



Apetit



Apetit Plc: Financial Statements Release 1 January to 31 December 2019

Significant restructuring completed, profitable growth is sought from core operations - Apetit Group's result unsatisfactory

October–December 2019, continuing operations

- Net sales of continuing operations amounted to EUR 105.4 (68.7) million
- Operational EBITDA was EUR 0.8 (1.6) million
- Operational EBIT was EUR -0.4 (0.6) million

January–December 2019, continuing operations

- Net sales of continuing operations amounted to EUR 296.9 (259.9) million
- Operational EBITDA was EUR 2.5 (5.6) million
- Operational EBIT was EUR -3.0 (1.6) million

October–December 2019, Group, including discontinued operations *)

- Consolidated net sales amounted to EUR 105.4 (74.0) million
- Operational EBITDA was EUR 0.7 (1.3) million
- Operational EBIT was EUR -0.3 (-0.2) million

January–December 2019, Group, including discontinued operations *)

- Consolidated net sales amounted to EUR 312.6 (283.1) million
- Operational EBITDA was EUR 2.5 (4.8) million
- Operational EBIT was EUR -3.8 (-1.0) million

* Discontinued operations: On 10 July 2019, Apetit Plc agreed on the sale of the fresh cut products business to the Swedish company Greenfood AB. The sold business is reported in this Financial Statements Release as a discontinued operation. The transaction was completed on 30 September 2019.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 per share be paid.

The figures for 2019 and 2018 have been audited. The quarterly and six-month figures are unaudited. The figures in brackets are the equivalent figures for the same period in 2018, and the comparison period means the corresponding period in the previous year, unless otherwise stated.

Profit guidance for 2020:

The full-year operational EBIT is expected to improve year-on-year (EUR -3.0 million in 2019) and to show a profit.

Esa Mäki, CEO:

“In 2019, Apetit successfully implemented the planned restructuring with the aim of improving profitability. However, there were challenges in the year, especially in the Grain Trade and Oilseed Products businesses.

The crop levels of grain normalised during the new harvest season. Thanks to active procurement, our purchasing volumes were the highest they have ever been, and international demand was at a good level at the end of the year. This meant that our net sales increased substantially year-on-year.

The result of the Grain Trade was a major disappointment: difficulties with international suppliers, failures in the planning of purchases and sales during the harvest season and the substantially lower-than-anticipated profitability of operations in Lithuania and Latvia weighed down our profitability, making it very poor. Our key goal in the Grain Trade is to restore our ability to trade successfully regardless of harvest levels.

In Oilseed Products, our challenges were related to the weak market price level of rapeseed meal and raw material purchasing: the area under cultivation of oilseed plants declined significantly in Finland to the lowest level seen in decades. The size of the total domestic harvest was only about 40,000 tonnes. As a consequence, we had to increasingly rely on foreign raw material, which was reflected in a decrease in our refining margin. In the new year, we will promote the cultivation of domestic rapeseed through even closer cooperation with growers and continue our projects aimed at increasing added value.

The development and outlook of the Food Solutions business are positive thanks to the steadily growing trend in frozen foods. Nevertheless, the operational EBIT of Food Solutions was significantly weakened by restructuring costs of approximately EUR 1.5 million. The new production line that gradually went into production starting in August has now become established as a functional part of the normal process, which naturally improves the efficiency of our food production in Säkylä. We will continue to develop the efficiency of operations throughout the value chain of the food business.

In Food Solutions, we are now a food company with a strong focus on frozen products. The fresh cut products business was divested in the autumn and our service sales operations were discontinued earlier in the spring. The frozen foods category is growing around the world, and we are contributing to its growth in Finland. Food trends continue to work in our favour: growing interest in the origin of food, the climate impacts of food and making daily life easier through various ready-to-use and tasty food solutions provide us with the best possible support for the continued development and growth of our business.

The common thread between Apetit's continuing businesses is strong integration with Finnish primary production and the unique value chain built from it. This puts us in an excellent position to respond to consumer needs and requirements. We are currently in the process of updating the Group's strategy, which will be published in the spring. I am convinced that we will return to profitability in 2020.”

KEY FIGURES

EUR million	10–12 2019	10–12 2018	Change	1–12 2019	1–12 2018	Change
Continuing operations						
Net sales	105.4	68.7	53%	296.9	259.9	+14%
Operational EBITDA	0.8	1.6		2.5	5.6	
Operational EBIT	-0.4	0.6		-3.0	1.6	
Operating profit	-1.1	1.2		-4.8	0.5	
Share of profit of associated company Sucros	0.6	0.3		-0.9	-0.7	
Profit for the period	-0.3	1.4		-5.4	-0.4	
Earnings per share, EUR	-0.05	0.23		-0.87	-0.07	
Working capital at the end of the period				64.0	57.2	
Investment				11.5	6.1	
Group (incl. operations discontinued during the comparison period, Fresh cut products, Seafood)						
Net sales	105.4	74.0		312.6	283.1	
Operational EBITDA	0.7	1.3		2.5	4.8	
Operational EBIT	-0.3	-0.2		-3.8	-1.0	
Operating profit	-1.3	-4.3		-3.4	-6.9	
Profit for the period	-0.5	-4.1		-4.4	-7.5	
Earnings per share, EUR	-0.08	-0.66		-0.71	-1.21	
Equity per share, EUR				15.09	16.29	
Return on capital employed (ROCE), %				-4.0%	-1.7%	
Net cash flow from operating activities				-5.9	-23.5	
Equity ratio				55.0	61.4	
Gearing				35.9	21.5	

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. This influences the comparability of operational EBITDA, equity ratio and gearing in particular. The effects are described in more detail in the notes to this Financial Statements Release.

NET SALES AND PROFIT OF CONTINUING OPERATIONS

October–December

Net sales in the fourth quarter were EUR 105.4 (68.7) million. Operational EBIT was EUR -0.4 (0.6) million and the reported operating profit was EUR -1.1 (1.2) million. The reported operating profit includes capitalisation of fixed costs arising from harvest-time production and an increase in grain stocks in the amount of EUR 0.3 (0.8) million. In addition, the reported operating profit includes a non-recurring item of EUR -1.2 million in impairment recognised due to a breach of contract by a foreign grain supplier. The dispute with the foreign grain supplier is described under the heading *Disputes*.

The share of the profit of the associated company Sucros was EUR 0.6 (0.3) million.

The profit before taxes was EUR -0.7 (1.3) million and taxes on the profit for the period came to EUR 0.4 (0.0) million. Profit for the period came to EUR -0.3 (1.4) million and earnings per share amounted to EUR -0.05 (0.23).

January–December

Net sales in January–December were EUR 296.9 (259.9) million. Operational EBIT was EUR -3.0 (1.6) million and the reported operating profit was EUR -4.8 (0.5) million. The reported operating profit includes capitalisation of fixed costs arising from harvest-time production and an increase in grain stocks in the amount of EUR 0.0 (0.5) million. In addition, the reported operating profit includes a non-recurring item of EUR -1.6 million in legal expenses and impairment recognised due to a breach of contract by a foreign grain supplier. The dispute with the foreign grain supplier is described under the heading *Disputes*.

The share of the profit of the associated company Sucros was EUR -0.9 (-0.7) million in January–December.

Financial income and expenses totalled EUR -0.7 (-0.4) million.

The profit before taxes was EUR -6.4 (-0.6) million, and taxes on the profit for the period came to EUR 0.9 (0.0) million. Profit for the period came to EUR -5.4 (-0.4) million, and earnings per share amounted to EUR -0.87 (-0.07).

CASH FLOWS, FINANCING AND BALANCE SHEET

The Group's liquidity was good, and its financial position is strong.

The full-year cash flow from operating activities after interest and taxes was EUR -5.9 (-23.5) million. The consolidated cash flow was significantly affected by grain shipping payments of EUR 22.3 million being allocated to the early days of 2020. The impact of the change in working capital was EUR -5.5 (-26.1) million. The effect of seasonality on the change in working capital is presented under the heading *Seasonality of operations*.

The net cash flow from investing activities was EUR 1.4 (-4.8) million. The cash flow from financing activities came to EUR 4.8 (15.2) million, including EUR 8.0 (19.5) million in net loan withdrawals and EUR -2.5 (-4.3) million in dividend payments. In addition, the Group recognised proceeds of EUR 0.7 million from the sale of Apetit Plc shares in the joint account that had not been converted into book-entry securities.

At the end of the period, the continuing operations had EUR 36.6 (24.4) million in interest-bearing liabilities and EUR 2.9 (2.6) million in liquid assets. Net interest-bearing liabilities totalled EUR 33.7 (21.8) million.

The consolidated balance sheet total stood at EUR 170.8 (164.6) million. At the end of the review period, equity totalled EUR 93.9 (101.1) million. The equity ratio was 55.0 (61.4) per cent, and gearing was 35.9 (21.5) per cent. The Group's liquidity is managed by committed credit facilities, fixed loans and a commercial paper programme. At the end of the period, the available credit facilities amounted to EUR 25 (25) million. The total of commercial papers issued stood at EUR 30.0 (21.0) million.

INVESTMENT

Investment by continuing operations in non-current assets came to EUR 11.5 (6.1) million and was divided as follows: investment in Food Solutions totalled EUR 10.0 (5.0) million, in Oilseed Products EUR 1.3 (1.0) million and in Grain Trade EUR 0.1 (0.1) million.

PERSONNEL

In January–December 2019, the continuing operations had 376 (453) employees and the discontinued operations had 77 (111) employees in full-time equivalents. The Apetit Group had 373 (594) employees at the end of 2019, including discontinued operations.

STRATEGY

Strategy period 2018–2020

Apetit updated its strategy for 2018–2020 in spring 2018. Its focus areas have been renewal, internationalisation and efficiency improvement.

During the strategy period, Apetit focused on continuous renewal by increasing product and service development and on stronger internationalisation by increasing international food trade and mapping potential areas of supply in grain trade while strengthening its presence in the Baltics as well as on efficiency improvement in all of its business operations.

Strategic measures in 2019

Apetit invested almost EUR 10 million in a new patty and ball production line at the Säkylä plant. The new production line went into operation at the beginning of August. The new line more than doubles the production capacity in this product group, meets current demand and enables new products to be produced for domestic and international markets.

As a part of its efficiency improvement, Apetit is building a bioenergy plant in conjunction with its rapeseed oil milling plant in Kirkkonummi. The bioenergy plant will replace the current energy solution that uses non-renewable fuels and will significantly reduce the carbon dioxide emissions of the entire Group. The planning of the bioenergy plant began in 2019 and it is expected to be commissioned in late 2020.

Apetit Group's Avena Nordic Grain Ltd and Farmer's Berner merged their purchasing and sales organisations in input and grain trades in August 2018 to create Farmer's Avena Berner. This new type of operating model is based on partnership and offers Finnish farmers a one-stop shop for production input and grain trade services. In 2019, the new operating model became established as part of the operations of both parties as planned.

Apetit divested the service sales operations of the Food Solutions gradually in late April 2019. The divestment of the service sales operations was in line with Apetit's strategy of focusing on its core businesses and a natural continuation of the seafood business divestment in 2017. As part of the

divestment of unprofitable operations, Apetit agreed on the sale of the fresh cut products business to the Swedish company Greenfood Ab in July 2019 and the transaction was completed on 30 September 2019.

Increasing the share of food sales abroad has proceeded according to plan. The products with the highest demand internationally are vegetable patties and balls as well as vegan pizzas and peas. The key markets outside Finland are Sweden, the Baltic countries and Russia.

The project to develop a rapeseed ingredient continued as planned. The purpose is to develop an ingredient with high nutritional content for the international food market. An application for novel food marketing authorisation for the rapeseed ingredient was filed on 31 December 2018. A patent was granted for its formula and production method at the beginning of August. The European Food Safety Authority is currently processing the novel food application and the expert opinion on the matter is expected to be completed in spring 2020.

SUSTAINABLE VALUE CHAIN

Apetit engages in, and develops, sustainable business in accordance with the objectives specified in the corporate responsibility programme. The key measures taken in 2019 to support sustainable business were as follows:

Bioenergy plant in Kirkkonummi

Apetit is building a bioenergy plant in connection at the Kirkkonummi oil milling plant. It will replace the current energy solution that uses non-renewable fuels and will halve the Group's CO₂ emissions per production tonne by 2022.

Experimental farm promotes carbon farming

Apetit joined the Carbon Action project, which involves researchers, farmers and companies working together to promote farming practices that sequester carbon. Apetit is offering its experimental farm for use in the project for a period of five years to promote research, development and practices related to carbon farming.

Sustainable packaging solutions

As part of the long-term development of packaging solutions, Apetit uses packaging produced from renewable raw materials for its new organic vegetable mixes. The recycling indications on consumer packaging were also redesigned to make them clearer.

Bioenergy from side streams

Apetit started delivering side streams from harvest season production, such as husks and plant material discarded during quality assurance processes, to a biogas plant located near the Säkylä production facility, where they are turned into bioenergy and soil improvement products.

Products made from domestic lake fish

Apetit launched a new product in its product family based on domestic lake-caught fish. Apetit freshwater fish fingers are made from roach caught in Finnish lakes as part of fish stock management, which increases Apetit's selection of sustainable fish products. Fish stock management helps reduce the eutrophication of lakes, among other things.

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 recognised on the balance sheet in the second half of the year than during the first 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 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 Group's operational indicators were updated in 2019. After the change, Apetit presents the operational indicators without the IAS 2 capitalisation of fixed costs at inventory value. The change reduces the seasonal variation in the operational indicators during the year.

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.

OVERVIEW OF OPERATING SEGMENTS



Food Solutions

Frozen vegetables, frozen ready meals and service sales

EUR million	7-12 2019	7-12 2018	Change	1-12 2019	1-12 2018	Change
Net sales	29.0	36.3	-20%	58.9	74.2	-21%
Operational EBIT	0.4	2.4		1.5	2.3	
Operating profit	1.9	3.9		1.5	2.5	

Financial and operational performance in July–December

Net sales amounted to EUR 29.0 (36.3) million in July–December. Net sales were reduced by the discontinuation of service sales operations. The remaining service sales operations were divested at the end of April. The increase in the sales of frozen foods was particularly driven by pea exports.

Operational EBIT was EUR 0.4 (2.4) million. The result was weighed down by approximately EUR 1.5 million in restructuring costs, which mainly consisted of non-recurring expenses related to the start of the production line that gradually went into operation in August, impairment and expenses related to changes in personnel.

The reported operating profit was EUR 1.9 (3.9) million.

Summary of January–December

The gradual discontinuation of service sales reduced total net sales. The new production line in Säkylä went into operation gradually, starting from August, as planned. The new line more than doubles the production capacity of plant-based and fish-based patties and balls, meets current demand and enables the production of new products for the Finnish and international markets. Pea exports were at a record-high level thanks to the good harvest. The total net sales of the frozen food products category grew by 2 per cent year-on-year.

Investment totalled EUR 10.0 (5.0) million in the Food Solutions business and was mainly related to the construction of the new patty and ball production line and production development at the Säkylä frozen foods plant.

Operating environment

The frozen foods category* (excluding ice cream products) grew by 7.0 per cent year-on-year in Finland in 2019. Foodservice wholesale trade** grew by 6.7 per cent year-on-year in 2019.

*Source: Nielsen Homescan Finland

**Source: Finnish Grocery Trade Association (PTY)



Oilseed Products

Vegetable oils and the processing and sale of expeller meal

EUR million	7–12 2019	7–12 2018	Change	1–12 2019	1–12 2018	Change
Net sales	32.6	33.0	-1%	65.0	66.7	-3%
Operational EBIT	0.0	1.2		0.4	2.2	
Operating profit	0.1	1.3		0.4	2.2	

Financial and operational performance in July–December

Net sales in July–December were on par with the comparison period at EUR 32.6 (33.0) million. The main export markets were Norway and Sweden, with exports representing 22 per cent of net sales.

Operational EBIT was EUR 0.0 (1.2) million. The lower EBIT was particularly attributable to difficulties with the availability of raw material in Finland caused by the poor harvest, which increased raw material costs. In addition, the low market price and weaker sales of rapeseed meal substantially reduced the refining margin.

Summary of January–December

The market price of rapeseed meal fell in the spring largely due to the lower price of textured soy protein. This had a significant impact on the refining margin almost throughout the year. The poor oilseed plant harvest in 2019 had a negative effect on the availability of raw material and increased raw material costs starting from the autumn.

As a part of its efficiency improvement, Apetit is building a bioenergy plant in conjunction with its rapeseed oil milling plant in Kirkkonummi. The planning of the bioenergy plant began in 2019 and it is expected to be commissioned in late 2020. The size of the investment is approximately EUR 5.2 million.

Apetit has continued its project aimed at the development of a rapeseed protein ingredient as planned. A patent was granted in Finland for its formula and production method at the beginning of August. The European Food Safety Authority is currently processing the novel food application and the expert opinion on the matter is expected to be completed in spring 2020.

Investment totalled EUR 1.3 (1.0) million and was mainly related to the development of the bioenergy plant at the Kirkkonummi oil milling plant, the rapeseed protein ingredient development project and replacement investments at the production plant.

Operating environment

The domestic oilseed plant harvest in 2019 was substantially lower than in the comparison year. According to Natural Resources Institute Finland (Luke), the size of the domestic oilseed plant harvest was approximately 40,000 tonnes, compared to about 71,000 tonnes in 2018. The total size of the harvest was reduced by a significant decrease in the area under cultivation of rapeseed in Finland and an exceptionally large number of pests.

The successful growing of spring in Finland requires effective protection against flea beetles, which may cause significant damage in rapeseed fields. Flea beetles may cause significant damage to growth and are controlled with seed treatment. The Finnish Safety and Chemicals Agency (Tukes) has granted permission for the 2020 sowing season to treat oilseeds with the new Buteo preparation.



Grain Trade

Finnish and international trade in grains, oilseeds, pulses and raw materials for animal feed

EUR million	7–12 2019	7–12 2018	Change	1–12 2019	1–12 2018	Change
Net sales	121.6	79.6	+53%	194.9	137.4	+42%
Operational EBIT	-1.7	-2.0		-4.8	-2.9	
Operating profit	-2.8	-2.0		-6.7	-4.2	

Financial and operational performance in July–December

Net sales in July–December grew to EUR 121.6 (79.6) million as delivery volumes increased year-on-year. Crop levels normalised and were moderate in all areas of supply. The international demand for grain was good in the in the fourth quarter.

Operational EBIT was EUR -1.7 (-2.0) million. The weak operational EBIT was attributable to a credit loss involving an international supplier, failures in the planning of purchases and sales during the harvest season and the substantially lower-than-anticipated profitability of operations in Lithuania and Latvia.

The reported operating profit includes a non-recurring item of EUR 1.3 million in impairment and legal expenses recognised due to a breach of contract by a foreign grain supplier, which has been documented in previous financial reports. The dispute is described under the heading *Disputes*.

Summary of January–December

Deliveries in the early part of the year involved the use of the exceptionally high grain inventories at the end of 2018, which had accumulated in the Baltic countries as a result of an imbalance of market supply and demand. Crop levels normalised in the new harvest season. In spite of the conditions, profitability was weak during the latter part of the year.

Investment in the Grain Trade business totalled EUR 0.1 (0.1) million.

Operating environment

According to Natural Resources Institute Finland (Luke), the domestic grain harvest in 2019 amounted to 4.0 million tonnes. This is 46 per cent higher than in the previous year, which was characterised by a very weak harvest. The annual consumption of grain in Finland amounts to approximately 3.0 million tonnes. The combined grain and oilseed plant harvest in the Baltic countries grew by nearly 30 per cent year-on-year, to approximately 10 million tonnes. The harvests in Finland and the Baltic countries in 2019 can be characterised as normal.

Discontinued operations (fresh cut products)

Discontinued operations consist of the fresh cut products business, which was previously part of the Food Solutions segment

EUR million	1–12 2019	1–12 2018	Change
Net sales	15.8	23.2	-32%
Operational EBIT	-0.8	-2.6	
Operating profit	1.4	-7.4	

Sale of Apetit's fresh cut products business to Greenfood AB

In July 2019, Apetit agreed on the sale of its fresh cut products business to the Swedish company Greenfood AB. Greenfood AB is an importer, distributor and processor of fruit and vegetables that operates in the Nordic countries and Western Europe. In Finland, Greenfood AB owns Salico Oy, Satotukku Oy, Picadeli Oy and Snackpoint Oy. The transaction was completed on 30 September 2019.

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

Apetit recognised a non-recurring sales gain of approximately EUR 2 million after taxes on the transaction in the third quarter of 2019.

Summary of January–December

The net sales of the fresh cut products business declined year-on-year and amounted to EUR 15.8 (23.2) million. Operational EBIT was EUR -0.8 (-2.6) million.

AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

On 27 March 2018, the Annual General Meeting authorised the Board of Directors to decide on share issues. The authorisation includes the right to issue new shares or transfer Apetit Plc shares held by the company. The authorisation covers a maximum total of 626,757 shares, consisting of up to 520,331 new shares and 94,700 Apetit Plc shares held by the company.

The subscription price for each new share will be at least the share's nominal value (EUR 2). The transfer price for Apetit shares held by the company will be at least the market value of the share at the time of transfer, which is determined by the price quoted in public trading on the Nasdaq Helsinki. The Board of Directors will also have the right to issue shares against considerations other than cash. In the implementation of share-based incentive or reward schemes, shares can also be issued without consideration.

The authorisation includes the right to deviate from the shareholders' pre-emptive subscription right (targeted issue) if the company has an important financial reason for doing so, such as the development of the company's capital structure, the financing and implementation of corporate acquisitions or other arrangements, or the implementation of a share-based incentive or reward scheme.

The authorisation is valid until the 2021 Annual General Meeting.

USE OF THE AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

In accordance with a decision made by the Supervisory Board regarding the remuneration of Board members, a total of 6,255 Apetit Plc shares held by the company were transferred to the Board members on 3 December 2019.

TREASURY SHARES

At the end of the review period, the company held a total of 94,700 treasury shares acquired during previous years. These treasury shares represent 1.5 per cent of the company's total number of shares and votes. The company's treasury shares carry no voting or dividend rights.

SHARE TURNOVER

The number of Apetit Plc shares traded on the stock exchange during the review period was 1,251,917 (634,659), representing 20.0 (10.0) per cent of the total number of shares. The highest share price quoted was EUR 9.84 (15.25), and the lowest was EUR 7.66 (8.86). The average price of shares traded was EUR 8.54 (11.68). The share turnover for the year was EUR 10.7 (7.4) million. At the end of the review period, the market capitalisation was EUR 49.5 (56.9) million.

DECISIONS OF THE ANNUAL GENERAL MEETING

Apetit Plc's Annual General Meeting was held in Säkylä on 28 March 2019. The Annual General Meeting adopted the parent company's financial statements and the consolidated financial statements, and discharged the members of the Supervisory Board, the Board of Directors and the CEO from liability for the financial year 2018. The Board of Directors' proposals to the Annual General Meeting were approved without changes.

Dividend distribution

The Annual General Meeting decided to distribute a dividend of EUR 0.40 per share in accordance with the Board's proposal. The dividend was paid on 8 April 2019.

ORGANISATION OF THE SUPERVISORY BOARD, ELECTION OF THE BOARD OF DIRECTORS AND AUDITORS

At its organisational meeting on 8 April 2019, Apetit Plc's Supervisory Board appointed Harri Eela as Chair and Marja-Liisa Mikola-Luoto as Vice Chair.

The Supervisory Board decided to elect five members to Apetit Plc's Board of Directors. Lasse Aho, Annikka Hurme, Seppo Laine, Simo Palokangas and Niko Simula were elected as members of the Board of Directors. Simo Palokangas was appointed as Chair of the Board of Directors and Lasse Aho as Deputy Chair.

At its organisational meeting on 7 May 2019, Apetit Plc's Board of Directors elected members to its Audit Committee from among its members until the end of the Board's term of office. Seppo Laine was elected as Chair of the Audit Committee, and Lasse Aho and Niko Simula were elected as its members.

It was decided that the Board members be paid an annual remuneration of EUR 19,560 and that the Chair and Deputy Chair receive an annual remuneration of EUR 39,060 and EUR 24,120, respectively. A total of 60 per cent of the annual remuneration will be paid in cash and 40 per cent in the form of Apetit Plc shares held by the company at the current value of the shares at the time of transfer. The remuneration will be paid once a year in December. It was also decided that the Chair and members of the Board of Directors be paid a meeting allowance of EUR 510 and EUR 300, respectively.

Pasi Karppinen, APA, and PricewaterhouseCoopers Oy, Authorised Public Accountants, with Tuomo Korte, APA, as the auditor with principal responsibility, were appointed as the company's auditors for the period ending at the close of the 2020 Annual General Meeting.

SHORT-TERM RISKS AND UNCERTAINTIES

The most significant short-term risks for the Apetit Group are related to the management of raw material price changes, the harvest quality and quantity of grain, oilseed plants and field vegetables, the solvency of customers, the delivery performance of suppliers and service providers, and changes in the Group's business areas and customer relationships.

DISPUTES

The arbitration proceedings initiated in July 2018 by Avena Nordic Grain Oy, which belongs to the Apetit Group, against a foreign grain supplier were completed in July 2019. According to a decision issued by the Arbitration Institute of the Stockholm Chamber of Commerce, the foreign grain supplier must pay Avena EUR 1.9 million in compensation for neglected deliveries and legal expenses related to the dispute and refund EUR 1.2 million in advance payments made by Avena. The damages and advance payments have been recognised in profit and loss in full and the items are included in off-balance sheet contingent assets. Based on the information revealed during the arbitration proceedings, it is Apetit's view that the case involves fraud, and the related foreign legal processes have been initiated.

The Group companies have no other significant pending disputes.

MATERIAL EVENTS AFTER THE END OF THE REVIEW PERIOD

The Group had no material events after the end of the review period.

PROFIT GUIDANCE FOR 2020

The full-year operational EBIT is expected to improve year-on-year (EUR -3.0 million in 2019) and to show a profit.

BOARD OF DIRECTORS PROPOSALS CONCERNING PROFIT MEASURES AND DISTRIBUTION OF OTHER UNRESTRICTED EQUITY

The Board of Directors of Apetit Plc aims to ensure that the company's shares provide shareholders with a good return on investment and retain their value. In line with its dividend policy, the company will distribute at least 50 per cent of the profit for the financial year in dividends.

The parent company's distributable funds totalled EUR 55,145,677.80 on 31 December 2019, after deducting the loss for the financial year, EUR 1,564,184.61. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 per share be paid.

The Board of Directors will propose that a total of EUR 2,800,294.20 be distributed in dividends and that EUR 52,345,383.60 be left in equity. No significant changes have taken place in the financial standing of the company since the end of the financial year. The company's liquidity is good, and the Board deems that the company's solvency will not be jeopardised by the proposed distribution of dividends. No dividend will be paid on shares held by the company.

ANNUAL REPORT AND ANNUAL GENERAL MEETING

Apetit Plc's Annual Report for 2019 — including the Board of Directors' report, the financial statements for 2019, a sustainability report and a separate corporate governance statement — will be published in the week beginning 2 March 2020 on the company's website at www.apetit.fi.

The Annual General Meeting will be held in Säkylä on Thursday, 26 March 2020.

CONSOLIDATED INCOME STATEMENT

EUR million

	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Net sales	105,4	68,7	296,9	259,9
Other operating income	0,5	0,9	1,2	1,8
Operating expenses	-105,9	-67,4	-297,3	-257,1
Depreciation	-1,1	-1,0	-5,5	-4,0
Impairments	0,0	0,0	-0,1	0,0
Operating profit	-1,1	1,2	-4,8	0,5
Share of profits of associated companies	0,5	0,3	-1,0	-0,7
Financial income and expenses	-0,2	-0,2	-0,7	-0,4
Profit before taxes	-0,7	1,3	-6,4	-0,6
Group contributions received (from discontinued operations)	-	0,2	-	0,2
Income taxes	0,4	0,0	0,9	0,0
Profit for the period, continuing operations	-0,3	1,4	-5,4	-0,4
Profit for the period, discontinued operations	-0,2	-5,5	1,0	-7,1
Profit for the period, equity holders of the parent	-0,5	-4,1	-4,4	-7,5
Basic and diluted earnings per share, calculated of the profit attributable to the shareholders of the parent company, EUR,				
Continuing operations	-0,05	0,22	-0,87	-0,07
Discontinued operations	-0,02	-0,89	0,16	-1,14
To the shareholders of the parent company	-0,08	-0,66	-0,71	-1,21

STATEMENT OF COMPREHENSIVE INCOME

EUR million

	Q4 2019	Q4 2018	Q1-Q4 2019	Q1-Q4 2018
Profit for the period	-0,5	-4,1	-4,4	-7,5
Other comprehensive income				
Items which may be reclassified subsequently to profit or loss:				
Cash flow hedges	-0,4	0,2	-0,4	0,7
Taxes related to cash flow hedges	0,1	0,0	0,1	-0,1
Translation differences	0,0	0,0	0,1	0,0
Total comprehensive income	-0,8	-4,0	-4,7	-6,9
Total comprehensive income, continuing operations	-0,6	1,5	-5,7	0,2
Total comprehensive income, discontinued operations	-0,2	-5,5	1,0	-7,1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible assets	2,1	3,2
Goodwill	0,4	0,4
Tangible assets	33,1	37,2
Fixed assets	4,1	-
Investment in associated companies	19,4	21,0
Available-for-sale financial assets	0,0	0,0
Receivables	0,3	0,4
Deferred tax assets	5,0	5,8
Non-current assets total	64,4	68,0
Current assets		
Inventories	66,4	80,7
Trade receivables and other receivables	37,0	12,3
Cash and cash equivalents	2,9	2,6
Current assets total	106,3	95,7
Assets held for sale		0,9
Total assets	170,8	164,6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES		
Equity attributable to the shareholders of the parent	93,9	101,1
Total equity	93,9	101,1
Non-current liabilities		
Deferred tax liabilities	0,1	1,8
Long-term financial liabilities	4,4	2,4
Non-current provisions	0,2	0,2
Other non-current liabilities	0,3	0,2
Non-current liabilities total	5,0	4,7
Current liabilities		
Short-term financial liabilities	32,2	22,0
Income tax payable	0,0	0,0
Trade payables and other liabilities	39,4	35,0
Current liabilities total	71,6	56,9
Liabilities directly associated with assets held for sale	0,2	1,9
Total liabilities	76,8	63,5
Total equity and liabilities	170,8	164,6

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million

	Q1-Q4 2019	Q1-Q4 2018
Net result for the period	-4,4	-7,5
Adjustments, total	4,7	11,2
Change in net working capital	-5,5	-26,1
Interests paid	-0,7	-1,1
Interests received	0,0	0,1
Taxes paid	-0,1	0,0
Net cash flow from operating activities	-5,9	-23,5
Investments in tangible and intangible assets	-12,3	-6,7
Disposals of tangible and intangible assets	0,0	0,0
Disposals of businesses	13,3	-
Acquisition of associated companies	-	-0,6
Proceeds from sales of associated companies	-	0,6
Proceeds from other investments	0,4	-
Dividends received from investing activities	0,0	1,9
Net cash flow from investing activities	1,4	-4,8
Proceeds from and repayments of short-term loans	9,0	21,0
Proceeds of long-term loans	-1,0	-1,5
Repayments of lease liabilities	-1,5	-
Proceeds from disposals of shares on the joint book-entry account	0,7	-
Dividends paid	-2,5	-4,3
Cash flows from financing activities	4,8	15,2
Net change in cash and cash equivalents	0,2	-13,0
Cash and cash equivalents at the beginning of the period	2,6	15,7
Cash and cash equivalents at the end of the period	2,9	2,6
Depreciation, amortisation and impairment	6,2	10,6
Profit / loss on disposals of fixed assets	-2,5	0,0
Share of results of associated companies	1,0	0,7
Financial income and expenses	0,8	1,4
Income taxes	-0,7	-1,5
Adjustments, other	0,0	-
Total	4,7	11,2

Both continuing and discontinued operations are included in the consolidated statement of cash flows.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

A = Shareholders' equity at 1 January

B = Dividend distribution

C = Other changes

D = Proceeds from disposals of shares on the joint book-entry account

E = Effect of transition to IFRS 16

F = Change in liability to non-controlling interests

G = Total comprehensive income

H = Shareholders' equity at 31 Dec

January - December 2019

EUR million

	A	B	C	D	E	F	G	H
Share capital	12,6							12,6
Share premium account	23,4							23,4
Net unrealised gains	-0,2		0,0				-0,3	-0,5
Other reserves	7,2							7,2
Own shares	-1,4		0,0					-1,3
Translation differences	-0,2						0,1	0,0
Retained earnings	59,6	-2,5	-0,2	0,6	-0,2	-0,4	-4,4	52,6
Attributable to equity holders of the parent	101,1	-2,5	-0,1	0,6	-0,2	-0,4	-4,7	93,9

January - December 2018

EUR million

	A	B	C	G	H
Share capital	12,6				12,6
Share premium account	23,4				23,4
Net unrealised gains	-0,8			0,6	-0,2
Other reserves	7,2				7,2
Own shares	-1,5		0,1		-1,4
Translation differences	-0,2			0,0	-0,2
Retained earnings	71,4	-4,3	0,0	-7,5	59,6
Attributable to equity holders of the parent	112,3	-4,3	0,1	-6,9	101,1

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2019.

Implementation of the IFRS 16 Leases standard

Apetit is applying the IFRS 16 Leases standard as of 1 January 2019. Apetit uses the exemption allowed by the standard regarding recognition and will not apply the standard to short-term leases or contracts where the target asset has minor value. A simplified procedure has been applied to the transition and the figures for the year preceding implementation have not been adjusted. As a result the effect of applying the IFRS 16 standard has been shown in the opening balance sheet.

The standards that came into effect at the beginning of 2019 do not have any material effect on the annual financial statements.

RECONCILIATION OF OPERATIONAL EBIT AND OPERATING PROFIT

EUR million	1-12/ 2019	1-12/ 2018
Continuing operations		
Operational EBIT	-3,0	1,6
Impairment of digital business	-0,2	-
Non-recurring costs associated with a breach of contract by foreign grain supplier	-1,6	-1,6
IAS-2 Inventories	0,0	0,5
Operating profit, Continuing operations	-4,8	0,5
Discontinued operations, Fresh cut products and Seafood Segment		
Operational EBIT	-0,8	-2,6
Impairment of fresh cut products	-	-4,7
Gain on sale of fresh cut products	2,1	-
IAS-2 Inventories	0,0	0,0
Operating profit, Discontinued operations	1,4	-7,4
Operating profit, Group total	-3,4	-6,9

DISCONTINUED OPERATIONS

Fresh cut products

Apetit plc signed an agreement on selling its fresh cut product business to the Sweden-based Greenfood Group in July 2019. Greenfood is an importer, distributor and processor of fruit and vegetables that operates in the Nordic countries and Western Europe. 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 Kivikko, including machinery and equipment. The employees of Apetit's fresh cut products business operations was transferred to Salico Oy, Greenfood AB's Finnish subsidiary, as existing employees.

Discontinued operations include fresh cut products. Apetit's net sales from fresh cut products business operations totalled EUR 15.8 million in 2019, operating result was EUR 1.4 million in 2019 and it employed 102 employees.

Profit for the period, discontinued operations

EUR million	1-12/ 2019	1-12/ 2018
Income	15,8	23,2
Expenses	-14,4	-30,6
Operating profit	1,4	-7,4
Financial income and expense	-0,1	-0,1
Profit before taxes	1,3	-7,5
Income taxes	-0,3	1,4
Profit for the period, discontinued operations	1,0	-6,2

Cash flows

EUR million	1-12/ 2019	1-12/ 2018
Net cash flow from operating activities	0,3	0,6
Net cash flow from investing activities	-0,3	-0,6
Cash flows from financing activities	0,0	0,0
Net change in cash and cash equivalents	0,0	0,0

Consideration received

Cash received	13,8
Costs which were directly attributable to the sales of business and adjustments to consideration	-0,5
Carrying amount of net assets sold	-11,0
Gain on sale before income tax	2,2
Income tax expense	-0,4
Gain on sale after income tax	1,7

Gain on sale before income tax is included in Income and Expenses in the Profit for the period, discontinued operations

Carrying amount of net assets sold

Tangible assets	11,3
Inventories	0,4
Trade receivables and other receivables	0,0
Trade payables and other liabilities	-0,6
Net assets sold	11,0

Consideration received

Cash received	13,8
Costs which were directly attributable to the sales of business and adjustments to consideration	-0,5
Net cash flow from disposal of business	13,3

Seafood segment

Apetit Plc sold its seafood business in Finland, Norway and Sweden in October 2017. In Finland, Apetit remained a minority shareholder of the sea food business, with a holding less than 20 per cent in Maritime Group.

EUR million	1-12/2019	1-12/2018
Income	-	-
Expenses	-	-
Operating profit	-0,1	-0,9
Financial income and expense	-0,1	-0,9
Profit before taxes	-	-
Income taxes	-0,1	-0,9
Profit for the period, discontinued operations		

The result for the year 2019 includes a write-down of EUR 0.1 million (EUR 0.9 million in 2018) on the deferred consideration on the Seafood segment, after which the deferred consideration has been fully written off.

SEGMENT INFORMATION

A = Food Solutions

B = Oilseed Products

C = Grain Trade

D = Continuing operations

E = Discontinued operations, Fresh Products and Seafood segment

F = Total

Operating segments, January - December 2019

EUR million

	A	B	C	D	E	F
Total segment sales	58,9	65,0	194,9	318,8	15,8	334,6
Intra-group sales	0,0	-0,3	-21,6	-21,9	0,0	-22,0
Net sales	58,9	64,7	173,3	296,9	15,7	312,6
Operating profit	1,5	0,4	-6,7	-4,8	1,4	-3,4
Gross investments in non-current assets	10,0	1,3	0,1	11,5	0,3	11,8
Corporate acquisitions and other share purchases	-	-	-	-	-	-
Depreciation, amortisation	-3,5	-1,0	-0,9	-5,5	-0,7	-6,2
Impairment	-0,1	-	-	-0,1	-	-0,1
Personnel	260	48	60	368	85	452

Fresh products business has been classified as discontinued operations in the financials statements ending 31 December 2019. In the comparison year 2018, Fresh products business was included in the Food Solutions segment.

Operating segments, January - December 2018

EUR million

	A	B	C	D	E	F
Total segment sales	74,2	66,7	137,4	278,3	23,2	301,5
Intra-group sales	0,0	-0,2	-18,2	-18,4	-	-18,4
Net sales	74,2	66,5	119,2	259,9	23,2	283,1
Operating profit	2,5	2,2	-4,2	0,5	-7,4	-6,9
Gross investments in non-current assets	5,0	1,0	0,1	6,1	0,6	6,7
Corporate acquisitions and other share purchases	0,4	-	0,2	0,6	-	0,6
Depreciation, amortisation	-2,8	-0,9	-0,4	-4,0	-1,8	-5,8
Impairment	-	-	0,0	-	-4,7	-4,7
Average number of personnel	348	47	62	457	107	564

KEY INDICATORS	31 Dec 2019	31 Dec 2018
Shareholders' equity per share, EUR	15,09	16,29
Equity ratio, %	55,0	61,4
Gearing, %	35,9	21,5
Gross investments in non-current assets, EUR million	11,8	6,7
Corporate acquisitions and other share purchases, EUR million		0,6
Average number of personnel	452	564
Average number of shares, 1,000 pcs	6 217	6 211

The key figures in this Interim Report are calculated with same accounting principles than presented in the 2019 annual financial statements.

**COLLATERALS, CONTINGENT LIABILITIES,
CONTINGENT ASSETS AND OTHER COMMITMENTS**

EUR million

	31 Dec 2019	31 Dec 2018
Mortgages given for debts		
Guarantees	2,3	3,9
Non-cancellable agreements on other premises and services		
Within one year	1,5	1,6
After one year but not more than five years	2,9	4,1
Total	4,5	5,7
<p>The non-cancellable other leases agreements stated in the annual 2018 financial statements have been re-classified as an effect of the transition to IFRS 16 standard. A total of EUR 5.7 million worth of previously as non-cancellable other leases classified agreements have been re-classified as non-cancellable agreements on other premises and services. As a result, the previously stated amount on non-cancellable other leases, minimum lease payments has decreased from EUR 11.4 million to EUR 5.7 million in December 2018.</p>		
DERIVATIVE INSTRUMENTS		
Outstanding nominal values of derivate instruments		
Interest rate swaps	12,4	13,4
Forward currency contracts	0,7	0,2
Commodity derivative instruments	35,7	29,3
CONTINGENT ASSETS		
The present value of proceeds from the sale of shares in the joint entry account		
	-	0,7
Claim for damages associated with the foreign grain supplier's neglect of delivery	3,1	1,6
INVESTMENT COMMITMENTS		
Food Solutions	1,4	7,1
Oilseed Products	3,3	-

CHANGES IN TANGIBLE ASSETS

EUR million

	31.12.2019	31.12.2018
Book value at the beginning of the period	37,2	37,5
Additions	11,1	5,7
Disposals	-10,5	-0,2
Depreciation, amortisation and impairment	-4,2	-5,9
Other changes	-0,5	0,1
Book value at the end of the period	33,1	37,2

RELATED PARTY TRANSACTIONS

EUR million

	1-12/ 2019	1-12/ 2018
Sales to associated companies	0,7	1,0
Purchases from associated companies	4,2	3,2
Trade receivables and other receivables from associated companies	0,1	0,3
Trade payables and other liabilities to associated companies	0,8	0,6
Sales to other related parties	0,1	0,0
Purchases from other related parties	0,6	0,6
Receivables from other related parties	0,0	-
Liabilities to other related parties	0,3	0,3

In Helsinki, 20 February 2020
APETIT PLC
Board of Directors