



Apetit Plc's Business Review 1 January–30 September 2020: Apetit Group's positive profit performance continued during the review period

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July–September 2020, continuing operations*

- Net sales amounted to EUR 72.1 (56.0) million
- EBITDA was EUR 4.0 (2.1) million
- Operating profit was EUR 2.5 (0.2) million

January–September 2020, continuing operations*

- Net sales amounted to EUR 211.0 (191.5) million
- EBITDA was EUR 7.3 (0.8) million
- Operating profit was EUR 2.8 (-3.7) million

*) Apetit's continuing operations are Food Solutions, including the frozen products 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 has 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.

Esa Mäki, CEO:

"Apetit Group's positive profit performance continued in the third quarter: all of our businesses improved their profitability year-on-year. We can be satisfied with our profit performance to date. The remainder of the year involves uncertainties related to the COVID-19 pandemic, for example. We keep our profit guidance for 2020 unchanged: the full-year operating profit is expected to improve year-on-year and to show a profit.

The impacts of the COVID-19 pandemic in the third quarter were mainly seen in the Food Service channel of the Food Solutions business, where net sales decreased year-on-year in spite of a partial recovery of sales. Sales grew year-on-year in the other channels of the Food Solutions business. In Oilseed Products and Grain Trade, the impacts of the COVID-19 pandemic were minor. In the challenging operating environment, it has been essential that our employees have stayed healthy and we have been able to maintain normal operations. I want to take this opportunity to express my warmest thanks to all of Apetit's personnel.

The harvest of outdoor-grown vegetables for this harvest season will be normal. The varying weather conditions in the early summer were challenging, with the cool spring, dry early summer and hot June having a negative impact on the growing season of peas in particular. The difficult growing season meant that we fell short of our target for peas by 1.3 million kilograms. Peas represent a significant share of Apetit's food exports and, unlike in the previous year, pea exports fell entirely in the third quarter.

One of Apetit's strategic objectives is to strengthen food exports, particularly to Sweden. Our total food exports doubled year-on-year by the end of September. In the spring, eight products sold under the Apetit brand were



added to the product selection of ICA, the largest retail chain in Sweden. Six new Apetit products were subsequently added to ICA's selection this autumn. Continuing to strengthen our position in Sweden is a clear goal for us. In addition to retail, we are also seeking growth through the Food Service channel through local cooperation.

Natural Resources Institute Finland estimates that the Finnish grain crop this year will be 3.4 million tonnes, which is about 15 per cent lower than last year. The relatively small grain crop will reduce Finland's export surplus compared to the previous year. The oilseed harvest will be exceptionally low due to the declining area under cultivation and the low expectations of yield per hectare. However, the grain crop and oilseed harvest in the Baltic countries is excellent, which particularly compensates for the exceptionally weak oilseed harvest in Finland. At Apetit, we are continuing our systematic efforts to increase the willingness to cultivate oilseed plants in Finland to increase the area under cultivation and crop yields.

The commissioning of the bioenergy plant under construction next to the Kantvik oil milling plant will be delayed to January–February 2021 due to reasons related to an equipment supplier. The bioenergy plant was originally scheduled to be commissioned at the end of 2020. When completed, the bioenergy plant will significantly reduce the energy costs of the Kantvik oil milling plant and the Group's carbon dioxide emissions as a whole.

Based on current information, the decision on the novel food marketing authorisation for Apetit's rapeseed ingredient is expected before the end of the year. This autumn, we decided to invest in small-scale production equipment located on a subcontractor's premises. Starting small-scale production will enable us to test the rapeseed ingredient more extensively with potential customers. Our work on developing new ingredients has progressed as planned. We are also continuing to assess alternatives related to the commercialisation of the rapeseed ingredient.

We are systematically executing our strategy with the aim of making Apetit a successful Finnish company focusing on plant-based food products.”

KEY FIGURES

EUR million	7-9 2020	7-9 2019	Change	1-9 2020	1-9 2019	Change	2019
Continuing operations							
Net sales	72.1	56.0	29%	211.0	191.5	10%	296.9
EBITDA	4.0	2.1		7.3	0.8		0.8
Operating profit	2.5	0.2		2.8	-3.7		-4.8
Share of profit of associated company Sucros	0.5	-1.2		-0.2	-1.5		-0.9
Profit for the period	2.4	-1.2		1.6	-5.1		-5.4
Earnings per share, EUR	0.39	-0.19		0.25	-0.82		-0.87
Working capital at the end of the period				58.2	67.8		64.0
Investment				5.4	9.8		11.5
Group (comparison figures include discontinued operations)							
Net sales	72.1	61.2		211.0	207.2		312.6
EBITDA	4.0	2.3		7.5	0.7		2.9
Operating profit	2.5	2.8		2.9	-2.1		-3.4
Profit for the period	2.4	0.9		1.7	-3.9		-4.4
Earnings per share, EUR	0.39	0.14		0.27	-0.63		-0.71
Equity per share, EUR				14.79	15.36		15.09
ROCE % (ROCE % rolling 12 months)				1.2%	-5.1%		-4.0%
Net cash flow from operating activities				11.7	-10.8		-5.9
Equity ratio				55.5%	49.9%		55.0%
Gearing				35.0%	49.7%		35.9%

KEY FIGURES BY SEGMENT

Food Solutions

EUR million	7-9 2020	7-9 2019	Change	1-9 2020	1-9 2019	Change	2019
Net sales	14.6	13.3	10%	44.1	43.2	2%	58.9
EBITDA	2.7	2.1		5.0	3.3		5.9
Operating profit	1.8	1.2		2.5	1.2		2.5

Oilseed Products

EUR million	7-9 2020	7-9 2019	Change	1-9 2020	1-9 2019	Change	2019
Net sales	16.4	17.0	-4%	49.4	49.4	0%	65.0
EBITDA	0.9	0.6		2.5	1.9		2.3
Operating profit	0.6	0.4		1.8	1.2		1.5

Grain Trade

EUR million	7-9 2020	7-9 2019	Change	1-9 2020	1-9 2019	Change	2019
Net sales	54.4	44.2	23%	141.2	117.5	20%	194.9
EBITDA	0.9	0.0		1.6	-2.7		-4.8
Operating profit	0.6	-0.6		0.9	-3.9		-5.6

Group Functions

EUR million	7-9 2020	7-9 2019	Change	1-9 2020	1-9 2019	Change	2019
Net sales	0.0	0.0		0.0	0.0		0.0
EBITDA	-0.4	-0.6		-1.7	-1.8		-2.6
Operating profit	-0.6	-0.7		-2.3	-2.2		-3.1



FINANCIAL PERFORMANCE IN JULY–SEPTEMBER

Comparable net sales increased by 29 per cent to EUR 72.1 (56.0) million. The net sales of Food Solutions grew by 10 per cent: the sales of frozen products increased except in the Food Service channel, where net sales were lower than in the previous year in spite of the partial recovery of sales. Growth was the highest in exports, with the exports of peas falling entirely in the third quarter. In Oilseed Products, net sales were largely unchanged from the previous year. In the Grain Trade segment, net sales grew by nearly a quarter particularly due to higher exports enabled by the good harvest in the Baltic region.

EBIT improved substantially and amounted to EUR 2.5 (0.2) million. The profit performance of Food Solutions was improved slightly by higher sales and successful cost control. The refining margin improved, which had a favourable effect on the profitability of Oilseed Products. The profit performance of Grain Trade improved due to higher volume.

FINANCIAL PERFORMANCE IN JANUARY–SEPTEMBER

Comparable net sales increased by 10 per cent to EUR 211.0 (191.5) million. The net sales of Food Solutions increased slightly: net sales grew in the retail channel due to the COVID-19 pandemic but declined significantly in the Food Service channel as restaurants were closed and other public services scaled back their operations in the spring. The figures for the comparison period include the service business until the end of April 2019. The net sales of the Oilseed Products business were on a par with the comparison period. The net sales of the Grain Trade business grew due to increased delivery volumes.

Operating profit improved substantially and amounted to EUR 2.8 (-3.7) million. The improved profitability of Food Solutions was supported by successes in the supply chain and the optimisation of cost control. The refining margin improved, which had a favourable effect on the profitability of Oilseed Products. The profit performance of the Grain Trade business was improved by higher volumes and successes in the planning of the harvest season's purchases and sales.

The Group's liquidity was good and its financial position is strong. The equity ratio was 55.5 (49.9) per cent and gearing was 35.0 (49.7) per cent. The Group's cash flow from operating activities after interest and taxes was EUR 11.7 (-10.8) million in January–September.

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.



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.

Apetit Plc

For further information, please contact:

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Apetit is a food industry company firmly rooted in Finnish primary production. Our operations are based on a unique value chain: we create well-being with vegetables by offering healthy and tasty food solutions that make daily life easier. We also produce high-quality vegetable oils and rapeseed expellers for feeding stuff, and trade grain on the international markets. Apetit Plc's shares are listed on Nasdaq Helsinki. In 2019, Apetit Group's net sales were EUR 313 million. Read more at apetit.fi.