



Apetit Plc's Business Review 1 January–30 September 2023: Operating profit increased in both businesses – sales volumes grew in Food Solutions

Apetit Plc, Stock Exchange Release, 26 October 2023 at 8:30 a.m.

FINANCIAL PERFORMANCE IN BRIEF

July–September 2023, continuing operations*)

- In continuing operations comparable net sales were EUR 39.7 (45.2) million. EBITDA was EUR 4.0 (3.2) million. Operating profit was EUR 2.7 (1.7) million.
- The net sales of Food Solutions were EUR 17.6 (15.2) million and operating profit EUR 2.3 (1.7) million.
- The net sales of Oilseed Products were EUR 22.2 (30.3) million and operation profit EUR 1.1 (0.6) million.

January–September 2023, continuing operations*)

- In continuing operations comparable net sales were EUR 132.9 (135.1) million. EBITDA was EUR 9.5 (4.7) million. Operating profit was EUR 5.4 (0.5) million.
- The net sales of Food Solutions were EUR 53.9 (47.1) million and operating profit EUR 3.8 (2.4) million.
- The net sales of Oilseed Products were EUR 79.4 (88.5) million and operating profit EUR 3.7 (-0.2) million.

July–September 2023, Group, incl. discontinued operations**)

- The Group's comparable net sales were EUR 39.7 (45.5) million. EBITDA was EUR 4.0 (3.4) million. Operating profit was EUR 2.7 (1.9) million. The divestment of the Grain Trade business was completed on 31 May 2022.
- The net sales of Grain Trade were EUR 0.0 (3.2) million and operating profit EUR -0.0 (0.2) million.

January–September 2023, Group, incl. discontinued operations**)

- The Group's comparable net sales were EUR 132.9 (185.2) million. EBITDA was EUR 9.4 (8.0) million. Operating profit was EUR 5.3 (3.3) million.
- The net sales of Grain Trade were EUR 0.0 (67.2) million and operating profit EUR -0.1 (2.8) million. The divestment of the Grain Trade business was completed on 31 May 2022.
- The Group's liquidity was good, and its financial position was strong. The equity ratio was 82.9 (80.6) per cent and gearing was -12.9 (-7.3) per cent. The Group's cash flow from operating activities after interest and taxes was EUR 7.9 (21.5) million.

*) Apetit's continuing operations are Food Solutions and Oilseed Products. In addition, 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 business segments.

***) Grain Trade has been reported as a discontinued operation starting from the Q1/2022 Business Review. The divestment of the Grain Trade business was completed in stages during the first half of 2022.

The information in this report is unaudited. The figures in brackets refer to the corresponding period in 2022, and the comparison period means the corresponding period in the previous year, unless otherwise stated.



KEY FIGURES

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	1-12/2022
Continuing operations							
Net sales	39.7	45.2	-12 %	132.9	135.1	-2 %	181.7
EBITDA	4.0	3.2		9.5	4.7		9.2
Operating profit	2.7	1.7		5.4	0.5		3.5
Share of profit of associated company Sucros	1.4	-0.2		2.3	-0.6		0.5
Profit for the period	3.5	1.0		6.3	-0.4		3.2
Earnings per share, EUR	0.56	0.15		1.01	-0.07		0.51
Investments				4.2	4.1		5.0
Group (incl. discontinued operations)							
Net sales	39.7	45.5	-13 %	132.9	185.2	-28 %	231.8
EBITDA	4.0	3.4		9.4	8.0		12.4
Operating profit	2.7	1.9		5.3	3.3		6.2
Profit for the period	3.5	1.1		6.3	1.7		5.2
Earnings per share, EUR	0.56	0.17		1.01	0.27		0.83
Equity per share, EUR				16.03	14.89		15.38
ROCE-%				8.3	3.2		5.7
Working capital, end of period				22.5	21.9		18.7
Net cash flow from operating activities				7.9	21.5		28.4
Equity ratio, %				82.9	80.6		81.8
Net gearing, %				-12.9	-7.3		-13.2



Esa Mäki, CEO

“In the third quarter, Apetit’s operating profit improved year-on-year. Both businesses improved their results. In Oilseed Products, positive profit performance was boosted by successful raw material sourcing. The operational efficiency of the bioenergy plant at the Kantvik vegetable oil milling plant has improved. In Food Solutions, positive profit performance resulted from good development in sales and price adjustments made in order to respond to the general rise in costs.

We upgraded our profit guidance for 2023 for operating profit from continuing operations. Apetit expects the full-year operating profit from continuing operations to clearly improve year-on-year. In Oilseed Products, raw material sourcing has been successful throughout the year. International crush margins have been at an elevated level during the entire calendar year, and stabilisation of margins is not expected to happen during the remaining financial year. In Food Solutions, the sales have developed favourably. The impact of inflation, which has limited profit development, has successfully been moderated. The harvesting season, which is a key profit driver for Food Solutions, has progressed in a way that limits the risk during the current financial year from previous estimate.

In October, we announced that we are building the new bottling line in the Kantvik vegetable oil milling plant. With this approximately EUR 4.5 million investment, we take the supply chain more firmly into our own hands. Investing in a new bottling line follows Apetit’s strategy of speeding up growth and provides opportunities for the development of products with a higher degree of processing in the vegetable oil business. On the new line, vegetable oils can be bottled in plastic and glass bottles. It is estimated that the new line will become operational during the second half of 2024.

The abundant rainfall in August and September posed challenges for harvesting. Weather in the autumn can have a negative impact on the quality of root vegetable crops. Regardless, the harvest-time production of root vegetables has been fairly good as a whole. The processing of root vegetable crops will continue to the next calendar year. The volume and quality of autumn spinach crops were impaired by the abundant rainfall.

We have launched several delicious new products during the autumn. Our new soup ingredients for traditional salmon soup and borsch soup introduced the Apetit brand in a new product category. These products contain soup ingredients for making a filling soup easily. Another new product of this autumn, Mashed potato with carrots, makes daily life much easier. The frozen pizza product family expanded to family-size pizzas when Superior Grande pizzas were introduced to the market. These new pizzas increase the range of Apetit’s frozen pizzas, which was renewed a year ago and received a warm welcome among consumers. The new products introduced this autumn are an excellent complement to our range of products. Apetit’s product selection is a good match for the current situation, in which consumers prefer affordably priced products.

Important steps forward have been taken in the work to commercialise the rapeseed protein ingredient BlackGrain. This year’s efforts have been associated with the development of the production process. During the summer and the autumn, we have achieved desired results in process-related details, contributing to starting the commercial scale production. “More domestic plant proteins” is one of Apetit’s strategic focus areas.

We have launched a project to produce Finnish pea protein. In this strategically important project, we explore, in the entire value chain, the opportunities to produce Finnish pea protein. We have many advantages here: strong value chain insight, expertise in plant-based raw materials and long-term cooperation with domestic primary production. The pea is one of our most used plant proteins worldwide, but thus far we have relied on imported raw materials.

During the review period, Apetit decided to establish its own sales organisation in Sweden. The decision strengthens our position and promotes exports. Apetit’s product selection has achieved a strong foothold in the Swedish retail trade and it has grown even stronger with the expansion of the distribution channels. Export demand for peas continues to be strong.



Apetit's production facilities have gone through an energy transition and, as a result, the share of renewable energy of all energy used by the Group has grown approximately eight-fold. Wind power is now used in all production facilities. The Kantvik bioenergy plant and the Säkylä plant's new energy solution have increased the use of domestic renewable energy. Apetit's emission targets will be reached ahead of the planned schedule. The target set by Apetit is to reduce energy-related emissions by 75 per cent by 2025."



KEY FIGURES BY SEGMENT, CONTINUING OPERATIONS

Food Solutions

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	2022
Net sales	17.6	15.2	16 %	53.9	47.1	14 %	64.2
EBITDA	3.2	2.6		6.4	4.9		7.6
Operating profit	2.3	1.7		3.8	2.4		4.2

Oilseed Products

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	2022
Net sales	22.2	30.3	-27 %	79.4	88.5	-10 %	118.2
EBITDA	1.4	1.0		4.9	1.0		3.2
Operating profit	1.1	0.6		3.7	-0.2		1.5

Group Functions

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	2022
Net sales	-	-		-	-		-
EBITDA	-0.6	-0.4		-1.9	-1.2		-1.6
Operating profit	-0.7	-0.6		-2.2	-1.7		-2.2

In addition to the reporting segments, 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 business segments.

KEY FIGURES BY SEGMENT, DISCONTINUED OPERATIONS

Grain Trade

EUR million	7-9/2023	7-9/2022	Change	1-9/2023	1-9/2022	Change	2022
Net sales	-	3.2	-100 %	-	67.2	-100 %	67.2
EBITDA	-0.0	0.2		-0.1	3.3		3.2
Operating profit	-0.0	0.2		-0.1	2.8		2.7

FINANCIAL PERFORMANCE IN JULY–SEPTEMBER, CONTINUING OPERATIONS

Comparable net sales decreased by 12 per cent to EUR 39.7 (45.2) million. Net sales decreased mainly due to the high market prices of Oilseed Products in the comparison period and partly due to the normal period-to-period volume variation.

In Food Solutions, net sales and sales volumes increased from the comparison period. Net sales grew in all sales channels. Sales volumes increased in retail trade, the Food service sector and exports. In Food Solutions, price adjustments were made in line with the general rise in costs.



Operating profit was EUR 2.7 (1.7) million. Operating profit increased in both businesses. In Oilseed Products, positive profit performance was boosted by successful raw material sourcing and the improved operational efficiency of the bioenergy plant. In Food Solutions, profit has been improved by good development in sales and price adjustments made in order to respond to the general rise in costs.

FINANCIAL PERFORMANCE IN JULY–SEPTEMBER, GROUP

The Group's liquidity was good, and its financial position was strong. The equity ratio was 82.9 (80.6) per cent, and gearing was -12.9 (-7.3) per cent. The Group's cash flow from operating activities after interest and taxes was EUR 7.9 (21.5) million. The sale of the Grain Trade business on comparison year had a positive influence on the Group's key figures.

FINANCIAL PERFORMANCE IN JULY–SEPTEMBER, DISCONTINUED OPERATIONS

In July–September, net sales amounted to EUR 0.0 (3.2) million. Operating profit was EUR -0.0 (0.2) million. The divestment of the Grain Trade business was completed in stages during the first half of 2022.

SUMMARY OF JANUARY–SEPTEMBER, GROUP INCLUDING DISCONTINUED OPERATIONS

Net sales amounted to EUR 132.9 (185.2) million. Operating profit was EUR 5.3 (3.3) million. Operating profit of Discontinued operations for 2022 includes EUR 2.3 million in gains on sale resulting from the sale of the Baltic and Finnish business operations.

THE DIVESTMENT OF THE GRAIN TRADE BUSINESS

Grain Trade has been reported as a discontinued operation starting from the Q1/2022 Business Review. The divestment of the Grain Trade business was completed in stages during the first half of 2022. Operating profit for Discontinued operations for 2022 includes EUR 2.3 million in gains on sale resulting from the sale of the Baltic and Finnish business operations.

EVENTS AFTER THE END OF THE PERIOD

Inside information

On 11 October 2023, Apetit announced that it will invest EUR 4.5 million in a new bottling line in the Kantvik vegetable oil milling plant. On the new line to be built in the premises of the Kantvik vegetable oil milling plant's packing section, vegetable oils can be bottled in plastic and glass bottles. It is estimated that the new line will become operational during the second half of 2024.

Positive profit warning

On 18 October 2023, Apetit announced that it is upgrading its profit guidance for 2023 for operating profit from continuing operations. Upgraded profit guidance for 2023: The full-year operating profit from continuing operations is expected to clearly improve year-on-year (EUR 3.5 million in 2022). Previous profit guidance for 2023: The full-year operating profit from continuing operations is expected to improve year-on-year (EUR 3.5 million in 2022).

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 recognized on the balance sheet in the second 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 timing of end of the harvest season can affect the comparability between financial years. 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 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 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.

PROFIT GUIDANCE FOR 2023 (published on 18 October 2023)

The full-year operating profit from continuing operations is expected to clearly improve year-on-year (EUR 3.5 million in 2022).

Apetit Plc

For further information, please contact:

Esa Mäki, CEO, tel. +358 10 402 2100

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 and produce high-quality vegetable oils and rapeseed expellers for feeding stuff. Apetit Plc's shares are listed on Nasdaq Helsinki. In 2022, Apetit Group's net sales were EUR 182 million.