
Apetit

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Apetit Plc's Half-Year Report 1 January – 30 June 2019

The Group's result decreased due to the effects of the unusual grain crop of 2018 – Food Solutions' result continued to develop favourably

April–June 2019, continuing operations

- Net sales from continuing operations were EUR 64.5 (66.7) million
- Operational EBITDA was EUR -1.2 (1.1) million
- Operational EBIT was EUR -2.5 (0.1) million

January–June 2019, continuing operations

- Net sales from continuing operations were EUR 135.5 (120.5) million
- Operational EBITDA was EUR 0.9 (2.0) million
- Operational EBIT was EUR -1.7 (0.0) million

April–June 2019, the Group, including discontinued operations*

- Consolidated net sales amounted to EUR 69.6 (72.8) million
- Operational EBITDA was EUR -1.3 (0.9) million
- Operational EBIT was EUR -3.0 (-0.6) million

January–June 2019, the Group, including discontinued operations*

- Consolidated net sales amounted to EUR 146.0 (132.5) million
- Operational EBITDA was EUR 0.5 (1.5) million
- Operational EBIT was EUR -2.7 (-1.4) million

* Discontinued operations: On 10 July 2019, Apetit Plc signed an agreement on selling its fresh cut products business to the Swedish company Greenfood AB. The business operations to be transferred are reported as discontinued operations in this half-year report. The transaction is expected to be completed in the second half of 2019.

Key events during the period

- The CEO of Apetit will change, with Juha Vanhainen resigning on 31 August 2019. Esa Mäki will become the new CEO as of 1 September 2019.

The information in this report is unaudited. The figures in parentheses are the equivalent figures for the corresponding period in 2018, and "comparison period" refers to the corresponding period in the previous year, unless stated otherwise.

Profit guidance for 2019 unchanged:

The Group's full-year operational EBIT is expected to improve year-on-year (EUR -1.0 million in 2018). The profit outlook for early 2019 was burdened by the weak grain crop of 2018. Opportunities to export Finnish grain were limited, and an imbalance of supply and demand posed challenges in the grain trade in the Baltic countries.

Juha Vanhainen, CEO:

“As expected, the effects of the 2018 harvest season extended into the second quarter of 2019. Due to the record low grain crop, there was not much Finnish grain to export. In the Baltic countries, we met with an imbalance of demand and supply. In addition, due to the good crop outlook for 2019, grain prices decreased considerably during the spring, which significantly reduced margin opportunities related to old harvest stocks purchased at high prices. For this reason, Grain Trade’s result was far below target.

On the positive side, the conditions are now favourable for a good grain crop in Finland and our other main areas of supply, while the harvest of field vegetables is expected to be average.

Due to the weak crop, our Oilseed Products business was burdened by the limited availability of rapeseed in Finland and its neighbouring regions, which caused raw material costs to increase significantly. Expectations concerning the current harvest season have been overshadowed by a considerable decrease in rapeseed cultivation areas in Finland, as well as exceptionally high numbers of pests.

Food Solutions’ result continued to develop favourably: the sales of frozen products remained at the comparison period’s level, and the adjustment measures that were implemented improved profitability. During the spring, we completed the divestment of our service point network according to plan. An increase in labour efficiency, as well as other adjustment measures, improved the profitability of fresh cut products.

In July, we announced that we would sell our fresh cut products business operations to the Swedish company Greenfood AB, an international operator with the capacity to further develop these operations on a larger scale. The business transfer will further strengthen Apetit’s focus on Finnish primary production. If implemented, the transaction will also improve Apetit’s profitability.

I will resign as the CEO of Apetit on 31 August 2019. My period of nearly five years as the CEO has been challenging in many ways, but also very interesting and highly motivating. Under my supervision, we have streamlined and simplified Apetit’s business operations, as well as strengthening the company’s focus on vegetables in line with its strategy.

In 2017, we divested our loss-making seafood business. This year, we divested our service business operations. We have also systematically improved the efficiency and profitability of our fresh cut products business. The new owner will continue this work later this year.

We have implemented efficiency measures within the company, but we have also focused on growth and have made significant investments. Our investment of nearly EUR 10 million in the new patty and ball production line in Säkylä and our investment in a bioenergy plant in conjunction with our oil milling plant in Kirkkonummi are also strong investments in the future. We succeeded in putting our decreasing net sales from our frozen foods business back on the growth track by considerably increasing our investment in product development and international food sales.

In addition to accelerating product development, we have systematically carried out research to develop a rapeseed protein ingredient and increase Finland’s self-sufficiency in vegetable-based proteins. We submitted an application for a novel food marketing authorisation in December 2018, and the composition and manufacturing method of the rapeseed protein ingredient have been patented in Finland since the beginning of August.

This a solid foundation for the further development of the company.”

KEY FIGURES

EUR million	**4–6 2019**	4–6 2018	Change	**1–6 2019**	1–6 2018	Change	2018
Continuing operations							
Net sales	**64.5**	66.7	-3%	**135.5**	120.5	+13%	259.9
Operational EBITDA	**-1.2**	1.1		**0.9**	2.0		5.6
Operational EBIT	**-2.5**	0.1		**-1.7**	0.0		1.6
Operating profit	**-3.9**	-2.0		**-3.9**	-2.7		0.5
Share of profit of associated company Sucros	**0.1**	-0.4		**-0.3**	-0.9		-0.7
Profit for the period	**-3.3**	-2.2		**-3.9**	-3.3		-0.4
Earnings per share, EUR	**-0.54**	-0.36		**-0.63**	-0.53		-0.07
Working capital, end of period				**27.2**	28.4		57.2
Investment				**7.3**	1.6		6.1
Group (incl. operations discontinued during the comparison period, Fresh Cut Products, Seafood)							
Net sales	**69.6**	72.8		**146.0**	132.5		283.1
Operational EBITDA	**-1.3**	0.9		**0.5**	1.5		4.8
Operational EBIT	**-3.0**	-0.6		**-2.7**	-1.4		-1.0
Operating profit	**-4.4**	-2.7		**-4.9**	-4.1		-6.9
Profit for the period	**-3.7**	-2.8		**-4.8**	-4.5		-7.5
Earnings per share, EUR	**-0.60**	-0.45		**-0.77**	-0.72		-1.21
Equity per share, EUR				**15.25**	16.75		16.29
Return on capital employed (ROCE), %				**-2.3%**	0.6%		-1.7%
Net cash flow from operating activities				**29.8**	-0.1		-23.5
Equity ratio				**71.6%**	76.1%		61.4%
Gearing				**8.9%**	-4.7%		21.5%

Apetit is applying the IFRS 16 Leases standard as of 1 January 2019. A simplified procedure has been applied to the transition and the figures for the year preceding implementation have not been adjusted. This affects especially the comparability of operational EBITDA, the equity ration and gearing. The effects are described in more detail in the notes to this Half-Year Financial Report.

NET SALES AND PROFIT OF CONTINUING OPERATIONS

April–June

Net sales in the second quarter of 2019 were EUR 64.5 (66.7) million. Operational EBIT was EUR -2.5 (0.1) million, and the reported operating profit was EUR -3.9 (-2.0) million. The reported operating profit includes the capitalisation of fixed costs arising from harvest-time production and an increase in grain stocks, which had an effect of EUR -1.1 (-0.8) million on the result. In addition, the reported operating profit includes a non-recurring cost of EUR -0.3 million as a result of legal expenses arising from a breach of contract by a foreign grain supplier. The dispute with the foreign grain supplier is described in more detail under 'Disputes'.

The share of the profit of the associated company Sucros was EUR 0.1 (-0.4) million.

The profit before taxes was EUR -3.9 (-2.6) million, and taxes on the profit for the period came to EUR 0.6 (0.4) million. The profit for the period came to EUR -3.3 (-2.2) million, and earnings per share amounted to EUR -0.54 (-0.36).

January–June

Net sales in January–June were EUR 135.5 (120.5) million. Operational EBIT was EUR -1.7 (0.0) million, and the reported operating profit was EUR -3.9 (-2.7) million. The reported operating profit includes the capitalisation of fixed costs arising from harvest-time production and an increase in grain stocks, which had an effect of EUR -1.9 (-1.4) million on the result. In addition, the reported operating profit includes a non-recurring cost of EUR -0.3 million as a result of legal expenses arising from a breach of contract by a foreign grain supplier. The dispute with the foreign grain supplier is described in more detail under 'Disputes'.

The share of the profit of the associated company Sucros was EUR -0.3 (-0.9) million in January–June.

Financial income and expenses totalled EUR -0.4 (-0.3) million. Financial expenses include EUR 0.0 (-0.1) million as the share of the Avena Nordic Grain Group's profit attributable to the employee owners.

The profit before taxes was EUR -4.6 (-3.9) million, and taxes on the profit for the period came to EUR 0.7 (0.6) million. The profit for the period came to EUR -3.9 (-3.3) million, and earnings per share amounted to EUR -0.63 (-0.53).

CASH FLOWS, FINANCING AND BALANCE SHEET

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

The consolidated cash flow from operating activities after interest and taxes amounted to EUR 29.8 (-0.1) million in January–June. The impact of the change in working capital was EUR 32.5 (1.1) million. Working capital decreased significantly, mainly due to a decrease in grain stocks towards the end of the harvest season. The effect of seasonality on the change in working capital is presented below under 'Seasonality of operations'.

The net cash flow from investing activities was EUR -7.5 (-1.4) million. The cash flow from financing activities came to EUR -19.8 (-4.8) million, including EUR -18.0 (-0.5) million in loan repayments and EUR -2.5 (-4.3) million in dividend payments. In addition, EUR 0.7 million in assets accumulated from the sale of shares in the joint book-entry account were returned to the company.

At the end of the period, the continuing operations had EUR 12.0 (4.4) million in interest-bearing liabilities and EUR 5.1 (9.3) million in liquid assets. Net interest-bearing liabilities totalled EUR 6.8 (-4.9) million.

The consolidated balance sheet total stood at EUR 132.4 (136.7) million. At the end of the review period, equity totalled EUR 94.8 (104.0) million. The equity ratio was 71.6 (76.1) per cent, and gearing was 8.9 (-4.7) per cent. The Group's liquidity is secured with committed credit facilities. At the end of the period, EUR 25 (25) million was available in credit. The total of commercial papers issued stood at EUR 3.0 (0.0) million.

INVESTMENT

Investment by continuing operations in non-current assets came to EUR 7.3 (1.6) million and was divided as follows: investment in Food Solutions totalled EUR 6.8 (1.2) million, in Oilseed Products EUR 0.5 (0.4) million and in Grain Trade EUR 0.1 (0.1) million.

PERSONNEL

In January–June 2019, the Apetit Group's continuing operations had an average of 383 (446) employees and its discontinued operations had an average of 102 (117) employees in full-time equivalents. The Group's average number of personnel was 485 (563) in January–June 2019.

STRATEGY

Apetit updated its strategy for 2018–2020 in spring 2018. Its focus areas are renewal, internationalisation and efficiency improvement. Apetit seeks to lead the way in vegetable-based food solutions and to be the best-known brand specialising in vegetable-based diets in Finland.

Apetit is focusing 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.

Financial targets for 2020

- At least to double operational EBITDA (2017: EUR 6.8 million in continuing operations)
- Operational return on capital employed (ROCE) > 8 % (2017: 2.4%)

The achievement of these strategic targets is based on customary crop development, systematic operational efficiency improvement, innovative and timely product launches and the development of international food trade. The company is open to corporate transactions that are in line with its strategy.

Strategic measures

Apetit invested almost EUR 10 million in a new patty and ball production line at the Säkylä plant. The new line started production at the beginning of August. The new line will double the production capacity in this product group, meet current demand and enable new products to be produced for the domestic and international markets.

As 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 bioenergy plant is expected to start up in late 2020.

In August 2018, the Apetit Group's Avena Nordic Grain Ltd and Farmer's Berner merged their purchasing and sales organisations in input and grain trades 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. During 2019, the new operating model has been implemented as part of both parties' operations according to plan.

Apetit divested its service sales operations under the Food Solutions business gradually in late April 2019. The divestment of the service sales operations is 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 divesting its unprofitable business operations, Apetit agreed to sell its fresh cut products business to the Swedish company Greenfood AB in July 2019.

Increasing the share of food sales abroad has proceeded according to plan. International demand is highest for vegetable patties and balls, vegetable pizzas and peas. Key markets outside Finland include Sweden, the Baltic countries and Russia.

The project to develop a rapeseed protein ingredient continued as planned. The purpose is to develop an ingredient with high nutritional content for the international food market. An application for a novel food marketing authorisation for the rapeseed protein ingredient was filed on 31 December 2018. Its composition and manufacturing method have been patented in Finland since the beginning of August.

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.

Food Solutions

Frozen vegetables, frozen ready meals and service sales

EUR million	1–6 2019	1–6 2018	Change	2018
Net sales	**29.9**	37.9	-21%	**74.2**
Operational EBIT	**1.0**	0.0		**2.3**
Operating profit	**-0.4**	-1.4		**2.5**

Financial and operational performance in January–June

Net sales for January–June came to EUR 29.9 (37.9) million. Total net sales were reduced by the gradual discontinuation of service sales. Apetit divested its last service points at the end of April. As a whole, the sales of frozen products remained at the comparison period's level, while the sales of patty and ball products increased. Due to the poor harvest season in 2018, the export volumes of peas, among other products, were lower than in the comparison period.

Operational EBIT was EUR 1.0 (0.0) million. The focus on higher-margin product categories in frozen food sales had a positive effect on the result. The adjustment measures that were implemented also improved profitability. The gradual divestment of service sales was implemented as planned during the spring. The difference between operational EBIT and the operating result, EUR -1.4 (-1.4) million, is due to the change concerning the capitalisation of fixed costs in inventories in accordance with the IAS 2 standard. The reported operating profit was EUR -0.4 (-1.4) million.

Food Solutions' investments totalled EUR 6.8 (1.2) million and were mainly related to the construction of a new patty and ball production line and production development at the Säkylä frozen vegetables and frozen ready meals plant.

Apetit has built a new patty and ball production line at its plant in Säkylä. The new line will double production capacity. The new line started production at the beginning of August.

Increasing the share of food sales abroad has proceeded according to plan. International demand is highest for vegetable patties and balls, vegetable pizzas and peas.

Operating environment

During the first half of the year, grocery trade* grew by around 2.4 per cent, with the price factor accounting for 1.6 percentage points of this growth. The increase in vegetable consumption is evident in the demand for new vegetable-based food solutions, which is expected to remain strong in the future.

*Source: Finnish Grocery Trade Association (PTY)

Oilseed Products

Vegetable oils and the processing and sale of expeller meal

EUR million	1–6 2019	1–6 2018	Change	2018
Net sales	**32.4**	33.8	-4%	66.7
Operational EBIT	**0.4**	1.0		2.2
Operating profit	**0.4**	1.0		2.2

Financial and operational performance in January–June

Net sales in January–June were EUR 32.4 (33.8) million, slightly lower than in the comparison period. This was due to deliveries being postponed until the second half of the year. The main export markets were Norway and Sweden, with exports representing 27 per cent of net sales.

Operational EBIT was EUR 0.4 (1.0) million. The decrease was due to the weak harvest and the ensuing limited availability of raw materials in Finland and its neighbouring regions, which caused raw material costs to increase significantly.

Investment in the period totalled EUR 0.5 (0.4) million and was related to maintenance at the Kirkkonummi oil milling plant and the development of the rapeseed protein ingredient.

Apetit has continued the project to develop a rapeseed protein ingredient as planned. The purpose is to develop an ingredient with high nutritional content for the international food market. An application for a novel food marketing authorisation for the rapeseed protein ingredient was filed on 31 December 2018. Its composition and manufacturing method have been patented in Finland since the beginning of August.

As part of its efficiency improvement, Apetit is building a bioenergy plant in conjunction with its rapeseed oil milling plant in Kirkkonummi. The bioenergy plant is expected to start up in late 2020.

Operating environment

The 2019 oilseed harvest in Finland is likely to be markedly weaker than in 2018. According to an estimate published by the Natural Resources Institute Finland (Luke) on 15 July 2019, the harvest was around 41 million tonnes, representing a decrease of 42 per cent from 2018. The total harvest volume declined due to a significant decrease in rapeseed cultivation areas in Finland and exceptionally high numbers of pests.

Successful growing of spring rapeseed in Finland requires effective protection against flea beetles, which may cause damage in rapeseed fields. Flea beetles may cause significant damage to growth and are controlled with seed treatment, among other methods. Apetit has actively participated in growing trials of a new seed treatment. For the 2019 sowing season, the Finnish Safety and Chemicals Agency (Tukes) granted permission to treat oilseeds with the new Buteo Start FS 480 preparation.

Grain Trade

The Grain Trade business comprises Finnish and international trade in grains, oilseeds, pulses and raw materials for feeds

EUR million	1–6 2019	1–6 2018	Change	2018
Net sales	**73.3**	57.8	27%	137.4
Operational EBIT	**-3.1**	-0.9		-2.9
Operating profit	**-3.8**	-2.2		-4.2

Financial and operational performance in January–June

In January–June, net sales increased to EUR 73.3 (57.8) million due to an increase in delivery volumes on the comparison period. In early 2019, we delivered the exceptionally high grain stocks that had built up towards the end of 2018 due to an imbalance of supply and demand in the Baltic countries.

Operational EBIT was EUR -3.1 (-0.9) million. A significant decrease in export opportunities for Finnish grain and an imbalance of supply and demand in the Baltic countries have caused profitability to decrease markedly. In addition, due to the good crop outlook for 2019, grain prices decreased considerably during the spring, which significantly reduced margin opportunities related to old harvest stocks purchased at high prices.

The difference between operational EBIT and the operating result is due to a change of EUR -0.4 (0.0) million concerning the capitalisation of fixed costs in inventories in accordance with the IAS 2 standard. In addition, the reported operating profit includes a non-recurring cost of EUR -0.3 million as a result of legal expenses arising from a breach of contract by a foreign grain supplier. The dispute with the foreign grain supplier is described in more detail under ‘Disputes’.

The Grain Trade segment’s investment totalled EUR 0.1 (0.1) million.

In August 2018, the Apetit Group’s Avena Nordic Grain Ltd and Farmer’s Berner merged their purchasing and sales organisations in input and grain trades 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. During 2019, the new operating model has been implemented as part of both parties’ operations according to plan.

Operating environment

According to an estimate by the Finnish Natural Resources Institute (Luke), the 2019 grain crop in Finland will be good. The total grain crop is expected to be 3.6 million tonnes, with the annual consumption being 3.0 million tonnes in Finland. The grain crop in the Baltic countries is also expected to be good.

Discontinued operations (Fresh Cut Products, Seafood)

Discontinued operations include the Seafood business, which was divested in 2017, and the Fresh Cut Products business, which used to be part of the Food Solutions segment

EUR million	1–6 2019	1–6 2018	Change	2018
Net sales	**10.6**	12.0	-12%	23.2
Operational EBIT	**-1.0**	-1.4		-2.6
Operating profit	**-1.0**	-1.4		-7.4

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

On 10 July 2019, Apetit announced that it had agreed to sell 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 arrangement will be carried out as a business transfer that covers Apetit's plant property in Kivikko in Helsinki, including machinery and equipment. The employees of Apetit's fresh cut products business operations will transfer to Salico Oy, Greenfood AB's Finnish subsidiary, as existing employees.

Apetit will recognise a non-recurring sales gain of around EUR 2 million after taxes for the corporate transaction in the second half of 2019. More detailed information will be available once the arrangement has been completed.

In order to be completed, the transaction requires the approval of the competition authorities. The transaction is expected to be completed in the second half of 2019.

Seafood business

On 29 June 2017, Apetit agreed to sell its seafood business to the Norwegian company Insula AS. The transaction was completed on 1 November 2017. In this half-year report, the Seafood business is included in discontinued operations for 2018, and its impact is limited to financial items.

Financial and operational performance in January–June

Net sales of the fresh cut products business decreased on the comparison period and were EUR 10.6 (12.0) million. The decrease was due to the discontinuation of inter-company product sales according to plan. Operational EBIT was EUR -1.0 (-1.4) million. The adjustment and efficiency measures that were implemented had a positive effect on the operational EBIT.

TREASURY SHARES

At the end of the review period, the company held a total of 100,955 treasury shares acquired during previous years. These treasury shares represent 1.6 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 495,897 (182,162), representing 7.8 (2.9) per cent of the total number of shares. The highest share price quoted was EUR 9.84 (15.25), and the lowest was EUR 8.50 (13.15). The average price of shares traded was EUR 9.05 (14.19). The share turnover for the period was EUR 4.5 (2.6) million. At the end of the review period, the market capitalisation was EUR 54.5 (84.3) 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 Board of Directors and of the Supervisory Board and the Chief Executive Officer 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.

ORGANISATIONAL MEETING OF THE SUPERVISORY BOARD AND ELECTION OF THE BOARD OF DIRECTORS

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 six 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 Vice 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 Vice 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.

SHORT-TERM RISKS AND UNCERTAINTIES

The most significant short-term risks for the Apetit Group are related to the management of changes in the prices of raw materials; the availability of raw materials; the quality and volume of grain, oilseed and field vegetable crops; 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 by Avena Nordic Grain Oy, which belongs to the Apetit Group, against a foreign grain supplier have been completed. 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. The compensation is included in off-balance sheet contingent assets. In addition, other receivables on the consolidated balance sheet include EUR 1.2 million from the same supplier. 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.

MATERIAL EVENTS AFTER THE END OF THE REVIEW PERIOD

On 10 July 2019, Apetit announced that it had agreed to sell its fresh cut products business to the Swedish company Greenfood AB. In order to be completed, the transaction requires the approval of the competition authorities. The transaction is expected to be completed in the second half of 2019.

PROFIT GUIDANCE FOR 2019 UNCHANGED

The Group's full-year operational EBIT is expected to improve year-on-year (EUR -1.0 million in 2018). The profit outlook for early 2019 was burdened by the weak grain crop of 2018. Opportunities to export Finnish grain were limited, and an imbalance of supply and demand posed challenges in the grain trade in the Baltic countries.

CONSOLIDATED INCOME STATEMENT
EUR million

	Q2 2019	Q2 2018	**Q1-Q2 2019**	Q1-Q2 2018	Q1-Q4 2018
Net sales	**64.5**	66.7	**135.5**	120.5	259.9
Other operating income	**0.2**	0.3	**0.6**	0.5	1.8
Operating expenses	**-67.2**	-67.9	**-137.7**	-121.7	-257.2
Depreciation	**-1.4**	-1.0	**-2.3**	-2.0	-4.0
Impairments	**0.0**	0.0	**0.0**	0.0	0.0
Operating profit	**-3.9**	-2.0	**-3.9**	-2.7	0.5
Share of profits of associated companies	**0.1**	-0.4	**-0.3**	-0.9	-0.7
Financial income and expenses	**-0.2**	-0.2	**-0.4**	-0.3	-0.4
Profit before taxes	**-3.9**	-2.6	**-4.6**	-3.9	-0.6
Income taxes	**0.6**	0.4	**0.7**	0.6	0.0
Profit for the period, continuing operations	**-3.3**	-2.2	**-3.9**	-3.3	-0.4
Profit for the period, discontinued operations	**-0.4**	-0.6	**-0.9**	-1.2	-7.1
Profit for the period, equity holders of the parent	**-3.7**	-2.8	**-4.8**	-4.5	-7.5
Basic and diluted earnings per share, calculated of the profit attributable to the shareholders of the parent company, EUR					
Continuing operations	**-0.54**	-0.36	**-0.63**	-0.53	-0.07
Discontinued operations	**-0.07**	-0.09	**-0.14**	-0.19	-1.14
To the shareholders of the parent company	**-0.60**	-0.45	**-0.77**	-0.72	-1.21

STATEMENT OF COMPREHENSIVE INCOME
EUR million

	Q2 2019	Q2 2018	**Q1-Q2 2019**	Q1-Q2 2018	Q1-Q4 2018
Profit for the period	**-3.7**	-2.8	**-4.8**	-4.5	-7.5
Other comprehensive income					
Items which may be reclassified subsequently to profit or loss:					
Cash flow hedges	**-0.4**	0.3	**0.2**	0.9	0.7
Taxes related to cash flow hedges	**0.1**	-0.1	**0.0**	-0.2	-0.1
Translation differences	**0.0**	0.0	**0.0**	0.0	0.0
Total comprehensive income	**-4.0**	-2.5	**-4.6**	-3.8	-6.9
Total comprehensive income, continuing operations	**-3.6**	-2.0	**-3.8**	-2.6	0.2
Total comprehensive income, discontinued operations	**-0.4**	-0.6	**-0.9**	-1.2	-7.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

ASSETS	**30 June 2019**	30 June 2018	31 Dec 2018
Non-current assets			
Intangible assets	**2.3**	6.8	3.2
Goodwill	**0.4**	0.4	0.4
Tangible assets	**37.4**	36.4	37.2
Investment in associated companies	**20.9**	22.0	21.0
Available-for-sale financial assets	**0.0**	1.0	0.1
Receivables	**0.3**	0.7	0.3
Deferred tax assets	**6.3**	6.0	5.8
Non-current assets total	**67.6**	73.3	68.0
Current assets			
Inventories	**37.2**	38.9	80.8
Trade receivables and other receivables	**8.9**	14.7	13.1
Income tax receivable	**0.0**	0.4	0.0
Cash and cash equivalents	**5.1**	9.3	2.6
Current assets total	**51.3**	63.4	96.6
Assets held for sale	**13.5**		
Total assets	**132.4**	136.7	164.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
EUR million

EQUITY AND LIABILITIES	**30 June 2019**	30 June 2018	31 Dec 2018
Equity attributable to the shareholders of the parent	**94.8**	104.0	101.1
Total equity	**94.8**	104.0	101.1
Non-current liabilities			
Deferred tax liabilities	**1.3**	2.6	1.8
Long-term financial liabilities	**6.3**	3.4	2.4
Non-current provisions	**0.2**	0.2	0.2
Other non-current liabilities	**0.4**	0.2	0.2
Non-current liabilities total	**8.1**	6.4	4.7
Current liabilities			
Short-term financial liabilities	**5.7**	1.0	22.0
Income tax payable	**0.0**	0.0	0.0
Trade payables and other liabilities	**18.9**	25.3	36.8
Current liabilities total	**24.7**	26.3	58.8
Liabilities directly associated with assets held for sale	**4.7**		
Total liabilities	**32.8**	32.7	63.5
Total equity and liabilities	**132.4**	136.7	164.6

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million

	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Net profit for the period	**-4.8**	-4.5	-7.5
Adjustments, total	**2.4**	4.6	11.2
Change in net working capital	**32.5**	1.1	-26.1
Interests paid	**-0.2**	-0.8	-1.1
Interests received	**0.0**	0.0	0.1
Taxes paid	**-0.1**	-0.5	0.0
Net cash flow from operating activities	**29.8**	-0.1	-23.5
Investments in tangible and intangible assets	**-7.6**	-1.8	-6.7
Proceeds from sales of tangible and intangible assets		0.0	0.0
Acquisition of associated companies	**-0.3**	-0.4	-0.6
Proceeds from sales of associated companies		0.6	0.6
Proceeds from sales of other investments	**0.4**		
Dividends received from investing activities		0.2	1.9
Net cash flow from investing activities	**-7.5**	-1.4	-4.8
Proceeds from and repayments of short-term loans	**-18.0**		21.0
Repayments of long-term loans		-0.5	-1.5
Proceeds from shares in the book-entry securities account	**0.7**		
Dividends paid	**-2.5**	-4.3	-4.3
Cash flows from financing activities	**-19.8**	-4.8	15.2
Net change in cash and cash equivalents	**2.5**	-6.4	-13.0
Cash and cash equivalents at the beginning of the period	**2.6**	15.7	15.7
Cash and cash equivalents at the end of the period	**5.1**	9.3	2.6

STATEMENT OF CHANGES IN SHAREHOLDERS´EQUITY

A = Shareholders' equity at 1 January
B = Dividend distribution
C = Other changes
D = Total comprehensive income
E = Shareholders' equity at 30 June

January - June 2019
EUR million

	A	B	C	D	E
Share capital	**12.6**				**12.6**
Share premium account	**23.4**				**23.4**
Net unrealised gains	**-0.2**			**0.2**	**0.0**
Other reserves	**7.2**				**7.2**
Own shares	**-1.4**				**-1.4**
Translation differences	**-0.2**			**0.0**	**-0.2**
Effect of the new IFRS 16 standard	**-0.1**				**-0.1**
Retained earnings	**59.7**	**-2.5**	**0.8**	**-4.8**	**53.2**
Attributable to equity holders of the parent	**101.1**	**-2.5**	**0.8**	**-4.6**	**94.8**

January - June 2018
EUR million

	A	B	C	D	E
Share capital	12.6				12.6
Share premium account	23.4				23.4
Net unrealised gains	-0.8			0.7	-0.1
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	-0.2	-4.5	62.4
Attributable to equity holders of the parent	112.3	-4.3	-0.1	-3.8	104.0

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 2018.

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.

The Group's most important leases are associated with long-term land and grain storage leases. As a result of the implementation, an additional EUR 7.0 million in right-of-use assets has been recognised in the closing balance sheet of the first half-year. EUR 4.0 million in lease liabilities has been recognised in non-current financial liabilities and EUR 3.1 million in current financial liabilities in the balance sheet. The standard has no material effect on reported operating profit or net profit.

The management has applied discretion in applying the IFRS 16 standard to the discount interest rate and to determining the lease period of leases agreements that are in force until further notice.

The discount rate applied to lease payments is specified in the lease agreements. If no interest is mentioned in the lease agreement, Apetit's incremental borrowing rate will be used. In addition, the duration of the lease liability will affect the incremental interest rate. The weighted average of the incremental interest rate was 1.6%.

Reconciliation of lease exposures and lease liabilities EUR million	**1 Jan** **2019**
Lease exposures 31 Dec 2018	**11.4**
Current or low-value leases	**-4.2**
Undiscounted lease liabilities 1 Jan 2019	**7.2**
Discounting	**-0.9**
Lease liabilities 1 Jan 2019	**6.3**
Current lease liabilities	**1.0**
Non-current lease liabilities	**5.3**

The standards that came into effect at the beginning of 2019 do not have a material effect on the half-year report.

Presentation of changes in the Group structure

Apetit Plc divested its remaining service sales operations of the Food Solutions business gradually during early 2019. The service sales operations have been operated a shop-in-shop basis in connection with certain regional cooperatives. The network of the service sales operations has already been reduced earlier this year.

Fresh cut products business is presented as discontinued operations.

RECONCILIATION OF OPERATIONAL EBIT AND OPERATING PROFIT

EUR million	**Q1-Q2 2019**	Q1-Q2 2018	Q1-Q4 2018
Continuing operations			
Operational EBIT	**-1,7**	0,0	1,6
Non-recurring cost associated with a breach of contract by foreign grain supplier	**-0,3**	-1,3	-1,6
IAS-2 Inventories	**-1,9**	-1,4	0,5
Other	**0,0**		
Operating profit, Continuing operations	**-3,9**	-2,7	0,5
Discontinued operations, Fresh products and Seafood Segment			
Operational EBIT	**-1,0**	-1,4	-2,6
Impairments of fresh products			-4,7
IAS-2 Inventories	**0,0**	0,0	0,0
Operating profit, Discontinued operations	**-1,0**	-1,4	-7,4
Operating profit, Group total	**-4,9**	-4,1	-6,9

DISCONTINUED OPERATIONS, FRESH CUT PRODUCTS AND SEAFOOD SEGMENT

Apetit Plc has signed an agreement on selling its fresh cut products business operations to the Swedish company Greenfood AB. Greenfood AB is an importer, distributor and processor of fruit and vegetables as well as a leading healthy fresh food actor that operates in the Nordic countries and Western Europe. In Finland, Greenfood AB owns Salico Oy, Satotukku Oy, Picadeli Oy and Snackpoint Oy. Salico is one of the leading Finnish suppliers of fresh cut fruit and vegetable products to food service, retail and fast food chains.

The arrangement will be carried out as a business transfer that covers Apetit's plant property in Kivikko in Helsinki, including machinery and equipment. The employees of Apetit's fresh cut products business operations will transfer to Salico Oy, Greenfood AB's Finnish subsidiary, as existing employees. Apetit's net sales from fresh cut products business operations totalled EUR 23.2 million in 2018 and it has 120 employees.

A transaction price of the business transfer is EUR 13.8 million. The price is paid in cash at the time of completion of the transaction which is expected to take place in the second half of 2019. The transaction requires the approval of the competition authorities.

Apetit will recognise a non-recurring sales gain of around EUR 2 million after taxes for the corporate transaction in the second half of 2019. More detailed information will be available once the arrangement has been completed.

The corporate transaction is expected to have a positive effect on Apetit's full-year operational EBIT. In order to be completed, the transaction requires the approval of the competition authorities.

The profit for the period from discontinued operations for 2018 includes a EUR 0.9 million impairment of the Seafood business earn-out.

Profit for the period, discontinued operations

EUR million	**Q1-Q2 2019**	Q1-Q2 2018	Q1-Q4 2018
Income	**10,6**	12,0	23,2
Expenses	**-11,6**	-13,5	-30,6
Operating profit	**-1,0**	-1,4	-7,4
Financial income and expense	**-0,1**	-0,1	-1,2
Profit before taxes	**-1,1**	-1,5	-8,6
Income taxes	**0,2**	0,3	1,5
Profit for the period, discontinued operations	**-0,9**	-1,2	-7,1

Cash flows

EUR million	**Q1-Q2 2019**	Q1-Q2 2018	Q1-Q4 2018
Net cash flow from operating activities	**0,2**	0,2	0,6
Net cash flow from investing activities	**-0,2**	-0,2	-0,6
Cash flows from financing activities	**0,0**	0,0	0,0
Net change in cash and cash equivalents	**0,0**	0,0	0,0

Details of the assets and liabilities in discontinued operations classified as held-for-sale

EUR million	**30 June 2019**
Tangible and intangible assets and non-current receivables	**12,6**
Deferred tax assets	**0,0**
Inventories	**0,5**
Trade receivables and other receivables	**0,4**
Total assets	**13,5**
Deferred tax liabilities	**0,1**
Non-current liabilities	**0,2**
Current liabilities	**4,4**
Total liabilities	**4,7**

Assets classified as held-for-sale does not include common group assets allocations to the discontinued operations.

SEGMENT INFORMATION

A = Food Solutions
B = Oilseed Products
C = Grain Trade
D = Continuing operations
E = Discontinued operations, Fresh Products+ Seafood segment
F = Total

Operating segments,
January - June 2019
EUR million

	A	**B**	**C**	**D**	**E**	**F**
Total segment sales	**29,9**	**32,4**	**73,3**	**135,6**	**10,6**	**146,2**
Intra-group sales	**0,0**	**-0,1**	**0,0**	**-0,1**	**0,0**	**-0,2**
Net sales	**29,9**	**32,3**	**73,3**	**135,5**	**10,5**	**146,0**
Operating profit	**-0,4**	**0,4**	**-3,8**	**-3,9**	**-1,0**	**-4,9**
Gross investments in non-current assets	**6,8**	**0,5**	**0,1**	**7,3**	**0,2**	**7,5**
Corporate acquisitions and other share purchases			**0,3**	**0,3**		**0,3**
Depreciations	**1,3**	**0,5**	**0,8**	**2,6**	**0,7**	**3,3**
Impairments	**0,0**			**0,0**		**0,0**
Personnel	**275**	**48**	**60**	**383**	**102**	**485**

Operating segments,
January - June 2018
EUR million

	A	B	C	D	E	F
Total segment sales	37,9	33,8	57,8	129,5	12,0	141,5
Intra-group sales	0,0	-0,1	-8,9	-9,0	0,0	-9,0
Net sales	37,9	33,6	48,9	120,5	12,0	132,5
Operating profit	-1,4	1,0	-2,2	-2,7	-1,4	-4,1
Gross investments in non-current assets	1,2	0,4	0,1	1,6	0,2	1,8
Corporate acquisitions and other share purchases	0,4			0,4		0,4
Depreciations	1,4	0,4	0,2	2,0	0,9	2,9
Impairments						
Average number of personnel	337	47	62	446	117	563

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	-0,3	-18,2	-18,4	0,0	-18,5
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
Depreciations	2,8	0,9	0,4	4,0	1,8	5,8

GROUP KEY INDICATORS	**30 June 2019**	30 June 2018	31 Dec 2018
Shareholders' equity per share, EUR	**15,25**	16,75	16,29
Equity ratio, %	**71,6**	76,1	61,4
Gearing, %	**8,9**	-4,7	21,5
Gross investments in non-current assets, EUR million	**7,5**	1,8	6,7
Corporate acquisitions and other share purchases, EUR million	**0,3**	0,4	0,6
Average number of personnel	**485**	563	564
Average number of shares, 1,000 pcs	**6217**	6209	6211

The key figures in this Interim Report are calculated with same accounting principles than presented in the 2018 annual financial statements.

COLLATERALS, CONTINGENT LIABILITIES, CONTINGENT ASSETS AND OTHER COMMITMENTS

EUR million

	30 June 2019	30 June 2018	31 Dec 2018
Mortgages given for debts			
Real estate and corporate mortgages			
Guarantees	**3,5**	3,1	3,9
DERIVATIVE INSTRUMENTS			
Outstanding nominal values of derivate instruments			
Interest rate swaps	**13,4**	14,3	13,4
Forward currency contracts	**0,8**		0,2
Commodity derivative instruments	**18,9**	48,9	29,3
CONTINGENT ASSETS			
The present value of proceeds from the sale of shares in the joint entry account		0,7	0,7
Claim for damages associated with the foreign grain supplier's neglect of delivery	**1,9**	1,3	1,6
INVESTMENT COMMITMENTS			
Food Solutions	**3,9**	4,4	7,1

CHANGES IN TANGIBLE ASSETS

EUR million

	30 June 2019	30 June 2018	31 Dec 2018
Owned non-current assets			
Book value at the beginning of the period	**37.2**	37.5	37.5
Additions	**7.4**	1.2	5.7
Disposals	**0.0**	0.0	-0.1
Depreciations and impairments	**-2.0**	-2.3	-5.9
Other changes	**0.0**	0.0	0.0
Total	**42.7**	36.4	37.2
Right-of-use-asset (IFRS 16 in use since 1th Jan 2019)			
Book value at the beginning of the period	**6.3**		
Additions 1.1.-30.6.2019	**1.5**		
Depreciations and impairments	**-0.8**		
Total	**7.0**		
Book value at the end of the period	**49.7**	36.4	37.2

The figures include the Fresh cut products business.

RELATED PARTY TRANSACTIONS

EUR million

	Q1-Q2 2019	Q1-Q2 2018	Q1-Q4 2018
Sales to associated companies	**0,2**	0,2	1,0
Purchases from associated companies	**1,8**	1,7	3,2
Trade receivables and other receivables from associated companies	**0,0**	0,0	0,3
Trade payables and other liabilities to associated companies	**0,3**	0,4	0,6

In Helsinki, 16 August 2019
APETIT PLC
Board of Directors