



Apetit Plc's Business Review 1 January – 30 September 2019

Apetit's result unsatisfactory in the third quarter, ongoing measures to improve profitability across all business areas

Apetit Plc, Stock Exchange Release, 6 November 2019 at 8:30 a.m.

July–September 2019, continuing operations

- Net sales amounted to EUR 56.0 (70.7) million
- Operational EBITDA* was EUR 0.9 (2.0) million
- Operational EBIT was EUR -0.9 (1.1) million

January–September 2019, continuing operations

- Net sales amounted to EUR 191.5 (191.2) million
- Operational EBITDA* was EUR 1.8 (4.0) million
- Operational EBIT was EUR -2.6 (1.1) million

July–September 2019, Group, including discontinued operations **

- Consolidated net sales amounted to EUR 61.2 (76.6) million
- Operational EBITDA* was EUR 1.2 (2.0) million
- Operational EBIT was EUR -0.7 (0.6) million

January–September 2019, Group, including discontinued operations **

- Consolidated net sales amounted to EUR 207.2 (209.1) million
- Operational EBITDA* was EUR 1.7 (3.5) million
- Operational EBIT was EUR -3.5 (-0.9) million

*) Apetit has adopted IFRS 16 Leases effective from 1 January 2019. The simplified approach has been applied in the transition, and the comparison figures for the year preceding the adoption of the standard have not been adjusted. The adoption of the standard increased the Group's operational EBITDA for January–September 2019 by EUR 1.6 million. The change does not have a material effect on EBIT.

**) Discontinued operations: The sale of Apetit Plc's fresh cut products business to the Swedish company Greenfood was completed on 30 September 2019. The sold business is included in discontinued operations in this Business Review. The seafood business divested in 2017 is included in discontinued operations for the comparison year and it only affects the financial items.

The information in this Business Review is unaudited. The figures in brackets refer to the continuing operations in the corresponding period in 2018 and the comparison period means the corresponding period in the previous year, unless otherwise stated.

Esa Mäki, CEO:

"Apetit's current profit level cannot be considered satisfactory. Due to this, we implement a clear profit improvement in all businesses with the new management that has been renewed during the autumn.

The profitability of Grain Trade was reduced by low sales volumes and weak margins. Purchasing volumes in the grain trade during the past harvest season were higher than ever before due to active procurement in all procurement areas. The international demand for grain has picked up during the autumn, which supports the future profit performance of the Grain Trade business.

The Oilseed Products business was negatively affected by the poor harvest in Finland, which was due to a significant decrease in the area under cultivation and an exceptionally large number of pests. The domestic harvest



of oilseed crops was record-low, which increases raw material costs. One of Apetit's key objectives is to promote the cultivation of oilseed crops in Finland to ensure the availability of domestic raw material. The reduced world market price of rapeseed meal also had a negative impact on the refining margin.

In Food Solutions, we continued to focus on the core business by selling our fresh cut products business based in Helsinki's Kivikko district to the Sweden-based Greenfood Group. The sale of the fresh cut products business was announced in July and the transaction was finalised at the end of September following its approval by the competition authority. The divestment of the unprofitable fresh cut products business improves the profitability of Food Solutions in the future.

The vegetable-based patty and ball production line at the Säkylä plant, where production operations began gradually in August, is a response to the growing demand for this category of products in Finland as well as the international markets. Also, it enables new product solutions. Product launches during the autumn, especially the fish fingers from fresh water fish (Järvikalapuikko) as well as cauliflower and broccoli wings, are quickly becoming significant products in the frozen food category in retail.

Increasing international food sales has been one of Apetit's strategic priorities. We have exported peas to the international markets for several decades already, but our goal now is to increase the share of various value-added products, particularly patty and ball products. We took significant steps in the international sales of value-added products in the third quarter by making considerable headway with customers in the Nordic region as well as an importer in the UK.

The rapeseed protein ingredient project is moving forward as planned: the commercialisation of the product has begun and interest in the product has emerged in the European market. The European Food Safety Authority is currently processing the novel food application and the expert statement is expected to be completed in spring 2020.

Apetit's current businesses are all characterised by strong integration with Finnish primary production and the unique value chain around it. This is a clear competitive advantage and differentiating factor for us now and in the future."

KEY FIGURES

EUR million	7-9 2019	7-9 2018	Change	1-9 2019	1-9 2018	Change	2018
Continuing operations							
Net sales	56.0	70.7	-21%	191.5	191.2	0%	259.9
Operational EBITDA	0.9	2.0		1.8	4.0		5.6
Operational EBIT	-0.9	1.1		-2.6	1.1		1.6
Operating profit	0.2	2.0		-3.7	-0.7		0.5
Share of profit of associated company Sucros	-1.2	-0.1		-1.5	-1.0		-0.7
Profit for the period	-1.2	1.5		-5.1	-1.8		-0.4
Earnings per share, EUR	-0.19	0.24		-0.82	-0.30		-0.07
Working capital, end of period				67.8	49.1		57.2
Investment				9.8	2.4		6.1
Group (incl. operations discontinued, fresh cut products, seafood)							
Net sales	61.2	76.6		207.2	209.1		283.1
Operational EBITDA	1.2	2.0		1.7	3.5		4.8
Operational EBIT	-0.7	0.6		-3.5	-0.9		-1.0
Operating profit	2.8	1.5		-2.1	-2.6		-6.9
Profit for the period	0.9	1.1		-3.9	-3.4		-7.5
Earnings per share, EUR	0.14	0.17		-0.63	-0.55		-1.21
Equity per share, EUR				15.39	16.73		16.29
Operational return on capital employed (ROCE %)				-4.2%	0.0%		-1.7%
Net cash flow from operating activities				-10.8	-18.7		-23.5
Equity ratio				49.9%	63.6%		61.4%
Gearing				49.7%	12.3%		21.5%

FINANCIAL PERFORMANCE IN JULY–SEPTEMBER

Comparable net sales decreased by 21 per cent to EUR 56.0 (70.7) million. In Food Solutions, net sales declined due to the elimination of service sales. In Oilseed Products, net sales increased slightly year-on-year. The net sales of Grain Trade decreased substantially year-on-year.

Operational EBIT was EUR -0.9 (1.1) million. The profit performance of Food Solutions was reduced by the different accrual of sales compared to the reference period as well as non-recurring expenses related to the start of the new patty production line. In Oilseed Products, profitability was weakened by the higher cost of raw material



and the weak world market price of rapeseed meal. The profit performance of Grain Trade declined year-on-year due to lower net sales and weak margins.

FINANCIAL PERFORMANCE IN JANUARY–SEPTEMBER

Comparable net sales were on a par with the previous year at EUR 191.5 (191.2) million. In Food Solutions, net sales decreased year-on-year due to the elimination of the service business. In Oilseed Products, net sales were slightly lower than in the comparison period. The net sales of Grain Trade increased year-on-year due to higher volumes.

Operational EBIT was EUR -2.6 (1.1) million. The profit performance of Food Solutions was on a par with the comparison period. In Oilseed Products, profitability was weakened by the higher cost of raw material and the weak world market price of rapeseed meal. The profitability of Grain Trade decreased significantly, mainly due to the poor harvest of 2018 related to the imbalance between supply and demand and the lower market prices of grain.

The Group's liquidity was good and its financial position was strong. The equity ratio was 49.9 (63.6) per cent, and gearing was 49.7 (12.3) per cent. Consolidated cash flow from operating activities was substantially negative in the third quarter due to high grain purchasing volumes and the timing of rapeseed and rapeseed raw material procurement at the start of the harvest season. Consolidated cash flow from operations after interest and taxes amounted to EUR -10.8 (-18.7) million in January–September.

SALE OF THE FRESH CUT PRODUCTS BUSINESS TO GREENFOOD GROUP

On 10 July 2019, Apetit Plc announced that it had signed an agreement on selling its fresh cut products business operations to Greenfood Group. The competition authority approved the transaction on 27 September 2019 and the transaction was completed on 30 September 2019.

The arrangement was carried out as a business transfer that covered Apetit's plant property in Helsinki's Kivikko district, including machinery and equipment. The employees of Apetit's fresh cut products business operations were transferred to Salico Oy, Greenfood Group's Finnish subsidiary, as existing employees.

The transaction price of the business transfer was EUR 13.8 million. Of the transaction price, EUR 3.8 million was paid in cash on 30 September 2019 and the remainder in October 2019. Apetit recognised a non-recurring sales gain on the transaction in the amount of EUR 1.9 million after taxes in the third quarter.

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 the year. This means that more fixed production overheads are recognised on the balance sheet in the second half than during the first half. 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. The company's operational indicators have been updated in 2019, and they no longer include the capitalisation of fixed costs at inventory value in accordance with the IAS 2 standard. This change will reduce annual seasonality in terms of operational indicators.

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.

PROFIT GUIDANCE FOR 2019 UNCHANGED (published on 16 September 2019)

The Group's full-year operational EBIT will be below comparable level (EUR -1.0 million in 2018). Due to seasonality of the operations, most of the Group's annual profit is accrued during the second half of the year.

Apetit Plc

For more 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 2018, the company's net sales were EUR 283 million. Read more at apetit.fi.