



# Apetit

Financial statements bulletin

# 2016



## Apetit Plc's financial statements bulletin for 2016

# Good profitability development in fish products – strong consolidated cash flow – unsatisfactory result

Fourth quarter (October–December):

- Consolidated net sales amounted to EUR 100.1 (113.8) million.
- Operational EBITDA was EUR 3.4 (4.5) million.
- Operational EBIT\*) was EUR 1.6 (2.7) million.
- The profit for the period was EUR 2.4 (2,2) million, and earnings per share were EUR 0.38 (0.36).

Financial year (January–December)

- Consolidated net sales amounted to EUR 386.5 (380.8) million.
- Operational EBITDA was EUR 7.5 (8.5) million.
- Operational EBIT\*) was EUR 0.9 (2.6) million.
- The profit for the period was EUR 1.2 (-4.6) million, and earnings per share were EUR 0.19 (-0.69).
- Consolidated cash flow was EUR 21.9 (-17.1) million.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 per share be paid.

The figures for 2016 and 2015 are audited. The quarterly figures are unaudited. The figures in parentheses are the equivalent figures for the same period in 2015, and the comparison period means the corresponding period of the previous year, unless otherwise stated.

*\*) Due to the amendments to the regulations of the European Securities and Markets Authority (ESMA), Apetit has replaced the key figure "operating profit excluding non-recurring items" with the key figure "operational EBIT" as of 2016. Operational EBIT does not include restructuring expenses, any significant impairment on goodwill or other balance sheet items or reversal of impairment, the profit of the associated company Sucros or other extraordinary and material items.*

Juha Vanhainen, CEO:

"2016 was the first year of our new strategy period. It was a year of renewal and creating favourable conditions for growth. We strengthened product development and invested in the Apetit consumer brand, and achieved good results in these areas. We implemented expanded capacity for the production of the new Tuorekset consumer-packaged ready-to-use vegetables and inaugurated the packaging plant extension to our vegetable oil milling plant. We fine-tuned our operating models and structures according to need, to increase efficiency and execution ability throughout the organisation. Our consolidated cash flow was strong as a result of freed-up working capital.

Our net sales grew in all segments, with the exception of Grain Trade, where the historically low price levels in the grain markets reduced net sales despite an increase in volumes. In the frozen foods

group, we were able to regain growth after a long period of steady sales, thanks to high-selling new products and effective marketing. In the retail trade, we expanded into new product groups by introducing the Kasvisjauhis and Vegepops products in early 2017.

Despite the favourable developments, the full-year operational EBIT was at an unsatisfactory level. The profitability of the Seafood segment improved strongly during the year, and it recorded a positive operational EBIT for October–December. The good profitability of the frozen foods group and Oilseed Products had a positive effect on the result.

In Grain Trade, we suffered from the low price and margin levels caused by excessive supply in the grain markets. In fresh products, we began to change our operating model in an effort to transform the company from a direct-delivery wholesaler for the professional food service sector into a fresh product partner and a manufacturer of consumer products. This process burdened the result, but I am expecting the profitability of the product group to increase with new sales and increased operational efficiency in 2017.

In line with our strategy, we are establishing our position as a leader in vegetable-based food solutions. We aim for profitable growth in 2017. To this effect, we will improve operational efficiency across our operations and will continue to invest in increasing sales and in renewal and product development.”

## CONSOLIDATED KEY FIGURES

EUR million	Q4 2016	Q4 2015	Change	2016	2015	Change
Net sales	<b>100.1</b>	113.8	-12%	<b>386.5</b>	380.8	1%
Operational EBITDA	<b>3.4</b>	4.5		<b>7.5</b>	8.5	
Operational EBIT	<b>1.6</b>	2.7		<b>0.9</b>	2.6	
Operating profit	<b>1.2</b>	2.7		<b>0.6</b>	-1.0	
Share of profit of associated company Sucros	<b>1.5</b>	0.4		<b>0.7</b>	-1.0	
Profit for the period	<b>2.4</b>	2.2		<b>1.2</b>	-4.6	
Earnings per share, EUR	<b>0.38</b>	0.36		<b>0.19</b>	-0.69	
Equity per share, EUR				<b>19.00</b>	19.53	
Working capital				<b>52.9</b>	69.6	
Operational return on capital employed (ROCE), %				<b>1.2%</b>	1.2%	
Net cash flow from operating activities				<b>21.9</b>	-17.1	
Equity ratio, %				<b>64.1%</b>	61.1%	
Gearing, %				<b>12.4%</b>	19.0%	
Investment				<b>9.7</b>	9.1	

## SEGMENT COMPARISON

The Apetit Group's reporting business segments are Food Solutions, Oilseed Products, Grain Trade and Seafood.

- Food Solutions comprises the frozen foods group, fresh products group and service sales.
- The Oilseed Products business includes the processing and sale of vegetable oils and expeller meals.
- The Grain Trade business comprises the Finnish and international trade in grains, oilseeds, pulses and feed raw-materials.
- The Seafood business comprises the operations of the fish products group in Finland, Sweden and Norway.

The associated company Sucros (20% holding) has been reported after operating profit in the income statement since the beginning of 2016, and Group administration costs have been allocated equally between the segments.

Net sales, EUR million	Q4 2016	Q4 2015	Change	2016	2015	Change
Food Solutions	25.7	25.4	1%	97.8	95.8	2%
Oilseed Products	15.9	15.0	6%	68.2	61.3	11%
Grain Trade	39.8	59.0	-33%	159.7	170.5	-6%
Seafood	24.1	21.2	14%	87.8	82.9	6%
Intra-group net sales	-5.4	-6.7		-27.0	-29.6	
Total	100.1	113.8	-12 %	386.5	380.8	1%

OPERATIONAL EBIT, EUR million	Q4 2016	Q4 2015	2016	2015
Food Solutions	-0.1	1.8	-2.6	-0.1
Oilseed Products	0.6	0.3	2.7	2.7
Grain Trade	0.2	1.2	1.4	3.8
Seafood	0.8	-0.6	-0.6	-3.8
Total	1.6	2.7	0.9	2.6

## CONSOLIDATED NET SALES AND PROFIT

*Fourth quarter (October–December)*

Consolidated net sales decreased to EUR 100.1 (113.8) million. The decrease is explained by the lower net sales of the Grain Trade segment in comparison to the previous year.

Operational EBIT was EUR 1.6 (2.7) million. The result includes EUR 0.4 million recognised as income with regard to the additional purchase price related to the ownership arrangement concerning Taimen Oy. Operating profit was EUR 1.2 (2,7) million. This includes EUR -0.3 million in expert fees related to the development of the business structure of the Seafood segment.

The result of the associated company Sucros developed strongly in October–December and was EUR 1.5 (0.4) million.

The profit before taxes was EUR 2.5 (2,8) million, and taxes on the profit for the period came to EUR -0.1 (-0.6) million. The profit for the period was EUR 2.4 (2.2) million, and earnings per share were EUR 0.38 (0.36).

#### *Financial year (January–December)*

Consolidated net sales increased to EUR 386.5 (380.8) million. Net sales increased in all segments, with the exception of Grain Trade.

Operational EBIT was EUR 0.9 (2.6) million. The result includes EUR 0.4 million recognised as income with regard to the additional purchase price related to the ownership arrangement concerning Taimen Oy. Operational EBIT in the comparison period was improved by a gain of EUR 0.7 million from the sale of a property in the Länsi-Säkylä industrial estate and EUR 0.4 million in profit from the associated company Taimen Oy.

Operating profit was EUR 0.6 (-1.0) million. This includes EUR -0.3 million in expert fees related to the development of the business structure of the Seafood segment. The operating profit for the comparison period includes a loss of EUR 3.6 million from ownership arrangements made with the associated company Taimen Oy.

The share of the profit of the associated company Sucros was EUR 0.7 (-1.0) million.

Financial income and expenses came to a total of EUR -0.9 (-1.5) million. Financial expenses include EUR -0.5 (-0.8) million as the share of the Avena Nordic Grain Group's profit attributable to the employee owners of Avena Nordic Grain Oy. In the comparison period, financial income and expenses included EUR -0.3 million in non-cash valuation items resulting from changes in foreign exchange rates related to internal loans to the Maritim Food Group.

The profit before taxes was EUR 0.3 (-3,5) million, and taxes on the profit for the period came to EUR 0.8 (-1.1) million. The profit for the period was EUR 1.2 (-4.6) million, and earnings per share were EUR 0.19 (-0.69).

In the third and fourth quarters, Apetit recognised a total of EUR 1.0 million in deferred tax assets on previously not recognised taxable losses. The taxable losses arose mainly from the Finnish Seafood business. Receivables were recognised based on the improved profit outlook of the Seafood business, combined with changes in the Group structure that make it easier for the Group companies to use the Group contribution. The Group still has a total of EUR 1.4 million in unrecognised deferred tax assets from taxable losses.

#### CASH FLOWS, FINANCING AND BALANCE SHEET

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

The cash flow from operating activities after interest and taxes amounted to EUR 21.9 (-17.1) million in January–December. The impact of the change in working capital was EUR 17.5 (-21.4) million. 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 -9.0 (-3.0) million. The cash flow from financing activities was EUR -21.6 (19.8) million, including EUR -4.3 (-4.3) million in dividend payments, EUR -22.3 million in loan repayments (EUR 24.1 million in loan withdrawals) and a long-term loan of EUR 5 million taken out in the review period.

At the end of the period, the Group had EUR 19.1 (36.5) million in interest-bearing liabilities and EUR 4.6 (13.4) million in liquid assets. Net interest-bearing liabilities totalled EUR 14.5 (23.0) million.

The consolidated balance sheet total stood at EUR 183.7 (197.9) million. At the end of the period, equity totalled EUR 117.7 (121.0) million. The equity ratio was 64.1 (61.1) per cent, and gearing was 12.4 (19.0) per cent. The Group's liquidity is secured with committed credit facilities, with EUR 40 (45) million being available in credit at the end of the period. The total of commercial papers issued stood at EUR 11.0 (32.0) million.

## INVESTMENT

The Group's gross investment in non-current assets came to EUR 9.7 (9.1) million and was divided as follows: EUR 5.7 (4.3) million in Food Solutions, EUR 1.9 (1.0) million in Oilseed Products, EUR 0.1 (2.2) million in Grain Trade and EUR 2.0 (1.6) million in Seafood.

## PERSONNEL

The Apetit Group employed an average of 729 (725) people in January–December.

## 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 final quarter of the year. This means that more fixed production overheads are recognised on the balance sheet in the fourth quarter than during the other quarters of the year. Due to this accounting practice, most of the Group's annual profit is accrued in the final quarter. 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.

Harvesting seasons also cause seasonal variation in the amount of working capital tied up in operations. Working capital tied up in Grain Trade and Oilseeds 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.

In Finland, sales of fish products peak at weekends and in connection with public holidays. In the Seafood segment in Finland, a significant proportion of the full-year result depends on a successful Christmas season. 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

The Food Solutions segment comprises frozen vegetable products, frozen ready meals, fresh products and service sales.

EUR million	Q4 2016	Q4 2015	Change	2016	2015	Change
Net sales	<b>25.7</b>	25.4	1%	<b>97.8</b>	95.8	2%
Operational EBITDA	<b>1.0</b>	2.8		<b>1.3</b>	3.5	
Operational EBITDA, %	<b>3.9%</b>	11.1%		<b>1.3%</b>	3.7%	
Operational EBIT	<b>-0.1</b>	1.8		<b>-2.6</b>	-0.1	
Operating profit	<b>-0.1</b>	1.8		<b>-2.6</b>	-0.1	

#### *Implementation of strategic projects*

The achievement of our strategic target to expand in fresh products was boosted in August, when Apetit introduced Tuorekset, a new product concept for the vegetable sections of retail stores. The Tuorekset products consist of fresh, ready-to-use vegetables. In addition to an entirely new product, our expansion into the vegetable section required the development of a commercial concept and production. With regard to Tuorekset, brand awareness, sales volumes and the network of sales locations developed favourably towards the end of the year. In frozen foods, our investment in new products, such as vegetable patties and balls, and in marketing have caused sales to regain growth while also increasing brand awareness.

#### *Operational performance in October–December*

Net sales in the Food Solutions segment amounted to EUR 25.7 (25.4) million in October–December. Sales by the frozen foods group to the retail trade and the professional food service sector improved on the comparison period. In frozen products, growth was driven by new products, particularly vegetable patties and balls. Service sales increased as a result of longer opening hours and an increase in the price of fish. In fresh products, Tuorekset reached a good level of store coverage in major retail chains.

In Food Solutions, operational EBITDA was EUR 1.0 (2.8) million, and operational EBIT was EUR -0.1 (1.8) million, which was a decline from the comparison period. The profitability of the frozen foods group was at a good level, thanks to favourable sales development. In fresh products, profitability was burdened by low sales and the investment required for the transition to a new operating model. The fresh products group is being developed from a direct-delivery wholesaler into a fresh product partner and a manufacturer of consumer products.

The crops of Finnish-grown field vegetables were very good. Harvesting was completed earlier than in the comparison period, and production volumes during the period were clearly up year-on-year.

The greater volume of the harvest meant that the amount of fixed costs capitalised in inventories in October–December was EUR 0.2 million higher than in the comparison period.

## Summary of January–December

Net sales in Food Solutions rose to EUR 97.8 (95.8) million. In the frozen foods group, sales increased with regard to all customers. Sales declined in fresh products.

In Food Solutions, operational EBITDA was EUR 1.3 (3.5) million, and operational EBIT was EUR -2.6 (-0.1) million, which was a decline from the comparison period.

Investment in Food Solutions totalled EUR 5.7 (4.3) million and was mainly related to the construction of production lines for consumer-packaged, pre-prepared vegetables at the Kivikko production plant in Helsinki and to production equipment at the frozen food plant in Säskylä.

As a result of the earlier start and greater volume of the harvest in comparison with the previous year, the amount of fixed costs capitalised in inventories was EUR 1.0 million higher than in the comparison year.

### Strategic focus areas of business

With regard to Food Solutions, Apetit aims to be a leading brand in vegetable-based food solutions and services. The most important product groups are frozen vegetable products, frozen ready meals, ready-to-use fresh vegetables and service sales. Renewal will be accelerated by investing in product development and completely new food solutions, and in service development by means of digitisation in particular.

In the Food Solutions segment, the goal is to reach an organic growth rate of 20 per cent in net sales by the end of 2018 in comparison with 2015. In terms of profitability, the target is to achieve an operational EBITDA margin of 7.5 per cent in 2018.

## Oilseed Products

The Oilseed Products business includes the processing and sale of vegetable oils and expeller meals.

EUR million	Q4 2016	Q4 2015	Change	2016	2015	Change
Net sales	<b>15.9</b>	15.0	6%	<b>68.2</b>	61.3	11%
Operational EBITDA	<b>0.8</b>	0.5		<b>3.5</b>	3.4	
Operational EBITDA, %	<b>5.0%</b>	3.4%		<b>5.1%</b>	5.5%	
Packaged and special products of net sales	<b>32.2%</b>	26.9%		<b>29.5%</b>	28.4%	
Operational EBIT	<b>0.6</b>	0.3		<b>2.7</b>	2.7	
Operating profit	<b>0.6</b>	0.3		<b>2.7</b>	2.7	

### Operating environment

The oilseed growing season was mostly favourable in Finland, and the crops were better than in previous years. The availability and quality of Finnish oilseeds is at a good level after the harvest season. According to the Natural Resources Institute Finland (LUKE), the total yield of rapeseed rose to 90,800 tonnes, representing an increase of 6 per cent. With regard to Finnish farming, the outlook for the forthcoming harvest season is good.



The successful growing of rapeseed in Finland requires effective protection against flea beetles, which may cause significant damage in rapeseed fields. The Finnish Safety and Chemicals Agency (Tukes) issued a special permit to use seed treatments to protect seedlings at the beginning of the growing season in 2017.

#### *Implementation of strategic projects*

The extension to the Kirkkonummi oil milling plant was inaugurated in the summer. Consequently, the share of packaged vegetable oil products of net sales has increased significantly in line with the company strategy. Thanks to the additional capacity, we were able to increase the delivery volumes of higher added-value vegetable oils in the second half of the year, particularly with regard to export markets.

#### *Operational performance in October–December*

The delivery volume of oilseed products in tonnes in October–December was higher than in the comparison period. Consequently, net sales in the segment increased to EUR 15.9 (15.0) million. The sales of packaged and special products were higher than in the comparison period, representing 32.2 (26.9) per cent of the segment's net sales. The sales of packaged and special products developed favourably, particularly with regard to customers in the professional food service sector. The main export markets were Norway and Sweden, with exports representing 32 per cent of net sales.

Operational EBITDA was EUR 0.8 (0.5) million, and operational EBIT was EUR 0.6 (0.3) million. Due to the lower market price of rapeseed expeller for farm animal feed, the relative gross margin was lower than in the comparison period.

#### *Summary of January–December*

Supported by an increase in delivery volumes, net sales rose to EUR 68.2 (61.3) million in January–December. Operational EBITDA was EUR 3.5 (3.4) million, and operational EBIT was EUR 2.7 (2.7) million.

Investment during the period totalled EUR 1.9 (1.0) million and was mainly related to the construction of the extension to the packaging plant at the Kirkkonummi vegetable oil milling plant.

#### *Strategic business objectives*

In Oilseed Products, our goal is to be the first choice for customers who value high-quality vegetable oils and protein products. We will increase the level of added value in production by investing in product development and in-depth R&D.

Our goal is to increase the share of packaged and special products to 34.0 per cent of net sales in 2018. In terms of profitability, the target is to achieve an operational EBITDA margin of 7.5 per cent in 2018.

## Grain Trade

The Grain Trade business comprises the Finnish and international trade in grains, oilseeds, pulses and feed raw-materials.

EUR million	Q4 2016	Q4 2015	Change	2016	2015	Change
Net sales	<b>39.8</b>	59.0	-33%	<b>159.7</b>	170.5	-6%
Sales volume, 1,000 tonnes	<b>244</b>	300		<b>853</b>	833	
Operational return on capital employed, (ROCE %)*				<b>4.1%</b>	13.9%	
Operational EBIT	<b>0.2</b>	1.2		<b>1.4</b>	3.8	
Operating profit	<b>0.2</b>	1.2		<b>1.4</b>	3.8	

\* Operational EBIT divided by the average capital employed for each quarter

### *Operating environment*

The price level in the international grain market was relatively low due to the high levels of grain stocks. The International Grains Council is expecting grain production in the 2016–2017 harvest season to rise to its highest ever level and is expecting stock levels to increase further. The crops were particularly successful in Australia, Canada, China, Kazakhstan and Russia. However, the crops in Europe were smaller than previous years. According to COCERAL, the crops in the European Union decreased in France and the Baltic countries in particular. According to the Natural Resources Institute Finland (LUKE), the crops in Finland decreased by 4 per cent from the previous year, with more quality issues resulting from farming conditions than normally.

### *Implementation of strategic projects*

We were able to establish a market position in Latvia as planned. SIA Avena Nordic Grain started its operations and established contacts with local farmers and logistics operators according to plan. In Finland, the new grain storage capacity completed at the Inkoo port in 2015 was used at high efficiency throughout the harvest season.

### *Operational performance in October–December*

Net sales in Grain Trade decreased in October–December from the comparison period to EUR 39.8 (59.0) million. Delivery volumes in tonnes also declined from the comparison period. The share of exports of net sales decreased to 17 per cent from the comparison period due to smaller crops in Finland.

Operational EBIT was EUR 0.2 (1.2) million in October–December. Operational EBIT was burdened by low margins in the grain markets and lower volumes in comparison to the corresponding period of the previous year. Stock levels and, consequently, the amount of tied-up working capital decreased in October–December.

### *Summary of January–December*

Net sales in January–December were down on the previous year and amounted to EUR 159.7 (170.5) million. Operational EBIT decreased to EUR 1.4 (3.8) million due to the reduced margins resulting from the ample supply in the international grain markets.

Investment in the Grain Trade segment totalled EUR 0.1 (2.2) million.

### Strategic business objectives

In Grain Trade, our goal is to increase our market share in the Finnish grain, oilseed and feed raw-materials markets and to grow in the grain and oilseed sector in the Baltic countries in particular. In this capital-intensive business, we will pay special attention to the effective use of capital. We seek to gain a competitive edge by offering the best service and tools for the sellers and buyers of grains.

In the Grain Trade segment, the target is to increase sales volumes to more than 1 million tonnes per year in 2018. The targeted ROCE<sup>\*)</sup> percentage for 2018 is 14.0 per cent.

<sup>\*)</sup> Operational EBIT divided by the opening and closing balance sheet average values of the approved financial statements.

## Seafood

The Seafood business comprises the operations of the fish products group in Finland, Sweden and Norway.

EUR million	Q4 2016	Q4 2015	Change	2016	2015	Change
Net sales	<b>24.1</b>	21.2	14%	<b>87.8</b>	82.9	6%
Operational EBITDA	<b>1.3</b>	0.0		<b>1.1</b>	-2.4	
Operational EBITDA, %	<b>5.2%</b>	-0.2%		<b>1.3%</b>	-2.9%	
Operating cash flow (operational EBITDA investment)	<b>0.9</b>	-0.4		<b>-0.8</b>	-4.0	
Operational EBIT	<b>0.8</b>	-0.6		<b>-0.6</b>	-3.8	
Operating profit	<b>0.5</b>	-0.6		<b>-0.9</b>	-7.4	

### Operating environment

Throughout 2016, the price level of Norwegian salmon was higher than in the previous year. The high price of salmon is the result of the globally growing demand for fish and production problems at Chilean fish farms, which have reduced supply. The increase in the price of Norwegian salmon was also reflected in the price of rainbow trout. In Finland, the price increase has significantly reduced sales volumes in retail stores.

### Operational performance in October–December

In Seafood, net sales increased to EUR 24.1 (21.2) million. The price of Norwegian salmon was higher than in the comparison period and reduced the segment's sales volumes in Finland. In Norway, the demand for fishcakes and shellfish products continued to be at a good level and caused sales to increase from the comparison period. In Sweden, however, sales declined as a result of the high prices of shellfish products.

Operational EBITDA in Seafood was EUR 1.3 (0.0) in October–December. The change in the fair value of currency hedges had an effect of EUR 0.1 (-0.1) million on operational EBITDA. The effects of the hedges on the result will be offset by reverse changes in the prices of assets purchased using foreign currencies over the following few months. Operational EBIT was EUR 0.8 (-0.6) million. This includes

EUR -0.3 million in expert fees related to the development of the business structure of the Seafood segment.

The segment had a higher level of operational efficiency than in the comparison period, which caused profitability to improve. The most significant improvement took place in Finland, where the production investments implemented at the Kuopio fish processing plant have improved the operational efficiency of production according to plan. In Norway, profitability has been boosted by good sales development and good production efficiency. In October–December, operating cash flow increased to EUR 0.9 (-0.4) million as a result of improved operational efficiency.

#### *Summary of January–December*

Net sales in the Seafood segment in January–December came to EUR 87.8 (82.9) million. Net sales increased despite lower sales volumes, as the prices of Norwegian salmon and rainbow trout remained at a high level throughout the year.

Improved operational efficiency significantly supported profitability across the segment. The favourable development was slowed by the market effects of the high raw-materials prices of Norwegian salmon. In January–December, the segment's operational EBITDA was EUR 1.1 (-2.4) million, and its operational EBIT was EUR -0.6 (-3.8) million. The operational EBIT in the comparison period includes EUR 0.4 million in profit from the associated company Taimen Oy.

Investment in non-current assets was EUR 2.0 (1.6) million and was mainly related to equipment to improve production efficiency.

#### *Strategic business objectives*

In Seafood, the focus will be on improving the efficiency and competitiveness of operations with regard to volume and added value products in all operating countries: Finland, Norway and Sweden. Operations will be developed by striving to achieve the highest level of efficiency in the sector. In sales, the focus will be on retailers' private label products.

The Seafood segment does not have a defined strategic growth target. Instead, the goal is a positive cash flow during the strategy period 2016–2018 (Operational EBITDA less investment).

## USE OF THE AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

In accordance with a decision made by the Supervisory Board regarding the remuneration of the Board members, a total of 1,396 Apetit Plc shares held by the company were transferred to the Board members on 2 March 2016, a total of 1,389 shares were transferred on 2 June 2016, a total of 1,346 shares were transferred on 2 September 2016 and a total of 1,353 shares were transferred on 2 December 2016. The transfers were announced by means of stock exchange releases issued on each date of transfer.

## TREASURY SHARES

At the end of the review period, the company had in its possession a total of 116,805 of its own shares acquired during previous years. These treasury shares represent 1.8 per cent of the company's total number of shares and votes. The 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 560,709 (695,996), representing 8.9 (11.0) per cent of the total number of shares. The highest share price quoted was EUR 14.50 (16.80), and the lowest was EUR 11.64 (12.61). The average price of shares traded was EUR 12.97 (14.12). The share turnover for the period was EUR 7.3 (9.8) million. At the end of the period, the share price was EUR 12.97 (12.65), and the market capitalisation was EUR 81.9 (79.9) million.

## CORPORATE GOVERNANCE AND AUDITORS

At its organisational meeting on 28 April 2016, Apetit Plc's Supervisory Board appointed Harri Eela as Chair and Marja-Liisa Mikola-Luoto as Deputy Chair of the Supervisory Board.

The Supervisory Board decided to elect 6 members to Apetit Plc's Board of Directors. Lasse Aho, Esa Härmälä, Aappo Kontu, Seppo Laine, Veijo Meriläinen and Niko Simula were elected as members of the Board of Directors. Veijo Meriläinen was appointed as Chair of the Board of Directors and Aappo Kontu as Deputy Chair.

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 50 per cent of the annual remuneration will be paid in cash and 50 per cent in the form of Apetit Plc's shares held by the company at the current value of the shares at the time of transfer. The remuneration will be paid in four equal payments in euros in June, September, December and March. 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 Jari Viljanen, APA, as the principal auditor, were appointed as the company's auditors for the period ending at the close of the 2017 Annual General Meeting.

## AUDIT COMMITTEE

On 16 August 2016, Apetit Plc's Board of Directors decided to establish an Audit Committee and elect its members from among the Board members until the end of the Board's term of office. Seppo Laine was elected as Chair of the Audit Committee, and Esa Härmälä and Aappo Kontu were elected as its members.

## SHORT-TERM RISKS AND UNCERTAINTIES

The most significant short-term risks for the Apetit Group are related to the management of raw-materials price changes and currency risks, the availability of raw materials, the solvency of customers, the delivery performance of suppliers and service providers, and changes in the Group's business sectors and customer relationships.

## PROFIT GUIDANCE FOR 2017

Sales in the Finnish retail sector and professional food service sector are expected to pick up in comparison to the previous year, but the price competition is expected to remain intensive. Ample supply is expected to continue to prevail in the global grains market, keeping prices and margins at a low level. This situation is not expected to change significantly before a more specific outlook is available for the new harvest season.

The Group's full-year operational EBIT\* is expected to improve year-on-year (EUR 0.9 million in 2016). Due to the seasonal nature of the Group's operations, most of the annual profit is accrued in the second half of the year.

With regard to profitability, favourable development will be supported by higher added value and positive sales development in Food Solutions, improved operational efficiency in Seafood and increased sales volumes in Grain Trade in comparison to the previous year.

Due to the substantial effect of international grain market price fluctuations on the Group's net sales, Apetit will not issue any estimates of its expected full-year net sales.

*\*) Due to the amendments to the regulations of the European Securities and Markets Authority (ESMA), Apetit has replaced the key figure "operating profit excluding non-recurring items" with the key figure "operational EBIT" as of 2016. Operational EBIT does not include restructuring expenses, any significant impairment on goodwill or other balance sheet items or reversal of impairment, the profit of the associated company Sucros or other extraordinary and material items.*

## 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 in dividends at least 40 per cent of the profit for the financial year but not less than EUR 0.70 per share.

The parent company's distributable funds totalled EUR 66,281,263.53 on 31 December 2016, of which EUR 3,332,724.66 is profit for the financial year.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 per share be paid. The Board will propose that a total of EUR 4,340,539.70 be distributed in dividends and that EUR 61,940,723.83 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 2016 – including the Board of Directors' report, the financial statements for 2016 and a separate statement on Apetit Plc's corporate governance – will be published in the week beginning on 27 February 2016 on the company's website at [www.apetitgroup.fi/en](http://www.apetitgroup.fi/en).

The Annual General Meeting will be held in Säkylä on Friday, 24 March 2017. The company will publish its interim report for January–March 2017 on Friday, 5 May 2017 at 8.30 a.m.

## CONSOLIDATED INCOME STATEMENT

EUR million

	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015 *
<b>Net sales</b>	<b>100.1</b>	113.8	<b>386.5</b>	380.8
Other operating income	<b>0.7</b>	0.4	<b>1.6</b>	2.2
Operating expenses	<b>-97.8</b>	-109.7	<b>-380.9</b>	-378.2
Depreciation	<b>-1.8</b>	-1.5	<b>-6.6</b>	-6.0
Impairments	<b>0.0</b>	-0.3	<b>0.0</b>	-0.3
Share of profits of associated companies				0.4
<b>Operating profit</b>	<b>1.2</b>	2.7	<b>0.6</b>	-1.0
Share of profits of associated companies	<b>1.5</b>	0.4	<b>0.7</b>	-1.0 *
Financial income and expenses	<b>-0.2</b>	-0.3	<b>-0.9</b>	-1.5
Profit before taxes	<b>2.5</b>	2.8	<b>0.3</b>	-3.5
Income taxes	<b>-0.1</b>	-0.6	<b>0.8</b>	-1.1
<b>Profit for the period</b>	<b>2.4</b>	2.2	<b>1.2</b>	-4.6
<b>Attributable to</b>				
Equity holders of the parent	<b>2.4</b>	2.2	<b>1.2</b>	-4.3
Non-controlling interests				-0.3
Basic and diluted earnings per share, calculated of the profit attributable to the shareholders of the parent company, EUR	<b>0.38</b>	0.36	<b>0.19</b>	-0.69

## STATEMENT OF COMPREHENSIVE INCOME

EUR million

	Q4 2016	Q4 2015	Q1-Q4 2016	Q1-Q4 2015
<b>Profit for the period</b>	<b>2.4</b>	2.2	<b>1.2</b>	-4.6
<b>Other comprehensive income</b>				
<b>Items which may be reclassified subsequently to profit or loss:</b>				
Cash flow hedges	<b>-0.5</b>	0.4	<b>-0.2</b>	0.0
Taxes related to cash flow hedges	<b>0.1</b>	-0.1	<b>0.0</b>	0.0
Translation differences	<b>0.1</b>	0.1	<b>0.1</b>	0.1
<b>Total comprehensive income</b>	<b>2.0</b>	2.6	<b>1.1</b>	-4.5
<b>Attributable to</b>				
Equity holders of the parent	<b>2.0</b>	2.6	<b>1.1</b>	-4.1
Non-controlling interests				-0.3

\* In connection to the segment renewal of 2016 profit from the associated company Sucros was transferred below operating profit.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

	31 Dec 2016	31 Dec 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	7.7	8.1
Goodwill	0.4	0.4
Tangible assets	47.7	43.8
Investment in associated companies	23.1	22.6
Available-for-sale financial assets	0.1	0.1
Receivables	0.3	1.2
Deferred tax assets	4.3	2.9
<b>Non-current assets total</b>	<b>83.6</b>	<b>79.1</b>
<b>Current assets</b>		
Inventories	65.3	74.8
Trade receivables and other receivables	30.1	30.2
Income tax receivable	0.1	0.3
Cash and cash equivalents	4.6	13.4
<b>Current assets total</b>	<b>100.1</b>	<b>118.8</b>
<b>Total assets</b>	<b>183.7</b>	<b>197.9</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

	31 Dec 2016	31 Dec 2015
<b>EQUITY AND LIABILITIES</b>		
Non-controlling interests	117.7	121.0
<b>Total equity</b>	<b>117.7</b>	<b>121.0</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	3.7	4.3
Long-term financial liabilities	4.9	1.2
Non-current provisions	0.3	0.2
Other non-current liabilities	0.2	0.2
<b>Non-current liabilities total</b>	<b>9.0</b>	<b>5.9</b>
<b>Current liabilities</b>		
Short-term financial liabilities	14.2	35.3
Income tax payable	0.0	0.0
Trade payables and other liabilities	42.5	35.5
Short-term provisions	0.2	0.3
<b>Current liabilities total</b>	<b>57.0</b>	<b>71.0</b>
<b>Total liabilities</b>	<b>66.0</b>	<b>76.9</b>
<b>Total equity and liabilities</b>	<b>183.7</b>	<b>197.9</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million

	Q1-Q4 2016	Q1-Q4 2015
Net profit for the period	1.2	-4.6
Adjustments, total	5.7	12.8
Change in net working capital	17.5	-21.4
Interests paid	-1.7	-1.7
Interests received	0.1	0.1
Taxes paid	-0.9	-2.2
<b>Net cash flow from operating activities</b>	<b>21.9</b>	<b>-17.1</b>
Investments in tangible and intangible assets	-9.7	-9.1
Proceeds from sales of tangible and intangible assets	0.0	1.2
Acquisition of associated companies		-0.1
Proceeds from sales of associated companies		3.8
Investments in other investments		-0.7
Proceeds from sales of other investments	0.3	0.1
Dividends received from investing activities	0.3	1.9
<b>Net cash flow from investing activities</b>	<b>-9.0</b>	<b>-3.0</b>
Proceeds from and repayments of short-term loans	-21.0	25.5
Proceeds of long-term loans	5.0	
Repayments of long-term loans	-1.3	-1.4
Dividends paid	-4.3	-4.3
<b>Cash flows from financing activities</b>	<b>-21.6</b>	<b>19.8</b>
<b>Net change in cash and cash equivalents</b>	<b>-8.8</b>	<b>-0.3</b>
Cash and cash equivalents at the beginning of the period	13.4	13.7
Cash and cash equivalents at the end of the period	4.6	13.4

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

A = Shareholders' equity at 1 January

B = Dividend distribution

C = Transactions with NCI

D = Other changes

E = Total comprehensive income

F = Shareholders' equity at 31 Dec

### January - December 2016

EUR million

	A	B	C	D	E	F
Share capital	12.6					12.6
Share premium account	23.4					23.4
Net unrealised gains	0.2				-0.2	0.1
Other reserves	7.2					7.2
Own shares	-1.7			0.1		-1.6
Translation differences	-0.4				0.1	-0.3
Retained earnings	79.5	-4.3		0.0	1.2	76.3
Attributable to equity holders of the parent	121.0	-4.3		0.0	1.1	117.7

### January - December 2015

EUR million

	A	B	C	D	E	F
Share capital	12.6					12.6
Share premium account	23.4					23.4
Net unrealised gains	0.2				0.0	0.2
Other reserves	7.2					7.2
Own shares	-1.7			0.1		-1.7
Translation differences	-0.5				0.1	-0.4
Retained earnings	86.8	-4.3	0.9	0.3	-4.3	79.5
Attributable to equity holders of the parent	128.1	-4.3	0.9	0.4	-4.1	121.0
Non-controlling interests (NCI)	1.2		-0.9		-0.3	
Total equity	129.4	-4.3		0.4	-4.5	121.0

## BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Financial Statement Bulletin 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 2015. New standards and interpretations adopted in 2016 have not had material effect to the interim report.

From the beginning of 2016, Apetit will treat internal loans to Maritim Food as net investments in companies. The exchange rate differences of the loans are recognised as comprehensive income in the statement of comprehensive income, whereas in the comparison year the exchange rate differences were recognised as financial items included in the profit for the period.

Due to the amendments to the regulations of the European Securities and Markets Authority (ESMA) effective on 3rd July 2016 regarding terminology of financial ratios, Apetit has replaced the key figure "operating profit excluding non-recurring items" with the key figure "operational EBIT" as of 2016. Operational EBIT does not include restructuring expenses, any significant impairment on goodwill or other balance-sheet items or reversal of impairment, the profit of the associated company Sucros or other extraordinary and material items. In other respects Operational EBITDA contains the same income statement items as operational EBIT, apart from the fact that the key figure does not include depreciation, amortisation or associated companies.

## RECONCILIATION OF OPERATIONAL EBIT AND OPERATING PROFIT

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	<b>Q1-Q4 2016</b>	<b>Q1-Q4 2015</b>
Operational EBIT	<b>0.9</b>	2.6
Expert fees related to the development of the business structure of Seafood segment	<b>-0.3</b>	
Taimen ownership arrangements		-3.6
Operating profit	<b>0.6</b>	-1.0

## SEGMENT INFORMATION

A = Food Solutions  
 B = Oilseed Products  
 C = Grain Trade  
 D = Seafood  
 E = Total

### Operating segments, January - December 2016 EUR million

	A	B	C	D	E
Total segment sales	97.8	68.2	159.7	87.8	413.5
Intra-group sales	-0.9	-0.2	-13.3	-12.6	-27.0
Net sales	96.9	68.0	146.4	75.2	386.5
Operating profit	-2.6	2.7	1.4	-0.9	0.6
Gross investments in non-current assets	5.7	1.9	0.1	2.0	9.7
Corporate acquisitions and other share purchases			0.0		0.0
Depreciations	3.8	0.8	0.2	1.7	6.6
Impairments	0.0	0.0	0.0	0.0	0.0
Personnel	452	42	55	180	729

### Operating segments, January - December 2015 EUR million

	A	B	C	D	E
Total segment sales	95.8	61.3	170.5	82.9	410.4
Intra-group sales	-2.6	-0.2	-16.7	-10.1	-29.6
Net sales	93.3	61.1	153.7	72.8	380.8
Share of profits of associated companies included in operating profit				0.4	0.4
Operating profit	-0.1	2.7	3.8	-7.4	-1.0
Gross investments in non-current assets	4.3	1.0	2.2	1.6	9.1
Corporate acquisitions and other share purchases			0.1		0.1
Depreciations	3.5	0.7	0.2	1.8	6.0
Impairments	0.3				0.3
Average number of personnel	434	40	53	198	725

## KEY INDICATORS

	<b>31 Dec 2016</b>	31 Dec 2015
Shareholders' equity per share, EUR	<b>19.00</b>	19.53
Equity ratio, %	<b>64.1</b>	61.1
Gearing, %	<b>12.4</b>	19.0
Gross investments in non-current assets, EUR million	<b>9.7</b>	9.1
Corporate acquisitions and other share purchases, EUR million	<b>0.0</b>	0.1
Average number of personnel	<b>729</b>	725
Average number of shares, 1,000 pcs	<b>6198</b>	6192

The key figures in this Interim Report are calculated with same accounting principles than presented in the 2015 annual financial statements.

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

EUR million

	<b>31 Dec 2016</b>	31 Dec 2015
<b>Mortgages given for debts</b>		
Real estate and corporate mortgages	<b>2.5</b>	2.8
Guarantees	<b>11.6</b>	10.6
<b>Non-cancellable other leases, minimum lease payments</b>		
Real estate leases	<b>9.6</b>	7.0
Other leases	<b>1.0</b>	0.8
<b>DERIVATIVE INSTRUMENTS</b>		
Outstanding nominal values of derivate instruments		
Interest rate swaps	<b>5.4</b>	6.6
Forward currency contracts	<b>8.1</b>	16.6
Commodity derivative instruments	<b>14.9</b>	21.6
<b>CONTINGENT ASSETS</b>		
The present value of proceeds from the sale of shares in the joint entry account	<b>0.7</b>	0.7
<b>INVESTMENT COMMITMENTS</b>		
Food Business	<b>1.0</b>	2.2
Oilseed Products		0.7
Seafood		0.9

## CHANGES IN TANGIBLE ASSETS

EUR million

	<b>31 Dec 2016</b>	31 Dec 2015
Book value at the beginning of the period	<b>43.8</b>	41.1
Additions	<b>8.9</b>	8.2
Disposals	<b>0.0</b>	-0.2
Disposals of subsidiaries		-0.2
Depreciations and impairments	<b>-5.3</b>	-5.0
Other changes	<b>0.3</b>	-0.2
<b>Book value at the end of the period</b>	<b>47.7</b>	43.8

## TRANSACTIONS WITH ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million

	<b>Q1-Q4 2016</b>	Q1-Q4 2015
Sales to associated companies	<b>0.8</b>	1.1
Purchases from associated companies	<b>3.0</b>	7.8
Trade receivables and other receivables from associated companies	<b>0.1</b>	0.2
Trade payables and other liabilities to associated companies	<b>0.3</b>	0.3

In Helsinki, 23 February 2017

APETIT PLC

Board of Directors