest was EUR 10.70 (7.12). The average price of shares traded was EUR 13.05 (8.76). The share turnover for the period was EUR 9.8 (10.8) million. At the end of the review period, the market capitalisation was EUR 83.1 (54.0) million.

Managers' transactions

A directed share issue related to the long-term commitment and incentive scheme for key personnel was carried out on 12 May 2021. The members of Apetit Plc's Group Management Team subscribed a total of 8,000 Apetit Plc shares in the directed paid share issue.

Apetit's managers' transactions related to Apetit's securities during the review period have been published as stock exchange releases and can be read on the company's website.

SHORT-TERM RISKS AND UNCERTAINTIES

In addition to the impacts of the ongoing COVID-19 pandemic, the most significant short-term risks for Apetit Group are related to the management of raw material price changes, the availability of raw materials, 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 meeting on 17 August 2021, Apetit Plc's Supervisory Board elected Harri Eela as its Chairman and Maisa Mikola as the Deputy Chairman.

The Supervisory Board decided to elect 5 members to Apetit Plc's Board of Directors. Lasse Aho, Annikka Hurme, Kati Sulin, Antti Korpiniemi and Niko Simula were elected as the members of the Board of Directors. Lasse Aho was appointed as the Chairman and Niko Simula as the Deputy Chairman of the Board of Directors.

It was decided that the Board members will be paid an annual remuneration of EUR 19,560 and that the Chairman and Deputy Chairman 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 in cash and the remaining 40 per cent in the form of Apetit Plc's shares held by the company at the current value of the share at the time of transfer. The remuneration will be paid in four installments. It was also decided that the Chairman and members of the Board of Directors will be paid a meeting allowance of EUR 510 and EUR 300, respectively.

PROFIT GUIDANCE FOR 2021 UNCHANGED

The full-year operating profit from continuing operations is expected to improve year-on-year (EUR 3.9 million in 2020).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	**4-6 2021**	4-6 2020	**1-6 2021**	1-6 2020	1-12 2020
Continuing Operations					
NET SALES	**68.7**	73.7	**136.4**	138.8	292.9
Other operating income	**0.2**	0.1	**0.5**	0.4	1.0
Material and services	**-59.2**	-62.0	**-114.7**	-114.2	-240.3
Employee benefits expense	**-4.4**	-4.3	**-9.0**	-9.4	-20.0
Depreciation and amortisation	**-1.5**	-1.5	**-3.1**	-3.0	-6.1
Impairment	**-**	-	**-**	-	-0.0
Other operating expenses	**-5.0**	-5.8	**-10.4**	-12.2	-23.5
OPERATING PROFIT	**-1.2**	0.1	**-0.3**	0.3	3.9
Financial income	**0.0**	0.0	**0.0**	0.0	0.0
Financial expenses	**-0.1**	-0.0	**-0.2**	-0.3	-0.5
Share of profit/loss accounted for using the equity method	**-0.2**	-0.3	**-0.6**	-0.8	0.3
PROFIT/LOSS BEFORE TAX	**-1.5**	-0.3	**-1.1**	-0.7	3.7
Tax on income from operations	**0.3**	-0.1	**0.0**	-0.1	-0.6
Profit/loss from continuing operations	**-1.2**	-0.3	**-1.1**	-0.8	3.1
Profit/loss from discontinued operations	**-**	0.1	**-**	0.1	0.1
PROFIT/LOSS FOR THE PERIOD	**-1.2**	-0.2	**-1.1**	-0.7	3.2
Basic and diluted earnings per share calculated on profit attributable to equity holders of the parent					
Continuing operations	**-0.19**	-0.05	**-0.17**	-0.13	0.49
Discontinued operations	**-**	0.01	**-0.00**	0.01	0.02
To the shareholders of the parent company	**-0.19**	-0.04	**-0.17**	-0.12	0.52
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations	**0.0**	-0.0	**0.0**	-0.0	-0.0
Cash flow hedges	**-1.2**	0.8	**-0.8**	1.0	0.8
Taxes related to cash flow hedges	**0.2**	-0.2	**0.2**	-0.2	-0.2
	-1.0	0.6	**-0.7**	0.8	0.6
TOTAL COMPREHENSIVE INCOME	**-2.2**	0.4	**-1.8**	0.0	3.8
Total comprehensive income attributable to:					
Owners of the parent company	**-2.2**	0.4	**-1.8**	0.0	3.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	**30.6.2021**	30.6.2020	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	**2.4**	2.0	2.3
Goodwill	**0.4**	0.4	0.4
Property, plant, equipment	**37.1**	34.2	36.1
Right-of-use assets	**4.2**	5.1	4.6
Shares in associated companies	**19.1**	18.7	19.7
Other non-current financial assets	**0.3**	0.3	0.3
Non-current trade and other receivables	**0.0**	0.0	0.0
Deferred tax assets	**4.5**	4.7	4.3
NON-CURRENT ASSETS	**68.0**	65.4	67.7
CURRENT ASSETS			
Inventories	**31.3**	34.0	58.7
Trade receivables and other receivables	**13.5**	6.7	15.2
Cash and cash equivalents	**5.5**	26.4	1.1
CURRENT ASSETS	**50.3**	67.1	75.1
ASSETS	**118.3**	132.5	142.8

	30.6.2021	30.6.2020	31.12.2020
EQUITY AND LIABILITIES			
Owners of the parent company	**90.3**	91.2	95.0
EQUITY	90.3	91.2	95.0
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**0.0**	0.1	0.1
Non-current liabilities, interest-bearing	**3.1**	4.7	3.9
Non-current interest-free liabilities	**0.2**	0.3	0.2
Liabilities from defined benefit plan	**0.2**	0.2	0.2
NON-CURRENT LIABILITIES	**3.4**	5.3	4.4
CURRENT LIABILITIES			
Current interest-bearing liabilities	**5.3**	17.4	17.8
Trade Payables and Other Liabilities	**19.3**	18.6	25.6
CURRENT LIABILITIES	**24.6**	36.0	43.4
Liabilities	**28.0**	41.3	47.8
EQUITY AND LIABILITIES	**118.3**	132.5	142.8

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	**1-6 2021**	1-6 2020	1-12 2020
PROFIT/LOSS FOR THE PERIOD	**-1.1**	-0.7	3.2
Adjustments to cash flow from operating activities	**3.8**	4.0	6.9
Working capital changes	**22.0**	42.9	17.3
Interest paid	**-0.1**	-0.3	-0.5
Dividents received	**0.0**	-	-
Interest received	**0.0**	0.0	0.0
Other financial items from business operations	**-0.1**	-	-
Income taxes paid	**-0.1**	-0.1	-0.1
Net cash from operating activities	**24.4**	**45.9**	**26.8**
Purchase of tangible and intangible assets	**-3.4**	-3.3	-7.9
Proceeds from sale of tangible and intangible assets	**0.1**	0.0	0.0
Acquisition of subsidiaries, net of cash acquired	**-**	-	-1.0
Proceeds from sales of business operations	**-**	-0.1	-0.1
Purchase of investments	**-**	-0.0	-0.0
Proceeds from sale of investments	**0.0**	-	-0.0
Dividends received	**-**	0.0	0.0
Net cash used in investing activities	**-3.3**	**-3.3**	**-8.9**
Proceeds from sale of treasury shares	**0.1**	-	-
Addition / deduction of current borrowings	**-13.0**	-15.0	-14.3
Repayment of non-current borrowings	**-**	-0.5	-1.0
Payment of lease liabilities	**-0.7**	-0.8	-1.6
Dividends paid	**-3.1**	-2.8	-2.8
Net cash used in financing activities	**-16.7**	**-19.1**	**-19.7**
Net change in cash and cash equivalents	**4.4**	**23.5**	**-1.8**
Cash and cash equivalents at the beginning of the period	**1.1**	2.9	2.9
Cash and cash equivalents at the end of the period	**5.5**	26.4	1.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

A = Share capital
B = Share premium
C = Treasury shares
D = Fair value reserve
E = Other reserves
F = Translation differences
G = Retained earnings
H = Total equity

1-6 2021

EUR million	A	B	C	D	E	F	G	H
Equity 1.1.	**12.6**	**23.4**	**-1.3**	**0.1**	**7.2**	**-0.0**	**53.0**	**95.0**
Total comprehensive income	**-0.0**	**-**	**-**	**-0.7**	**-**	**0.0**	**-1.1**	**-1.8**
Dividend distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-3.1**	**-3.1**
Other changes	**-**	**-**	**0.1**	**-**	**-**	**-**	**0.1**	**0.1**
Equity 31.12.	**12.6**	**23.4**	**-1.2**	**-0.5**	**7.2**	**-0.0**	**48.8**	**90.3**

1-6 2020

EUR million	A	B	C	D	E	F	G	H
Equity 1.1.	12.6	23.4	-1.3	-0.5	7.2	-0.0	52.6	**93.9**
Total comprehensive income	-0.0	-	-	0.8	-	-0.0	-0.7	**0.0**
Dividend distribution	-	-	-	-	-	-	-2.8	**-2.8**
Equity 31.12.	12.6	23.4	-1.3	0.3	7.2	-0.0	49.0	**91.2**

ACCOUNTING PRINCIPLES

The Interim report has been prepared in accordance with the IAS 34-standard (Interim Financial Reporting). The accounting policies adopted are consistent with those described in the annual financial statements for 2020.

DISCONTINUED OPERATIONS

Discontinued operations include the fresh cut products business, which was classified as a discontinued operation in 2019 and was sold in 2019 to the Swedish Greenfood Group.

Result from discontinued operations

EUR million	**1-6 2021**	1-6 2020	1-12 2020
Income	**-**	0.0	0.0
Expenses	**-**	0.1	0.1
Operating profit	**-**	0.1	0.2
Financial income and expense	**-**	0.0	-0.0
Profit before taxes	**-**	0.1	0.2
Income taxes	**-**	0.0	-0.0
Profit for the period, discontinued operations	**-**	0.1	0.1

Consideration received

EUR million	**1-6 2021**	1-6 2020	1-12 2020
Costs attributable to the sales of business and adjustments to consideration	**-**	-0.1	-0.1
Net cash flow from disposal of business	**-**	-0.1	-0.1

SEGMENT INFORMATION

A = Food solutions
B = Oilseed products
C = Grain trade
D = Group Functions
E = Continuing Operations
F = Discontinued Operations
G = Apetit Group

1-6 2021
EUR million

	A	B	C	D	**E**	F	**G**
Segment net sales	30.7	40.4	76.2	-	**147.2**	-	**147.2**
Intra-group net sales	-	-0.2	-10.6	-	**-10.8**	-	**-10.8**
Net sales	30.7	40.3	65.5	-	**136.4**	-	**136.4**
Operating profit	1.5	2.2	-3.1	-0.9	**-0.3**	-	**-0.3**
Gross investments in non-current assets	1.0	2.2	0.1	0.1	**3.4**	-	**3.4**
Business acquisitions and other investments	-	-	-	-	**-**	-	**-**
Depreciation and amortisation	-1.7	-0.6	-0.5	-0.3	**-3.1**	-	**-3.1**
Impairment	-	-	-	-	**-**	-	**-**
Personnel, FTE	217	42	51	12	**323**	-	**323**

1-6 2020
EUR million

	A	B	C	D	**E**	F	**G**
Segment net sales	29.6	33.1	86.8	-	**149.4**	0.0	**149.4**
Intra-group net sales	-	-0.2	-10.4	-	**-10.6**	0.0	**-10.6**
Net sales	29.6	32.9	76.4	-	**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**
Business acquisitions and other investments	-	-	-	-	**-**	-	**-**
Depreciation and amortisation	-1.7	-0.5	-0.5	-0.4	**-3.0**	-	**-3.0**
Impairment	-	-	-	-	**-**	-	**-**
Personnel, FTE	229	43	51	12	**335**	-	**335**

GROUP KEY INDICATORS	**1-6 2021**	1-6 2020	1-12 2020
Shareholders' equity per share, EUR	**14.48**	14.65	15.26
Equity ratio, %	**76.3**	68.8	66.5
Net gearing, %	**3.1**	-4.7	21.7
Gross investments in non-current assets, EUR million	**3.4**	3.3	7.8
Personnel, FTE	**323**	335	343
Average adjusted number of shares	**6,231,013**	6,222,876	6,223,332

The formulas for the key indicators are presented in the 2020 annual financial statements.

COLLATERAL, CONTINGENT LIABILITIES, CONTINGENT ASSETS AND OTHER COMMITMENTS

EUR million	**30.6.2021**	30.6.2020	31.12.2020
Pledges given for debts			
Guarantees	**2.2**	2.2	2.2
Non-cancellable service agreements that have not been capitalised in the balance sheet			
Within one year	1.2	1.6	1.0
After one year but not more than five years	2.2	2.0	1.2
Total	3.4	3.6	2.3
Nominal values of derivative instruments			
Commodity derivatives	**29.2**	35.6	38.1
Interest rate swaps, no cash flow hedge accounting	**11.0**	11.9	11.4
Contingent assets			
Claim for damages associated with the foreign grain supplier's neglect of delivery*	-	3.1	3.1
Investment commitments			
Food Solutions	**2.4**	1.1	0.1
Oilseed products	**-**	3.6	1.7
Group Functions	**0.9**	-	-

*) Recognition of the claim is considered highly unlikely and is no longer presented as a contingent asset

CHANGES IN TANGIBLE ASSETS

EUR million	**1-6 2021**	1-6 2020	1-12 2020
Book value at the beginning of the period	**40.7**	37.2	37.2
Additions	**3.6**	3.2	7.7
Disposals	**0.0**	-0.0	-0.0
Reclassifications	**0.0**	1.7	2.0
Depreciation, amortisation and impairment	**-2.7**	-2.7	-5.6
Other changes	**-0.3**	-0.0	-0.6
Book value at the end of the period	**41.3**	39.3	40.7

Tangible assets include right-of-use items in accordance with IFRS16

RELATED PARTY TRANSACTIONS

EUR million	**1-6 2021**	1-6 2020	1-12 2020
Sales to associated companies	**0.1**	0.1	0.6
Purchases from associated companies	**1.8**	1.8	3.5
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	0.7

Helsinki, 20 August 2021
APETIT PLC
Board of Directors