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Organto Releases Fiscal 2024 Second Quarter Financial Results

Vancouver, BC, Canada and Breda, the Netherlands, November 12, 2024 – Organto Foods Inc. (TSX-V: OGO, OTCQB: OGOFF, FSE: OGF) (“Organto” or “the Company”), a provider of branded, private label and bulk distributed healthy and organic fruit and vegetable products today announced it has released its financial results for the three- and six-month periods ended June 30, 2024. All amounts are expressed in Canadian dollars and in accordance with International Financial Reporting Standards (IFRS), except where specifically noted.

“Our financial results for the second quarter of 2024 reflect a significant improvement over previous quarters as we continue to restructure both our operations and our balance sheet with the goal of repositioning our business for profitable growth, and more importantly, achieving profitability and long-term stability. We believe we are making good progress in our repositioning, including streamlining our product portfolio to categories where we believe we can win, refocusing our marketing strategies and reducing our operating costs via internal reorganization and reprioritization. In addition, we continue to focus on the restructuring of our convertible debenture obligations, which is expected to result in reduced debt levels and greater operating flexibility. We believe the impact of these initiatives will continue to be apparent as we report our results in the coming periods.” commented Steve Bromley, Chair and Chief Executive Officer.

Bromley commented further, “With the filing of our Financial Statements and Management Discussion and Analysis for the second quarter of 2024 complete, we believe we have met the key requirements to apply to have the current Cease Trade Order lifted and will immediately begin this process. We are also confident that we will meet the deadline for filing of financial statements for the third quarter of 2024 in accordance with established regulatory timelines. The delays we experienced in filing our financial statements due to personnel and systems changes at the end of 2023 and beginning of 2024 were unfortunate and we appreciate the work done by all involved in completing these financial statements and bringing our filings up to date. We also appreciate the continued support we have received from our shareholders, debenture holders and key operating partners as we work through this restructuring period. We remain committed to building a world class foods company focused on serving growing global healthy foods markets with the goal of building long-term shareholder value.”

Financial Results Overview

- Gain of \$2.7 million on the sales of three of our wholly owned Dutch operating subsidiaries (see July 12, 2024 and June 5, 2024 news releases) and gain of \$0.4 million on the dissolution of a subsidiary.
- As a result of the sales of the three subsidiaries, all revenue and expenses, as well as any gains and losses relating to the operations of the sold subsidiaries have been eliminated from our continuing operations and instead are shown as a single line item, loss from discontinued operations, for both the current period and any comparative historical periods.
- Year-to-date sales of \$9.0 million versus sales of \$7.3 million in the prior year, an increase of 23%.
- Current quarter sales of \$4.4 million versus sales of \$3.5 million in the prior year, an increase of 24%.
- Year-to-date gross profit of \$0.6 million or 6.2% of sales versus \$0.6 million or 8.8% of sales in the prior year. When adjusted for realized gains derived from currency hedging directly related to product purchases, adjusted gross profit⁽¹⁾ was approximately 5.2% of sales versus 7.9% in the prior year. Gross profit was negatively impacted by unfavorable currency fluctuations and market conditions.
- Current quarter gross profit of \$0.3 million or 6.4% of sales versus \$0.3 million or 8.0% of sales in the prior year. When adjusted for realized gains derived from currency hedging directly related to product purchases, adjusted gross profit⁽¹⁾ was approximately 5.8% of sales versus 6.6% in the prior year.
- Cash overhead costs declined to 13% of sales for the current quarter and 12% of sales year-to-date versus 15% and 13% in the prior year. The decrease in cash operating costs reflects the impact of efforts to streamline and simplify the business, refocused marketing strategies, and the realignment and refocusing of internal resources and spending.
- Current quarter income from continuing operations was \$2.4 million. Excluding the gains from the dissolution and sales of subsidiaries, the current quarter loss from continuing operations was \$0.6 million versus \$1.0 million in the prior year.
- Year-to-date income from continuing operations was \$2.0 million. Excluding the gains from the dissolution and sales of subsidiaries, the year-to-date loss from continuing operations was \$1.1 million versus \$1.6 million in the prior year.
- Current quarter loss from discontinued operations was \$0.4 million versus \$1.3 million in the prior year.
- Year-to-date loss from discontinued operations was \$1.4 million versus \$2.7 million in the prior year.
- Current quarter net income was \$2.1 million versus a net loss of \$2.3 million in the prior year.
- Year-to-date net income was \$0.6 million versus a net loss of \$4.3 million in the prior year.

Interested parties may access the Company's filings including Financial Statements and accompanying Management's Discussion and Analysis for the period ended June 30, 2024 at www.SEDARplus.ca or at the Company's website at www.organto.com under the Investors tab.

ON BEHALF OF THE BOARD,

Steve Bromley
Chair and Chief Executive Officer

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

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- (1) The information presented herein refers to the non-IFRS financial measure of adjusted gross profit. We hedge currencies for certain product categories where either the supply or sales commitments are fixed in foreign currencies. The gains and losses from these hedging activities are combined with gross profit to determine adjusted gross profit. This measure is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Non-IFRS financial measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS and are unlikely to be comparable to similar measures presented by other issuers. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective and thus highlight trends in its business that may not otherwise be apparent when relying solely on IFRS measures. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of the Company. The Company's management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period and to prepare annual operating budgets and forecasts.

ABOUT ORGANTO

Organto is an integrated provider of branded, private label, and distributed organic and non-GMO fruit and vegetable products using a strategic asset-light business model to serve a growing socially responsible and health-conscious consumer around the globe. Organto's business model is rooted in its commitment to sustainable business practices focused on environmental responsibility and a commitment to the communities where it operates, its people, and its shareholders.

FORWARD LOOKING STATEMENTS

This news release may include certain forward-looking information and statements, as defined by law including without limitation Canadian securities laws and the "safe harbor" provisions of the US Private Securities Litigation Reform Act of 1995 ("forward-looking statements"). In particular, and without limitation, this news release contains forward-looking statements respecting Organto's business model and markets; Organto's belief that the Company has made good progress in the restructuring of its business and is focused on a clear path to profitability; Organto's belief that its efforts to restructure its convertible debt portfolio is expected to result in reduced debt levels and greater operating flexibility; Organto's belief that as it is now current with its filing obligations, that it will meet the key requirements to have the Cease Trade Order rescinded under the securities legislation of British Columbia; Organto's belief that it will file its financial statements for the third quarter of 2024 in accordance with established regulatory guidelines; Organto's belief that it remains focused on building a world class company focused on growing healthy foods markets with the goal of building long-term shareholder value; management's beliefs, assumptions and expectations; and general business and economic conditions. Forward-looking statements are based on a number of assumptions that may prove to be incorrect, including without limitation assumptions about the following: the ability and time frame within which Organto's business model will be implemented and product supply will be increased; cost increases; dependence on suppliers, partners, and contractual counter-parties; changes in the business or prospects of Organto; unforeseen circumstances; risks associated with the organic produce business generally, including inclement weather, unfavorable growing conditions, low crop yields, variations in crop quality, spoilage, import and export laws, and similar risks; transportation costs and risks; general business and economic conditions; and ongoing relations with distributors, customers, employees, suppliers, consultants, contractors, and partners. The foregoing list is not exhaustive and Organto undertakes no obligation to update any of the foregoing except as required by law.