



Apetit Plc's Business Review 1 January–30 September 2021

Apetit Group's operating profit at the same level with the comparison period – Food Solutions and Oilseed Products clearly ahead last year, Grain Trade suffers from the loss-making start to the year

Apetit Plc, Stock Exchange Release, 29 October 2021 at 8:30 a.m.

July–September 2021, continuing operations*

- Net sales amounted to EUR 64.5 (72.1) million
- EBITDA was EUR 4.2 (4.0) million
- Operating profit was EUR 2.6 (2.5) million

January–September 2021, continuing operations*

- Net sales amounted to EUR 200.9 (211.0) million
- EBITDA was EUR 7.0 (7.3) million
- Operating profit was EUR 2.3 (2.8) 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 reports 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.

CEO Esa Mäki, July–September 2021:

“Apetit Group's net sales in the third quarter declined while profitability improved slightly year-on-year. In Oilseed Products, the exceptional and rapid increase in raw material prices has reduced the refining margin since the summer. In the Grain Trade segment, net sales declined substantially due to lower volumes caused by the poor harvest, with profitability being slightly lower than in the comparison period. In Food Solutions, profit performance has remained strong.

Retail demand in the Food Solutions segment was at a good level. The Food Service channel has also continued its recovery from the low level seen during the pandemic. The Baltic Sea fish stick, launched in Finnish schools and kindergartens on Baltic Sea Day, significantly increased the channel's sales as a single product. In addition, exports to Sweden, in particular, have continued to grow. Increased prices in logistics, energy and packaging materials are creating pressure for increases in sales prices.

Preparatory work, such as planning and orders of equipment and components for the pizza production line in Pudasjärvi, has progressed on schedule. The investment covers the modernisation of the entire production equipment in the existing building. At the same time, we are moving forward with product development to renew our range of products: our aim is to provide consumers in Finland with even more delicious frozen pizza made using domestic ingredients to the greatest possible extent. The redesigned range of pizzas will be launched next year.

Enhancing the efficiency of production is a key aspect of our operations and the improvement of profitability. In Säskylä, we have invested in the processing of raw materials by upgrading the equipment used to wash vegetables. The new brush scrubbers significantly reduce water consumption. The investment is also significant from the perspective of raw material efficiency: the improved washing means that more of the vegetables are left to be processed for production.



We are upgrading how peas are received at the start of the production line by investing in cleaning and processing equipment to increase capacity. Peas need to go from field to freezer within two hours, which naturally limits the cultivation area to the surroundings of the production facility, but the process is also directly dependent on the capacity of the production function to process peas quickly. Peas are Apetit's most significant export product, with Italy and Sweden being the key markets. The investment supports our potential to increase pea exports in the future.

The retail sales of our food products in Sweden have developed in line with our expectations. This autumn, we are launching on the Swedish market wok vegetables and a new vegetable mix. In addition to ICA, we have gained a foothold in other retail chains in Sweden this year. The value of food exports grew, amounting to EUR 4.4 (3.9) million in January–September in spite of pea exports being significantly lower than last year.

The indications are that the overall harvest of field vegetables will be moderate. The harvest of early vegetables, such as peas and spinach, suffered from the hot and dry summer.

In Oilseed Products, raw material prices have increased with exceptional speed – approximately 70 per cent in one year. The rate of price increases has been the highest since the summer. The profitability of Oilseed Products is decreased not only by the high raw material costs but also increasing freight costs. Raw material and freight costs are not expected to decrease in the near future, which weakens the outlook of the Oilseed Products segment for the remainder of the year.

The start-up of small-scale production of the rapeseed ingredient to test the equipment at a subcontractor's premises began in September. The start of small-scale production makes higher volumes possible and also allows our customers to test the ingredient in their products. In addition to making deliveries to customers, we will continue our own testing of end uses for the ingredient and the potential expansion of the product family. The ingredient will also be used in Apetit's vegetable balls to be launched for the professional kitchen segment at the beginning of 2022. At the same time, we are planning the start of production on the commercial scale.

According to our most recent harvest estimates, the rapeseed harvest will grow by just over a third. For autumn rapeseed, the area under cultivation increased compared to the previous harvest season, which can be considered good news: autumn oilseed plants yield higher harvests than spring oilseed plants and they are more resilient to pests. We are also pleased to have achieved our goal of increasing the number of contract growers and the area under contract cultivation.

For grains, the harvest in Finland will be weak and the harvest in the Baltic countries will also be substantially smaller than last year. There are even clear shortages of certain grains. Grain prices have increased sharply both in Finland and the global market, especially since the late summer.

The exceptional arrangements related to the COVID-19 pandemic have been discontinued in Apetit Group in accordance with the national recommendations. Throughout the pandemic, we have successfully achieved our goal of ensuring the health and safety of our employees and ensuring uninterrupted operations throughout the food supply chain.”

KEY FIGURES

EUR million	7-9 2021	7-9 2020	Change	1-9 2021	1-9 2020	Change	1-12 2020
Continuing operations							
Net sales	64.5	72.1	-11%	200.9	211.0	-5%	292.9
EBITDA	4.2	4.0		7.0	7.3		10.1
Operating profit	2.6	2.5		2.3	2.8		3.9
Share of profit of associated company Sucros	0.2	0.5		-0.4	-0.2		0.3
Profit for the period	2.3	2.4		1.2	1.6		3.1
Earnings per share, EUR	0.37	0.39		0.19	0.25		0.49
Working capital at the end of the period				53.4	58.2		48.4
Investments				4.9	5.4		7.8
Group (incl. discontinued operations)							
Net sales	64.5	72.1	-11%	200.9	211.0	-5%	293.0
EBITDA	4.2	4.0		7.0	7.5		10.2
Operating profit	2.6	2.5		2.3	2.9		4.1
Profit for the period	2.3	2.4		1.2	1.7		3.2
Earnings per share, EUR	0.37	0.39		0.19	0.27		0.52
Equity per share, EUR				14.22	14.79		15.26
ROCE %				3.0	1.2		3.3
Net cash flow from operating activities				-4.0	11.7		26.8
Equity ratio, %				54.3	55.5		66.5
Gearing, %				37.0	35.0		21.7

KEY FIGURES BY SEGMENT

Food Solutions

EUR million	7–9 2021	7–9 2020	Change	1–9 2021	1–9 2020	Change	2020
Net sales	15.2	14.6	4%	45.9	44.1	4%	60.1
EBITDA	3.3	2.7		6.5	5.0		8.4
Operating profit	2.5	1.8		4.0	2.5		5.0

Oilseed Products

EUR million	7–9 2021	7–9 2020	Change	1–9 2021	1–9 2020	Change	2020
Net sales	22.8	16.4	39%	63.2	49.4	28%	65.8
EBITDA	0.6	0.9		3.4	2.5		3.0
Operating profit	0.3	0.6		2.5	1.8		2.0

Grain Trade

EUR million	7–9 2021	7–9 2020	Change	1–9 2021	1–9 2020	Change	2020
Net sales	40.3	54.4	-26%	116.5	141.2	-18%	194.3
EBITDA	0.6	0.9		-2.0	1.6		1.0
Operating profit	0.4	0.6		-2.7	0.9		0.1

Group Functions*

EUR million	7–9 2021	7–9 2020	Change	1–9 2021	1–9 2020	Change	2020
Net sales	-	-		-	-		-
EBITDA	-0.3	-0.4		-0.9	-1.7		-2.3
Operating profit	-0.5	-0.6		-1.4	-2.3		-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 1–9/2021 includes EUR 0.2 million non-recurring gains from the sale of assets.



FINANCIAL PERFORMANCE IN JULY–SEPTEMBER, CONTINUING OPERATIONS

Comparable net sales decreased by 11 per cent to EUR 64.5 (72.1) million. In Food Solutions, net sales increased by 4 per cent: the sales of frozen foods grew especially in the retail and export segments. The Food Service channel has continued its recovery from the impacts of COVID-19 but is still below the pre-pandemic level. Compared to the corresponding period last year, net sales were reduced by a significant decline in the export deliveries of peas due to the poor harvest. In Oilseed Products, net sales grew substantially thanks to good demand and higher selling prices. In the Grain Trade business, net sales declined due to lower delivery volumes.

Operating profit amounted to EUR 2.6 (2.5) million. In Food Solutions, profit performance was improved by higher sales volumes across all sales channels. Significantly increased raw material costs reduced the refining margin in Oilseed Products and slightly reduced profitability. The profitability of the Grain Trade business was largely unchanged from the comparison period.

FINANCIAL PERFORMANCE IN JANUARY–SEPTEMBER

Comparable net sales decreased by 5 per cent to EUR 200.9 (211.0) million. Net sales increased slightly in Food Solutions: retail demand and exports – except in the case of peas – have remained strong throughout the year. Food exports represented 10 per cent of net sales. Sales in the Food Service channel have continued the recovery seen since the early summer but were still below the pre-pandemic level. In Oilseed Products, net sales grew substantially thanks to good demand and higher selling prices. In the Grain Trade business, net sales declined substantially year-on-year.

Operating profit amounted to EUR 2.3 (2.8) million. In Food Solutions, the improved profit performance was supported by the growth of net sales and enhanced operational efficiency. The profitability of Oilseed Products improved substantially thanks to the strong early part of the year. However, the significantly increased price of rapeseed raw material has reduced the refining margin in the second half of the year. The profit performance of the Grain Trade business early in the year was negatively affected by the difficult market conditions in the international wheat trade and the unsuccessful response to unpredictable market changes. The third quarter of the year was positive in the Grain Trade business.

The Group's liquidity was good and its financial position is strong. The equity ratio was 54.3 (55.5) per cent and gearing was 37.0 (35.0) per cent. The Group's cash flow from operating activities after interest and taxes was EUR -4.0 (11.7) million in January–September.

MATERIAL EVENTS AFTER THE END OF THE REVIEW PERIOD

On 22 October 2021, Apetit revised its estimate of operating profit for 2021. The company estimated that the operating profit from continuing operations will be below year 2020 level (EUR 3.9 million in 2020).

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 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 production in the Food Solutions segment 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 that 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.

THE REVISED GUIDANCE FOR 2021 (published on 22 October 2021)

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

Apetit Plc

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Apetit is a food industry company firmly rooted in Finnish primary production. Our operations are based on a unique and sustainable value chain: we create well-being with vegetables by offering tasty food solutions that make daily life easier. We also produce high-quality vegetable oils and rapeseed expellers for feedstuff, and trade grain on the international markets. Apetit Plc's shares are listed on Nasdaq Helsinki. In 2020, the Group's net sales were EUR 293 million.