



Apetit Plc's Business Review 1 January - 31 March 2018

Positive trend continued in Food Solutions - Grain Trade volumes declined as predicted due to weak harvest season

Apetit Plc, Stock Exchange Release on 8 May 2018 at 8:30 am

Since 1 January 2018 Apetit has started reporting its first (Q1) and third (Q3) quarter results as Business Reviews. The Half-year Financial Report (Q2) and Financial Statements Release (Q4) will provide more extensive reporting and contain segment information.

JANUARY–MARCH 2018 IN BRIEF

- Consolidated net sales amounted to EUR 59.7 (74.0) million.
- Operational EBITDA was EUR 0.0 (0.4) million.
- Operational EBIT was EUR -1.4 (-1.0) million.
- Profit for the period came to EUR -1.7 (-1.4) million, and earnings per share amounted to EUR -0.27 (-0.23).

The information has not been audited. The figures in parentheses are the equivalent figures for continuing operations for the same period in 2017, and the comparison period means the corresponding period in the previous year, unless otherwise stated.

Juha Vanhainen, CEO:

“The key focus areas of the strategy that was updated at the beginning of March - renewal, internationalisation and efficiency improvement - have defined activities in all the Group's business operations during the first months of the year.

We continued to be a leader in the area of vegetable-based diets by introducing to the market several new products in different product groups. We also expanded into a new product group area, which was ready-to-eat, portable snack products, by launching vegetable snacks and bowl dishes. Demand for various snacks has grown and will continue to grow significantly, as more and more people are replacing meals with snacks when they are on the move. As part of its nutrition commitments, Apetit wants to offer healthy alternatives in this product group and make it easier for people in different age groups to increase the amount of vegetables in their diet.

Internationalisation progressed in line with targets, as the share of international trade in the food trade in January-March 2018 had already equalled that of the full year in 2016. Apetit has traditionally been an important operator in the international grain trade, but the company now also wants to significantly increase the share of international trade in the food trade. Apetit's food products that attract the most international interest are added-value products, such as vegetable patties and balls, as well as peas.

The Group's net sales declined as predicted from the comparison period as a result of the weak harvest season in 2017. The weak harvest season had the greatest impact on the grain trade where sales volumes have declined temporarily also weakening the first-quarter profit. Positive profit performance continued in Food Solutions where sales of frozen and fresh foods grew strongly. In Oilseed Products, production grew slightly on the comparison period in line with the target set in the strategy.

We continue our measures to improve profitability. As a result of the sale of the Seafood business we are focusing on simplifying our operations and boosting their efficiency throughout the Group. Our clear target is to ensure profitable growth.”

KEY FIGURES

EUR million	1-3 2018	1-3 2017	Change	2017
CONTINUING OPERATIONS, KEY FIGURES				
Net sales	59.7	74.0	-19%	311.8
Operational EBITDA	0.0	0.4		6.8
Operational EBIT	-1.4	-1.0		1.3
Operating profit	-1.4	-1.0		1.1
Share of profit of associated company Sucros	-0.5	-0.6		1.0
Profit for the period	-1.7	-1.4		2.9
Earnings per share, EUR	-0.27	-0.23		0.46
Working capital, at end of period	30.2	42.2		30.0
GROUP, KEY FIGURES incl. discontinued operations during comparison period, Seafood				
Equity per share, EUR	17.19	18.08		18.10
Return on capital employed (ROCE), %	2.5%	1.3%		2.4%
Net cash flow from operating activities	-4.5	-0.5		20.0
Equity ratio, %	73.6%	62.2%		72.6%
Gearing, %	-5.4%	14.9%		-9.6%
Investment	0.7	1.4		5.2

FINANCIAL PERFORMANCE IN REVIEW PERIOD

Consolidated comparable net sales declined 19 per cent to EUR 59.7 (74.0) million. The decline in net sales resulted in full from the temporary decline in Grain Trade volumes. In contrast, in Food Solutions net sales grew considerably in both frozen foods and fresh products in all sales channels. In Oilseed Products, net sales fell slightly short of the comparison period as deliveries focused on expellers during the first quarter.

Consolidated operational EBIT was EUR -1.4 (-1.0) million. In the Grain Trade, profitability was weakened by reduced volumes due to a weak harvest season. In Food Solutions, profit improved as a result of record sales in the frozen foods group. In Oilseed Products, profitability fell slightly short of the comparison period as the weak harvest season reduced the availability of Finnish raw materials.

The Group's liquidity was good, and its financial position is strong. The equity ratio was 73.6 (62.2) per cent, and gearing was -5.4 (14.9) per cent. Consolidated cash flow from operating activities after interest and taxes amounted to EUR -4.5 (-0.5) million in January-March mainly due to the increase in grain stocks.



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 final quarter of the year. This means that more fixed production overheads are recognised on the balance sheet in the fourth quarter than during the other quarters of the year. Due to this accounting practice, most of the Group's annual profit is accrued in the final quarter. 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.

IFRS 15 REVENUE RECOGNITION – ADOPTION OF STANDARD

Apetit is applying the IFRS 15 Revenue Recognition standard as of 1 January 2018. Adjustments based partly on volume will be recognised as an adjustment to net sales. These items were previously recognised in expenses. The change will not have an impact on the operating profit. As a result of the change, net sales will decline by about EUR 2 million per year. The updated net sales for Q1 2017 is EUR 74.0 (previously 74.6) million and the updated net sales for the full year 2017 is EUR 311.8 (314.0) million.

PROFIT GUIDANCE FOR 2018 UNCHANGED

The Group's full-year operational EBIT from continuing operations is expected to improve year-on-year (EUR 1.3 million in 2017). Due to the seasonal nature of the Group's operations, most of the annual profit is accrued in the second half of the year. Sales volumes and the profit outlook for early 2018 are burdened by the weak harvest of 2017.

Apetit Plc

For further information, please contact:

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Apetit is number one in vegetables. It is a food industry company firmly rooted in Finnish primary production. 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 seeks to lead the way in vegetable-based food solutions. Apetit Plc's shares are listed on Nasdaq Helsinki. In 2017, the company's net sales were EUR 312 million and it had approximately 640 employees. Read more at apetitgroup.fi.