

FODELIA OYJ GROUP BUSINESS REVIEW 1 January – 30 September 2022 (unaudited)

THE GROUP'S NET SALES INCREASED BY 22 PER CENT IN JANUARY-SEPTEMBER, PROFITABILITY WAS WEAKENED BY A STRONG INCREASE IN COSTS

HIGHLIGHTS OF THE BUSINESS REVIEW

This business review is unaudited. Unless otherwise stated, figures in parentheses refer to the corresponding period in 2021 in the same unit.

Business growth continued to be strong, especially in Feelia's foodservice business. The result for the review period was weakened by increases in the manufacturing costs of products. However, the market outlook is positive and growth opportunities are good, especially in Feelia's care sector and school meal services portfolio.

Summary for January-September 2022

- Net sales for the period under review increased by 21.8% and amounted to EUR 30,355 thousand (1–9/2021: EUR 24,915 thousand).
- EBITDA for the period was EUR 1,869 thousand (1,834 thousand), representing 6.2% of net sales (7.4%).
- EBITA for the period was EUR 855 thousand (1,214) representing 2.8% of net sales (4.6%)
- EBIT for the period was EUR 605 thousand (974 thousand), representing 2.0% of net sales (3.9%).

Summary for July-September 2022

- Net sales for the period grew by 24.3%, amounting to EUR 10,923 thousand (8,791 thousand).
- EBITDA for the period was EUR 593 thousand (976 thousand), representing 5.4% of net sales (11.1%).
- EBITA for the period was EUR 240 thousand (897), representing 2.2% of net sales (10.2%)
- EBIT for the period was EUR 150 thousand (817 thousand), representing 1.4% of net sales (9.3%).

Outlook for 2022 (Updated 31 of October 2022)

The company management estimates the Group's net sales in 2022 are approximately EUR 40–43 million. EBIT margin is expected to be at the same level than previous year or little below that.

The effects of the war in Ukraine on the price and availability of materials and prices in general, as well as possible new restrictions in response to the pandemic, have caused a degree of uncertainty in the outlook.

Key figures

Group	7–9/22	7–9/21	Change %	1–9/22	1–9/21	Change %	1–12/21
Net sales in thousands of euros	10,923	8,791	24.3	30,355	24,915	21.8	33,843
EBITDA in thousands of euros	593	976	-39.2	1,869	1,834	1.9	2,599
% of net sales	5.4	11.1		6.2	7.4		7.7
EBITA in thousand euros	240	897	-73.2	855	1,214	-29.6	1,695
% of net sales	2.2	10.2		2.8	4.6		5.0

EBIT in thousands of euros	150	817	-81.7	605	974	-37.9	1,375
% of net sales	1.4	9.3		2.0	3.9		4.1
Profit for the period in thousands	-36	526	-106.8	-5	478	-101.0	653
% of net sales	-0.3	6.0		0.0	1.9		1.9
Earnings per share, EUR	0.00	0.07		0.00	0.06		0.09
Equity ratio, %	42.0	37.5		42.0	37.5		37.9
Net gearing, %	86.3	104.1		86.3	104.1		113.9
Return on equity, %	-1.1	21.7		-0.1	6.6		6.6
Return on investment, %	2.5	14.8		2.2	5.9		5.9
Balance sheet total in thousands of	30,631	26,902	17.6	30,631	25,902	17.6	26,095
Average number of employees	128	128	0.0	128	122	4.9	127

Change in reporting

As of 1 July 2022, Fodelia Oyj's business segments are Feelia and Fodelia Retail. The Feelia business segment focuses on clients in the foodservice market. Fodelia Retail focuses on retail clients and an online shop aimed at consumers. Real Snacks Oy, Perniön Liha Oy, Pita Factory Oy and FodNet Oy have been consolidated with the business segment. The financial figures in this review are presented in accordance with the new structure.

At the same time, the Group has changed its method of reporting on its interests in joint ventures. The figures for the joint venture Fodbar are reported using the equity method instead of the previous proportionate consolidation method. The figures for the joint venture are included in financial items. This reporting method is expected to provide a more accurate picture of the situation of the Group's core businesses. In addition, the aim of the change is to achieve better consistency with the IFRS. The figures for the comparative periods have been changed to reflect the new reporting structure and the method of reporting interests in joint ventures.

BUSINESS OVERVIEW

CEO Mikko Tahkola:

Fodelia Group's net sales continued to see steady growth. In the third quarter, net sales increased by 24.3% and cumulatively by 21.8%.

The Group's profitability remained below our target level due to rapidly rising costs. Costs have gone up in almost all expenditure items. Over a very short period of time, the prices of electricity, process energy, packaging materials and raw materials have risen more sharply than in decades. The prices of raw materials and packaging materials used by the Group have increased by approximately 20–40% from one year ago. Prices are expected to continue to rise, but likely more moderately than in the early part of the year. The Group's profitability was also affected by the sizeable investment in Feelia Ruokakauppa earlier this year. However, growth has been lower than expected and the cost level has been adjusted as a result.

Feelia's foodservice net sales continued strong growth during the review period. The foodservice market has returned to pre-pandemic levels, and foodservice wholesalers have a positive outlook for the rest of the year (Finnish Grocery Trade Association). In addition to the positive market development, Feelia's net sales growth has been supported by new clients, particularly in the private care sector and school meal services. There is strong demand for the company's products and service concept, and the business outlook is good. However, the profitability of Feelia's business has

been temporarily depressed by sharp increases in the cost of raw materials, materials, transport and energy. We have made increases in our sale prices, the impact of which will be partly visible in the final quarter of 2022 and in full from the start of 2023.

The growth of the Fodelia Retail business segment has been more modest than that of Feelia in the early part of the year but the profitability development was fairly good over the summer and early autumn. The synergy benefits, streamlining of operations and cost savings achieved through the consolidation of the Fodelia Retail business segment are seen as extremely important for the profitability development of Fodelia Group as a whole. The administrative structure of the business segment will be streamlined by a recently launched merger process. The merger is expected to take effect in March-April 2023.

During the review period, we acquired the share capital of Marjvasu Oy through a share exchange on 31 August 2022. Marjvasu produces juice concentrates and additive-free fruit and berry purées for professional kitchens and the food industry. The company is exceptionally profitable and well-managed and a suitable addition to Fodelia Group. Like Feelia, Marjvasu operates in the foodservice market and has also a significant stake in the health and social services and care sectors. Marjvasu's Delimax juices and purées are also suitable as-is for the menus of Feelia's current clients.

On 3 October 2022, our joint venture Fodbar was chosen as the food service supplier for the municipality of Siuntio and partly also as the supplier of food services transferred from Siuntio to the wellbeing services county. Preparations of the service agreement have begun, and the service will be launched on 1 December 2022. Fodbar's business has been developed with a clear purpose, and the outlook is that the company's operations will turn profitable in the first half of 2023.

On 26 October 2022, we announced the signing of a letter of intent on the sale-leaseback arrangement of Feelia's factory in Pyhäntä. When completed, the transaction will improve the Group's solvency and free up equity for growth in line with our strategy. The transaction is expected to be completed by the end of December 2022.

Although the past year has again been exceptional in many ways, we look confidently to the future. We have taken the Group's operations forward with a clear purpose in mind to better meet the needs of our clients in the changing operating environment. We believe that Finnish food and food production will grow in importance also in the future.

BUSINESS DEVELOPMENT DURING THE REVIEW PERIOD

Trends in net sales

The group's net sales amounted to EUR 30,355 thousand for the period January–September (24,915 thousand). The increase from the comparison period was roughly 21.8%, or EUR 5,440 thousand. Feelia's net sales grew by 42.8% and Fodelia Retail's net sales by 5.6%.

In July–September, the Group's net sales grew by approximately 24.3% from the comparison period and amounted to EUR 10,923 thousand (8,791 thousand). Feelia's net sales grew by 35.9% and Fodelia Retail's net sales by 4.1% in July–September.

Net sales by unit / business area	7–9/22	7–9/21	Change %	1–9/22	1–9/21	Change %	1–12/21
Feelia	6,102	4,490	35.9	16,861	11,803	42.8	16,895

Fodelia Retail	5,333	5,125	4.1	15,484	14,662	5.6	19,461
Other units	418	52	707.8	640	194	229.9	286
Eliminations	-929	-876	6.1	-2,630	-1,745	50.7	-2,799
Fodelia Group total net sales	10,923	8,791	24.3	30,355	24,915	21.8	33,843

Trends in EBIT

Group EBIT was EUR 605 thousand (974 thousand) in January–September and EUR 150 thousand (817 thousand) in July–September. The decrease in EBIT was strongly impacted by increases in the prices of raw materials, packaging materials, energy, transportation and other costs.

Group EBITA (earnings before goodwill amortisation) was EUR 855 thousand (1,214 thousand) in January–September and EUR 240 thousand (737 thousand) in July–September.

Feelia's EBIT was EUR 1,080 thousand (1,315 thousand) in January–September and 6.4% of net sales (10.2%). EBIT for the period July–September decreased, amounting to EUR 178 thousand (911 thousand) and 2.9% of net sales.

Fodelia Retail's EBIT was EUR 150 thousand (366 thousand) in January–September and 1.0% of net sales. Profitability improved as a result of adaptation measures and sales price increases in the third quarter, with an EBIT of EUR 143 thousand (89 thousand) and 2.7% of net sales.

EBIT by unit/ business area	7–9/22	7–9/21	Change %	1–9/22	1–9/21	Change %	1–12/21
Feelia	178	911	-80.3	1,080	1,315	-9.9	1,650
Fodelia Retail	143	89	61.7	150	366	-68.8	688
Other units	-81	-117	-31.0	-418	-416	0.4	-527
Eliminations	-2	15	-107.4	42	-51	-202.9	-116
Business result (EBITA)	240	737	-73.5	855	1,214	-30.2	1,695
Group's amortisation of goodwill	-90	-80	12.9	-250	-240	4.3	-320
Fodelia Group's EBIT in total	150	817	-81.7	605	974	-37.9	1,375

MAJOR EVENTS IN THE BUSINESS AREAS

Feelia

Feelia's net sales grew by 42.8% in January–September. Growth came especially from the private care sector and school meal services. In June 2022, Feelia announced two new significant contracts, and cooperation with Vantaan Tilapalvelut Vantti Oy and care service provider Validia Oy began during the review period. In addition to these announced contracts, Feelia has signed several smaller contracts, especially in the care sector. Some of the new

contracts include a comprehensive service model in which Feelia delivers third-party products in addition to its own products. This makes managing food supply easier for the client.

Feelia's profitability decreased from the previous year, caused in large part by rising costs. The prices of key raw materials used by Feelia have increased by about 20–40% in one year, depending on the product group. In addition, the prices of packaging supplies have risen by about 20%, energy by about 25% and transportation by about 15%. The increase in costs can be transferred to sales prices with a delay.

Fodelia Retail

Real Snacks Oy, Perniön Liha Oy, Pita Factory Oy and FodNet Oy were consolidated with the Fodelia Retail business segment on 1 July 2022. Since then, the companies have been managed as one business segment. Fodelia Retail focuses on retail clients and an online shop aimed at consumers. In January-September, 73% of the business segment's net sales were generated from retail sales of snacks and processed meat products and 27% from the online store for consumers (Feelia Ruokakauppa).

The segment's retail business has seen positive development. Net sales increased by 5.6% in January-September, and profitability saw clear improvement. For these product groups, the increase in material costs has mainly been transferred to sales prices successfully.

Feelia Ruokakauppa, an online grocery store aimed at consumers, grew by 16.6% in January–September. The growth was more modest than expected, reflecting the general trend in online grocery sales. Profitability was burdened by the sizeable investments in personnel and marketing made at the start of the year, which were based on a higher expectation of business growth than realised.

During the summer and early autumn, the business segment's costs underwent significant adjustment and the segment's profitability has improved as a result.

An important area of focus has been identifying synergy benefits, building a shared operating model and launching measures that improve profitability. The companies belonging to the business segment will be merged into one company, Fodelia Retail Oy, during 2023.

EVENTS AFTER THE PERIOD UNDER REVIEW

The company announced the signing of a letter of intent on the sale-leaseback arrangement of Feelia's property in Pyhäntä. The value of the property on Fodelia Group's balance sheet is approximately EUR 5.3 million. When completed, the sale of the factory property is not expected to have a significant impact on profits, but the transaction would improve Fodelia Oyj's solvency and free up equity for growth in line with the company's strategy. The transaction is expected to be completed by the end of December 2022, provided that the due diligence process on which the sale is conditional does not reveal any issues that prevent or delay the transaction.

PRESS AND ANALYST CONFERENCE

A press and analyst conference conducted in Finnish will be held on 2 November 2022 at 10:00 as a Teams meeting.

A recording of the presentation and the presentation materials will be published later at <http://www.fodelia.fi>

2 November 2022

BOARD OF DIRECTORS

Fodelia Oyj

Further information

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Fodelia in brief

“Fodelia grows Finnish food companies into flourishing international success stories so that consumers can enjoy locally and responsibly produced, clean food from known sources. The company's business segments are Fodelia Retail, which focuses on retail and consumer e-commerce, and Feelia, which serves clients in the foodservice market. Fodelia's portfolio also includes the juice producer subsidiary Marjvasu and the joint venture Fodbar, which provides food service outsourcing solutions. Companies owned by Fodelia are food industry pioneers who invest in innovative products, value-adding customer concepts and advanced manufacturing processes.”

www.fodelia.fi/en