annual report 2016

Information for shareholders

Annual General Meeting

Apetit Plc's Annual General Meeting will be held on Friday 24 March 2017 at 1.00 p.m. in Apetit Plc's Myllynkivi staff restaurant in Säkylä. Shareholders who on 14 March 2017 are registered in the company's register of shareholders maintained by Euroclear Finland Ltd will have the right to attend the Annual General Meeting.

Shareholders wishing to attend the Annual General Meeting must notify the company of this by 4.00 p.m. on 17 March 2017 through our website (www.apetitgroup.fi/agm), in writing to the address: Apetit Plc, Tuija Österberg, P.O. Box 100, FI-27801 Säkylä, by phone (+358 10 402 2110/Tuija Österberg) or by email (tuija.osterberg@apetit.fi). If notice is given by post, the letter must arrive before the end of the notification period. Any proxy documents should be delivered to the above-mentioned address before the end of the notification period.

If a holder of nominee-registered shares wishes to attend the Annual General Meeting, they must be registered for temporary entry in the company's shareholder register by the asset manager's account management organisation no later than 10.00 a.m. on 17 March 2017.

Dividend payment

The Board of Directors proposes that a dividend of EUR 0.70 per share be paid for 2016 on the basis of the adopted balance sheet. The dividend will be paid to shareholders who are registered in the company's shareholder register maintained by Euroclear Finland Ltd on the record date of 28 March 2017. The Board of Directors will propose to the Annual General Meeting that the dividend be paid on 4 April 2017.

Financial reporting in 2017

Apetit Plc released its financial statements bulletin for 2016 on 23 February 2017 at 8.30 a.m. The annual report was published on the company's website in the week beginning 27 February 2017.

Interim reports for 2017 will be published as follows:

- Interim report for January–March: Friday 5 May 2017 at 8.30 a.m.
- Half year financial report for January–June: Friday 11 August 2017 at 8.30 a.m.
- Interim report for January–September: Thursday 2 November 2017 at 8.30 a.m.

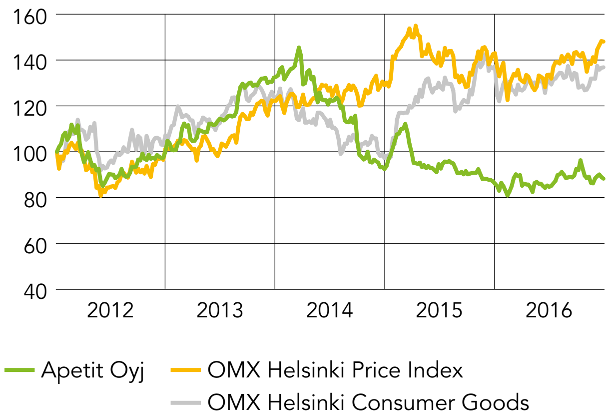
The annual report, financial statements bulletin and interim reports will be published in Finnish and in English. These will be available on Apetit Plc's website (www.apetitgroup.fi > In English > Investors), and can also be downloaded in PDF format.

The printed annual publications in Finnish can be ordered from the company website at www.apetitgroup.fi/julkaisut. They will be mailed from 13 March 2017. The English language versions are only available in PDF format.

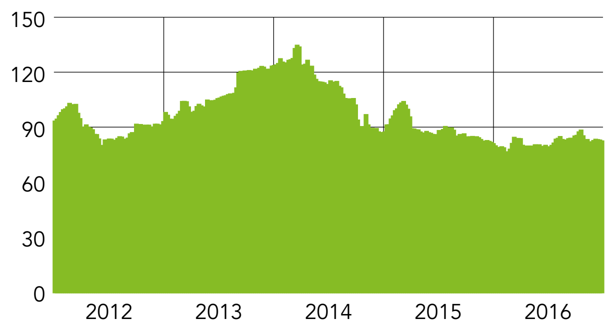
Changes in personal details

Shareholders are requested to give notification of any changes in their personal details to the bank that holds their book-entry account.

Share performance 2012–2016, index 2012=100



Market Capitalisation 2012–2016, EUR million



Contents

A leader in vegetable-based food solutions

People are increasingly opting for vegetables and foods with a high vegetable content. As well as being healthy and tasting good, vegetables are a sustainable choice. Apetit has more than 60 years of experience in the contract growing and processing of vegetables. Today, we are investing more than ever in quality, renewal and the development of new food solutions. We want to be number one in vegetables.

Food Solutions

Food Solutions comprises frozen vegetable products, frozen ready meals, ready-to-use fresh vegetables and service sales. Our aim is to become the leading brand in vegetable-based food solutions. Most of the vegetables we freeze are grown on the farms of our contract growers in the Satakunta region of Finland using our unique, responsible farming methods.

Oilseed Products

We are Finland's most significant producer of vegetable oils and oilseed-based feeds. Our oil milling plant in Kirkkonummi uses 99.9 per cent of the oilseed, producing high-quality products with a very high added value for human and animal consumption.

Grain Trade

We operate actively in the grain, oilseed and feed raw-material markets. We offer excellent customer service and tools for purchasers and vendors. Our main market is the European Union, particularly Finland, but we also trade internationally. Our success is based on our comprehensive expertise and experience and our strong market knowledge.

Seafood

We produce many different delicacies from Norwegian salmon and rainbow trout, mainly for private labels, in Kelloniemi in Kuopio. The Maritim Food Group, part of the Apetit Group, processes and sells a wide variety of fish and shellfish products in Norway and Sweden. In Seafood, our goal is to be the preferred partner for customers who value high quality and reliability.

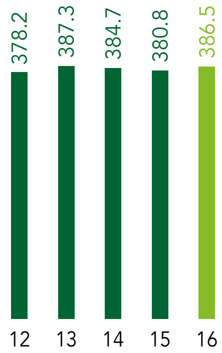
Apetit owns 20% of Finland's only sugar producer, Sucros Ltd, which produces sugar from Finnish sugar beet at its plant in Säkylä. Sucros's subsidiary, Suomen Sokeri Oy, based in Kirkkonummi, produces a range of sugar products for the food industry, the retail trade and other sales.

Key indicators 2016

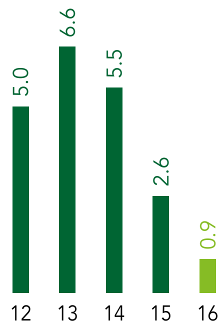
	2016	2015	2014
Net sales, EUR million			
Food Solutions	**97.8**	95.8	94.2
Oilseed Products	**68.2**	61.3	63.4
Grain Trade	**159.7**	170.5	171.6
Seafood	**87.8**	82.9	89.4
Intra-group sales	**–27.0**	–29.6	–34.0
Total	**386.5**	380.8	384.7
Operational EBIT, EUR million			
Food Solutions	**–2.6**	–0.1	3.1
Oilseed Products	**2.7**	2.7	3.5
Grain Trade	**1.4**	3.8	2.9
Seafood	**–0.6**	–3.8	–4.0
Total	**0.9**	2.6	5.5
Operating profit, EUR million			
Food Solutions	**–2.6**	–0.1	–1.5
Oilseed Products	**2.7**	2.7	2.8
Grain Trade	**1.4**	3.8	2.1
Seafood	**–0.9**	–7.4	–11.1
Total	**0.6**	–1.0	–7.7

	2016	2015	2014
Investment in non-current assets, EUR million			
Food Solutions	**5.7**	4.3	1.5
Oilseed Products	**1.9**	1.0	0.5
Grain Trade	**0.1**	2.2	0.1
Seafood	**2.0**	1.6	0.5
Total	**9.7**	9.1	2.5
Average number of personnel			
Food Solutions	**452**	434	426
Oilseed Products	**42**	40	39
Grain Trade	**55**	53	49
Seafood	**180**	198	209
Total	**729**	725	723

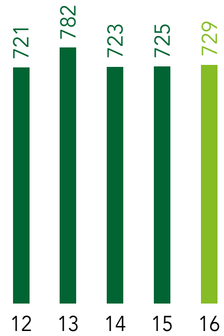
Net sales 2012–2016, EUR million



Operational EBIT 2012–2016, EUR million



Average number of personnel, 2012–2016

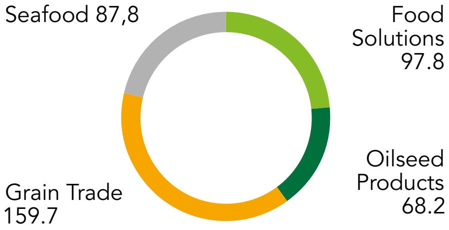


Net sales 2016
386.5 EUR million

Operational EBIT 2016
0.9 EUR million

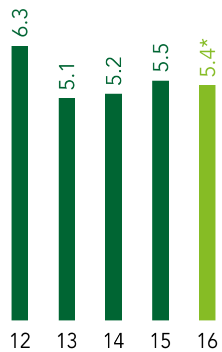
Earnings per share 2016
0.19 EUR

Distribution of sales 2016, EUR million



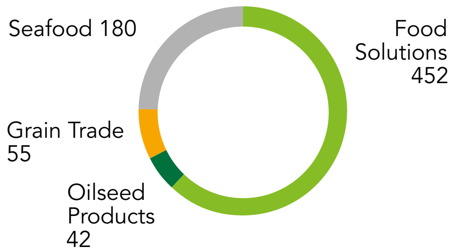
Intra-group net sales EUR 27 million

Effective dividend yield 2012–2016, %



* board´s proposal

Average number of personnel in 2016



Investments 2016
9.7 EUR million

Equity ratio 31. Dec. 2016
64.1%

Net operating cash flow 2016
21.9 EUR million

CEO's review

The year 2016 marked a turnaround in the food industry in many ways. It will remain in history as the year when vegetables became a topic of conversation. People are increasingly including vegetables in their diets, and shops are including more vegetables in their selections. Vegetables also adorn product launches in the food business in all their colours.

A leader in vegetable-based food solutions

As a food company specialising in vegetables, we identified the vegetable trend when it was emerging. In March, we published our strategy for 2016–2018 and set our sights on becoming a leader in vegetable-based food solutions. This vision is guiding our choices and investments in all of our operations. The first results can already be seen, but there are more on the way. Our journey has just begun.

A new direction for a new generation

With new generations taking over, the food business is entering a new era. The traditional food industry is being complemented by a start-up approach to developing products and services related to food and eating. A large scale and impressive volumes are no longer the only models for success. Consumers are more attracted by interesting, different products and a set of values that unites their users and producers, as well as brands with a good purpose.

Digitalisation is renewing and enriching our approaches to food, eating and well-being. Social media is becoming an environment for discussions that define good food and a good life. The change is not happening quickly, but it will be accelerated by new generations of consumers in the near future. We have decided to be involved in and contribute to this change on our part.

No help from the market

The increasing popularity of foods with a high vegetable content will support Apetit over the long term. In 2016, however, we did not receive much help from the market. In Food Solutions, we succeeded well in Frozen food sales, but the low net sales in Fresh products affected the profitability. In Grain Trade, the ample supply in the grain market caused prices and margins to decrease. In Seafood, the strong increase in the prices of raw materials reduced our sales volumes. Despite these challenges, we succeeded in improving Group's net sales year-on-year. Profitability was at a good level in frozen products and oilseed products and improved markedly in fish products. Overall, however, the Group's operating result was not satisfactory.

We excel at vegetables

People have always been interested in the origin of their food. Our strengths include our committed contract growers, who enable us to ensure that we use fully traceable Finnish vegetable raw materials of a uniquely high quality in our products. For example, based on the information provided on a pack of Apetit peas, it is possible to trace their farm of origin and the growing conditions and cultivation measures. We also apply high quality and sustainability standards to the raw materials we purchase from outside Finland.

At the same time, we are further developing our expertise in growing field vegetables at our experimental farm in Köyliö, and transferring knowledge and skills directly to our contract growers. This ensures that pure, delicious, high-quality vegetables will continue to be grown in the Satakunta region and Finland. We are proud of this approach that distinguishes us from our competition.

New growth and added value

In the future, Apetit's growth will rely on renewal and product development. With our new strategy, we have rethought and allocated more resources to our product development operations.

In the retail trade, we entered a new area: the vegetable section. We launched the Apetit Tuorekset product line of ready-to-use vegetables in August. It is a prime example of new business development, innovative product development and the creation of production, as well as commercialisation.

In frozen foods, we were able to regain growth after a long period of steady sales, thanks to high-selling new products and effective marketing. Our new product development has been boosted, and we introduced the Kasvisjauhis and Vegepops products in early 2017.

In Oilseed Products, our target is to raise the added value. We progressed as planned, and the Oilseed Products segment's net sales increased in 2016. In June, we inaugurated the packaging plant extension to our oil milling plant in Kantvik, which enables us to increase the share of net sales represented by packaged and special products. We also made use of the additional capacity in exports.

A challenging year in the grain market

Despite the challenging market, we were able to increase our delivery volumes in 2016.

In the Baltic countries, we successfully established a position in Latvia. Our long-term success is largely based on our goal to be the preferred partner for both sellers and buyers of grains.

A turnaround in Seafood

In early 2016, we completed the profitability investments and process efficiency measures we had planned in the Seafood segment. Sales volumes decreased year-on-year as a result of the strong increase in the prices of raw materials. However, the segment's operational efficiency improved, and its result improved considerably. I am very glad that the segment regained a positive cash flow during the second half of the year.

Thank you for eating more vegetables!

2016 was the first year of our current strategy period. We started to implement measures aiming at renewal and profitable growth, and we made progress as a leader in vegetable-based food solutions. I am expecting this positive cycle of renewal to continue in 2017. I would like to take this opportunity to thank everyone at Apetit, as well as our customers, shareholders, contract growers and other partners, for their trust and cooperation in 2016.

Juha Vanhainen
CEO

Board of Directors' report 2016

Apetit is a Finnish food industry company firmly rooted in Finnish primary production. Its product groups include frozen vegetables and frozen ready meals, pre-prepared fresh fruit and vegetable products, vegetable oils and expeller meal, and fresh fish and fish products. In addition, the company is active in the Finnish and international grain, oilseeds and feed raw-materials markets. The company's businesses are Food Solutions, Oilseed Products, Grain Trade and Seafood, which also are the Group's reporting segments. Apetit's shares have been quoted on Nasdaq Helsinki since 1989, and the company is domiciled in Säkylä.

Food Solutions consists of Apetit Ruoka Oy, Apetit Suomi Oy and the Service Sales functions of Apetit Kala Oy. Avena Nordic Grain Oy and its subsidiaries are responsible for Grain Trade and Oilseed Products. Seafood consists of Apetit Kala Oy and the companies of the Maritim Food Group in Norway and Sweden. Apetit Plc's, which is the parent company, administration costs have been allocated equally between the segments.The associated company Sucros (20% holding) has been reported after operating profit in the income statement. Caternet Finland Oy and Apetit Ruoka Oy were merged to create Apetit Ruoka Oy on 1 April 2016.

Company strategy

At the beginning of March 2016, Apetit announced its Board-approved strategy for the period 2016–2018, financial targets for the strategy period and the Group's new segment structure and dividend policy. These were announced by means of a stock exchange release and presented at a Capital Market Day event on 1 March 2016.

The goal of the strategy is to improve Apetit's profitability and make the company a leader in vegetable-based food solutions. Renewal will be accelerated by investing in completely new food solutions and product development in current product lines, and in increasing added value, as well as service development, by means of digitisation in particular. In the grain, oilseed and feed raw-materials trade, our goal is to achieve growth in the Baltic region. In Seafood, our goal is to become the most efficient producer of volume and added-value products as a retail trade partner. Apetit has a strong balance sheet, and we aim for a more efficient use of capital. We will increasingly invest in growth, higher added value and efficiency in our product groups.

The comprehensive Capital Market Day 2016 presentation materials about Apetit Plc's strategy are available on our website.

Key figures

EUR million	2016	2015	Change	2014
Net sales	**386.5**	380.8	1%	384.7
Operating profit	**0.6**	–1.0		–7.7
Operating profit, %	**0.1%**	–0.3%		–2.0%
Operational EBIT	**0.9**	2.6		5.5
Operational EBIT, %	**0.2%**	0.7%		1.4%
Profit before taxes	**0.3**	–3.5		–8.1
Profit for the period	**1.2**	–4.6		–8.7
Earnings per share, EUR	**0.19**	–0.69		–1.29
Equity per share, EUR	**19.00**	19.53		20.70
Equity ratio, %	**64.1%**	61.1%		69.7%
Return on equity (ROE), %	**1.0%**	–3.7%		–6.5%
Return on capital employed (ROCE), %	**0.9%**	–1.5%		–4.2%

Other key figures are presented in Note 27 to the Financial Statements. The formulas for calculating the key figures are presented in Note 28 to the Financial Statements.

Net sales and profit

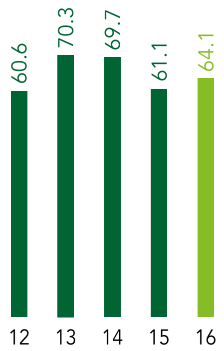
Consolidated net sales increased to EUR 386.5 (380.8) million. Net sales increased in all segments, with the exception of Grain Trade.

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.

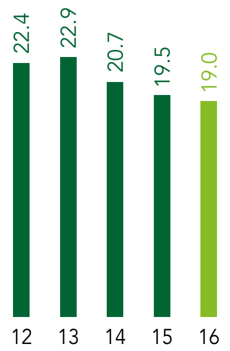
Operating profit was EUR 0.6 (–1.0) million. This includes EUR –0.3 million in expert fees related to the development of the business structure of the Seafood segment. The operating profit for the comparison period includes a loss of EUR 3.6 million from ownership arrangements made with the associated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

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

Equity ratio 2012–2016, %



Equity per share 2012–2016, EUR



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 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

Apetit's personnel strategy was revised to support the achievement of its targets for the strategy period 2016–2018. The goal of the personnel strategy is to lay the foundation for a unified Apetit. The strategy focuses on inspiring, goal-oriented leadership, an encouraging atmosphere in a safe work environment, the best and relevant competencies and capabilities, a culture of bold innovation and experimentation, and a well-known, attractive employer brand.

The key themes for 2016 included strengthening supervisory work and skills and creating a culture of health management and occupational safety.

The focus was increasingly on occupational safety issues. The number of occupational accidents varies significantly between locations, jobs and units, which indicates differences between occupational safety and management practices within the Group. During the year, we embarked on systematically improving our communication about safety at work, as well as our management system and leadership culture. In 2016, there were 43 (41) occupational accidents that led to at least a one-day absence.

At the beginning of the year, we introduced a consistent Group-wide health management model. The key improvement is a new model of active support in aid of health management that enables supervisors and the occupational health unit to rapidly respond to changes in an employee's working capacity or health through timely intervention. The tools introduced in the first phase included a health helpline for the entire personnel that can be contacted in the event of acute illness and short sickness absences, as well as a system for supervisors to monitor absences.

Apetit Suunta, our two-year training programme for all Group supervisors, continued during the year. Its goal was to strengthen supervisors' managerial and interaction skills, harmonise management styles and practices and support supervisors in change management. All Group supervisors will take part in the training.

The results of the employee well-being survey were discussed in all Group functions in early 2016. The development needs of each function and the Group as a whole were determined in the sessions. At the Group level, the principal areas requiring improvement were physical well-being, communication and the meaningfulness of work. The equality plans were updated in late 2016.

The organisational structure of the Apetit Group was simplified and its management structure was clarified during the year. Major changes were discussed with employee representatives. Changes took place in the Apetit Group's management in 2016. In October, Sami Saarnio, MSc (Econ.), started work as the Apetit Group's CFO and a member of its Corporate Management with responsibility for the Group's financial administration and finance operations. At the same time, Eero Kinnunen was appointed as Vice President, Strategic Projects.

Number of employees in the Group on average

	2016	2015	Change, %	2014
Food Solutions	**452**	434	4%	426
Oilseed Products	**42**	40	5%	39
Grain Trade	**55**	53	4%	49
Seafood	**180**	198	–9%	209
Total	**729**	725	1%	723

The salaries and other remuneration paid to the Group's employees in 2016 amounted to EUR 30.5 (30.1) million.

Matters concerning the personnel are presented in more detail in the personnel report, which can be downloaded from the corporate responsibility section of the Group's website.

Overview of operating segments

Food Solutions

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 Säkylä.

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.

Oilseed Products

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.

Grain Trade

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.

Seafood

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.

Research and development

The Group's research and development costs were EUR 0.9 (0.8) million, or 0.2 (0.2) per cent of net sales. In addition, EUR 0.4 (0.0) million in product development costs was capitalised on the balance sheet. The research and development operations were mainly related to developing new products and creating cooperation networks that support operations.

In line with its new strategy, Apetit embarked on strongly developing its R&D and product development resources and redesigning its product development model. The strengthening of competence and the acceleration of the product development process have rapidly resulted in the introduction of new products, among other outcomes. In addition, the company started research and development work with regard to vegetable protein products, and launched its first series of Kasvisjauhis products in early 2017.

Apetit is improving its products and services and is creating new products to offer easy, delicious food solutions with a high vegetable content for different meal situations to people who value food that tastes good, is healthy and is produced responsibly.

In Food Solutions, product development is guided by the product policy. New products are developed to match Finnish preferences and nutritional recommendations, and for convenient everyday meals. Emphasising the high vegetable content, as well as the source and Finnishness of food, has become very important. In foods with a high vegetable content, we pay special attention to protein and energy content, in addition to taste. Fish, vegetables, vegetable oils and whole grains are also an important part of a healthy diet.

With regard to product development, the most important launch of the year was the introduction of the Tuorekset concept, which is based on ready-to-use vegetables. The high preservability of the vegetables in the store and at home is based on a profound consideration of their microbiological and physiological properties in product development and design, as well as a unique, breathable packaging solution developed in Finland. The Apetit Tuorekset packaging won a highly esteemed ScanStar Award in July 2016.

In Oilseed Products, we comprehensively studied further processing opportunities for rapeseed and continued our in-depth R&D operations. Research focuses on making use of the full potential of oilseeds as a source of vegetable-based protein and antioxidants. We also promoted the continuation of domestic oilseed cultivation in many ways.

In 2016 and 2017, Apetit is participating in the Pyhäjärvi Institute's Muuvi project, the main goal of which is to secure the outdoor cultivation of vegetables in the Satakunta region by taking proactive measures to adjust farming methods in response to a changing environment and providing farmers with the latest information and expertise. The project looks for alternatives to chemical pesticides and proposes ways to improve growing conditions in Finland. Methods to be tested include optimised crop rotation, the use of mulch films and insect nets, drip irrigation and drip fertilisation and mechanical weed separation.

In line with its new strategy, Apetit began to develop entirely new, digital solutions for food and services for the food supply chain from primary producers to consumers. The Finnish Funding Agency for Innovation (Tekes) decided to grant funding for the "Digital Services for Food" innovation project in early 2016. By means of digitisation, the goal is to create new types of services related to food and eating for consumers of the future who appreciate well-being, ease and sustainability in their daily lives. The development work progressed steadily during the year, and the services will reach the pilot phase in 2017.

Environment

The Apetit Group's operations are guided by policies and ethical principles that include responsible environmental management and the management of environmental effects. The Group's environmental management system complies with the requirements of the ISO 14001 standard in the frozen foods and fresh products groups of Food Solutions. The goal is efficient and safe production that is in harmony with the environment. The Group's most important environmental impacts are related to organic waste from its production process and water and energy consumption in production, storage, transportation and buildings. Apetit is committed to continuous improvement with regard to environmental issues.

The environmental impacts of food production are related to energy and water consumption in the processes used and the treatment of production side streams and waste. In oilseed processing, the company uses a chemical-free mechanical method for vegetable oil milling. During vegetable oil milling, the environmental effects are mainly related to the combustion of odorous gases, the waste from weed separation at raw material reception and the bleaching clay used in processing. In addition, all operations generate a certain amount of packaging waste. Apetit has joined the energy efficiency agreement scheme for Finnish industry and is committed to implementing its action programme for the food industry. The target for improving energy use in the food industry is 9 per cent for the 2008–2016 agreement period.

All of Apetit's production plants that are required to have an environmental permit are in possession of a current permit. During the year, there were no interruptions or accidents with significant environmental effects at the production plants. The environmental permit decision from 2014 for the wastewater treatment plant in the Länsi-Säkylä industrial area requires the operator to investigate alternative discharge sites for wastewater, on its own or in cooperation with the other treatment plants in the area, by the end of 2017.

Apetit is not aware of any significant individual environmental risks on the balance sheet date. The Group's environmental costs were EUR 1.3 (1.1) million, or 0.3 (0.3) per cent of net sales.

Environmental matters are presented in more detail in Apetit's environmental report, which can be downloaded from the corporate responsibility section of the Group's website.

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.

Risks, uncertainties and risk management

The Board of Directors of Apetit Plc has confirmed the Group's risk management policy and principles. All Group companies and business units regularly assess and report the risks related to their operations and the adequacy of controls and risk management methods. The risk assessments support the strategy work and decision-making and serve to ensure that sufficient measures are taken to control risks. The risk management framework, policies and principles are regularly assessed and developed as part of the Group's annual planning process. Risk management as a whole is evaluated regularly with the support of external specialists to ensure that its principles and operating models are in line with the best practices in the industry.

The Apetit Group's risks are divided into strategic, operational, financial and hazard risks. The Group's most significant strategic risks are related to the success of the development of its business portfolio in line with its strategy, and to changes in the Group's business sectors and customer relationships. There are significant concentrations of customers in the Group's fish products business in Norway and Finland.

The main operating risks concern the availability of raw materials, the time lags between purchasing and sale or use, and fluctuations in raw-material prices.

Price risk management is particularly important in Grain Trade, in the fresh products group in Food Solutions and in Seafood, where raw materials represent 65–85 per cent of net sales. The prices of grains, oilseeds and the main fish raw materials are determined in the world market. In Grain Trade, limits are defined for open price risks.

The Group operates in the international markets and is therefore exposed to exchange rate risks arising from fluctuations in exchange rates. Its main foreign currencies are the US dollar, the Norwegian krone and the Swedish krona. In accordance with the Group's risk management policy, all major open currency positions are hedged, with the exception of the Group's internal long-term loans. Financial risk management is discussed in more detail in Note 22 to the Financial Statements.

Fire, serious process disruptions, and defects in raw materials or final products affecting food safety can lead to major property damage, losses from production interruptions, liabilities and other indirect adverse effects on the company's operations. The Group companies guard against these risks by evaluating their processes through internal control and other systems and by taking corrective action where necessary. Insurance policies are used to cover all risks for which insurance can be justified on financial or other grounds.

Short-term risks

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.

Corporate governance statement

The 2016 Corporate Governance Statement for Apetit Plc has been considered by the Apetit Plc Board of Directors and is published separately from the Board of Directors' report.

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.

Authorisations granted to the Board of Directors

On 25 March 2015, the Annual General Meeting authorised the Board of Directors to decide on share issues. The authorisation includes the right to issue new shares or transfer Apetit Plc shares held by the company. The authorisation covers a total of no more than 761,757 shares, consisting of no more than 635,470 new shares and 126,287 Apetit Plc shares held by the company.

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

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

The authorisation is valid until the 2018 Annual General Meeting.

Use of the authorisations granted to The Board of Directors

In accordance with a decision made by the Supervisory Board regarding the remuneration of 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.

Shares, share capital and trading

The shares of Apetit Plc are all in one series. All shares carry the same voting and dividend rights. The Articles of Association specify that the number of votes a shareholder is entitled to exercise cannot be more than one-tenth of the votes represented at a general meeting. The nominal value of each of the company's shares is EUR 2. At both the beginning and the end of the financial year, the total number of shares issued by the company stood at 6,317,576, and the registered share capital totalled EUR 12,635,152. The minimum amount of share capital is EUR 10 million, and the maximum amount is EUR 40 million.

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.

Other share-specific key indicators are presented in Note 27 to the Consolidated Financial Statements.

Distribution of shareholdings

Note 29 to the Financial Statements presents the distribution of shareholdings by sector, as well as the major shareholders and the management's ownership.

Assessment of expected future developments

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[1)] 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.

[1)] *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.

Consolidated income statement

EUR million	Note	2016	2015*
Net sales	(2)	**386.5**	380.8
Other operating income	(3)	**1.6**	2.2
Materials and services	(6)	**–305.8**	–299.9
Employee benefit expenses	(4, 25)	**–37.4**	–36.6
Depreciation	(2, 7)	**–6.6**	–6.0
Impairments	(2, 7)	**0.0**	–0.3
Other operating expenses	(3, 5)	**–37.7**	–41.7
Share of profits of associated companies	(2, 12)	**–**	0.4
Operating profit	(2)	**0.6**	–1.0
Share of profits of associated companies	(12)	**0.7**	–1.0*
Financial income	(8)	**0.1**	0.1
Financial expenses	(8)	**–1.0**	–1.7
Profit before taxes		**0.3**	–3.5
Income taxes	(9)	**0.8**	–1.1
Profit for the period		**1.2**	–4.6
Attributable to			
Equity holders of the parent	(10)	**1.2**	–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	(10)	**0.19**	–0.69

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

Statement of comprehensive income

EUR million	2016	2015
Profit for the period	**1.2**	–4.6
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges	**–0.2**	0.0
Taxes related to cash flow hedges	**0.0**	0.0
Translation differences	**0.1**	0.1
Total comprehensive income	**1.1**	–4.5
Attributable to		
Equity holders of the parent	**1.1**	–4.1
Non-controlling interests	**–**	–0.3

Consolidated statement of financial position

EUR million	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	(11)	**7.7**	8.1
Goodwill	(11)	**0.4**	0.4
Tangible assets	(11)	**47.7**	43.8
Investment in associated companies	(12)	**23.1**	22.6
Available-for-sale investments	(13)	**0.1**	0.1
Receivables	(14)	**0.3**	1.2
Deferred tax assets	(9)	**4.3**	2.9
Total non-current assets		**83.6**	79.1
Current assets			
Inventories	(16)	**65.3**	74.8
Income tax receivable		**0.1**	0.3
Receivables	(15)	**30.1**	30.2
Cash and cash equivalents	(17)	**4.6**	13.4
Total current assets		**100.1**	118.8
Total assets	(2)	**183.7**	197.9

EUR million	Note	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital		**12.6**	12.6
Share premium account		**23.4**	23.4
Own shares		**–1.6**	–1.7
Translation differences and other reserves		**7.3**	7.1
Retained earnings		**74.8**	84.1
Net profit for the period		**1.2**	–4.6
Total equity attributable to the equity holders of the parent		**117.7**	121.0
Total equity	(18)	**117.7**	121.0
Non-current liabilities			
Deferred tax liabilities	(9)	**3.7**	4.3
Long-term financial liabilities	(20)	**4.9**	1.2
Non-current provisions	(19)	**0.3**	0.2
Other non-current liabilities	(21)	**0.2**	0.2
Total non-current liabilities		**9.0**	5.9
Current liabilities			
Short-term financial liabilities	(20)	**14.2**	35.3
Income tax payable		**0.0**	0.0
Current provisions	(19)	**0.2**	0.3
Trade payables and other liabilities	(21)	**42.5**	35.5
Total current liabilities		**57.0**	71.0
Total liabilities	(2)	**66.0**	76.9
Total equity and liabilities		**183.7**	197.9

Consolidated statement of cash flows

EUR million	Note	2016	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
Net cash flow from operating activities		**21.9**	–17.1
Investments in tangible and intangible assets	(11)	**–9.7**	–9.1
Proceeds from sales of tangible and intangible assets		**0.0**	1.2
Investments in associated companies		**–**	–0.1
Proceeds from sales of associated companies		**–**	3.8
Investments in other assets		**–**	–0.7
Proceeds from sales of other assets		**0.3**	0.1
Dividends received from investing activities		**0.3**	1.9
Net cash flow from investing activities		**–9.0**	–3.0
Proceeds from/repayments of short-term loans		**–21.0**	25.5
Proceeds from/repayments of long-term loans		**5.0**	–
Payments of finance lease liabilities		**–1.3**	–1.4
Dividends paid		**–4.3**	–4.3
Cash flows from financing activities		**–21.6**	19.8
Net change in cash and cash equivalents		**–8.8**	–0.3
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

EUR million	Note	2016	2015
* **Adjustments to cash flow from operating activities:**			
Depreciation and impairments	(11)	**6.6**	6.3
Gains and losses on sales of fixed assets and shares		**–0.3**	2.8
Share of profits of associated companies		**–0.7**	0.6
Financial income and expenses	(8)	**0.9**	1.5
Income taxes	(9)	**–0.8**	1.1
Other adjustments		**0.0**	0.6
Total		**5.7**	12.8

Statement of changes in shareholders' equity

EUR million	Share capital	Share premium account	Net unrealised gains	Other reserves	Own shares	Translation differences	Retained earnings	Total	Non-controlling interests (NCI)	Total equity
Shareholders' equity 1 Jan. 2016	**12.6**	**23.4**	**0.2**	**7.2**	**–1.7**	**–0.4**	**79.5**	**121.0**	**–**	**121.0**
Dividend distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–4.3**	**–4.3**	**–**	**–4.3**
Transactions with NCI	**–**	**–**	**–**	**–**	**–**	**–**	**0.0**	**0.0**	**–**	**0.0**
Other changes	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.0**	**0.0**	**–**	**0.0**
Total comprehensive income	**–**	**–**	**–0.2**	**–**	**–**	**0.1**	**1.2**	**1.1**	**–**	**1.1**
Shareholders' equity 31 Dec. 2016	**12.6**	**23.4**	**0.1**	**7.2**	**–1.6**	**–0.3**	**76.3**	**117.7**	**–**	**117.7**
Shareholders' equity 1 Jan. 2015	12.6	23.4	0.2	7.2	–1.7	–0.5	86.8	128.1	1.2	129.4
Dividend distribution	–	–	–	–	–	–	–4.3	–4.3	–	–4.3
Transactions with NCI	–	–	–	–	–	–	0.9	0.9	–0.9	–
Other changes	–	–	–	–	0.1	–	0.3	0.4	–	0.4
Total comprehensive income	–	–	0.0	–	–	0.1	–4.3	–4.1	–0.3	–4.5
Shareholders' equity 31 Dec. 2015	12.6	23.4	0.2	7.2	–1.7	–0.4	79.5	121.0	–	121.0

Notes to the consolidated financial statements

1. Accounting principles

Company details

Apetit plc is a Finnish public limited company established under Finnish law. Its registered office is in Säkylä and the registered address is PO Box 100, FI–27801 Säkylä, Finland. Business ID is 0197395–5. The company's name is Apetit Oyj, in Swedish Apetit Abp and in English Apetit plc.

On 22 February 2017, the Apetit plc Board of Directors approved the financial statements for publication.

Main operations

Apetit plc is a food industry company listed on the Nasdaq Helsinki Ltd. The trading code of the share is APETI.

Apetit's reportable segments are Food Solutions, Grain Trade, Oilseeds Products and Seafood. Apetit's primary market is Finland.

Operating segments	Products and services
Food Solutions	
Apetit Ruoka Oy	Frozen foods, Fresh produce and sales of fish, fruit and vegetables
Kiinteistö Oy Kivikonlaita	Holding company of Kivikko's real estates
Apetit Suomi Oy	Environmental services
Apetit Kala Oy	Service sales
Grains and Oilseeds Business	
Avena Nordic Grain Oy	Trade in grains, oil seeds and animal feedstuff
OOO Avena St. Petersburg, Russia	Trade in grains, oil seeds and animal feedstuff
UAB Avena Nordic Grain, Lithuania	Trade in grains, oil seeds and animal feedstuff
Avena Nordic Grain OÜ, Estonia	Trade in grains, oil seeds and animal feedstuff
TOO Avena Astana, Kazakhstan	Trade in grains, oil seeds and animal feedstuff
OOO Avena-Ukraine, Ukraine	Trade in grains, oil seeds and animal feedstuff
SIA Avena Nordic Grain, Latvia	Trade in grains, oil seeds and animal feedstuff
Oilseeds Products	
Avena Nordic Grain Oy	Trade in vegetable oils and protein feed
Avena Kantvik Oy	Manufacture of vegetable oils and protein feed
Seafood	
Apetit Kala Oy	Fish products
Maritim Food AS, Norway	Shellfish and fish products
Maritim Food Sweden AB, Sweden	Shellfish
Sandanger AS, Norway	Fish products
Parent Company	
Apetit plc	Group administration, business structure development and holdings of shares and properties. Costs are allocated evenly to operating segments.
Associated companies::	
Sucros group	Manufacture, marketing and sales of sugar
Foison Oy	Holding in Avena Nordic Grain Oy

Accounting principles

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The IAS and IFRS standards and the SIC and IFRIC interpretations complied with are those valid on 31 December 2016. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EC regulation 1606/2002. The notes to the consolidated financial statements are also in accordance with Finnish bookkeeping and company legislation. The consolidated financial statements have been drawn up on the basis of historic acquisition costs, except for those financial assets and liabilities which are recognised in income at fair value and all derivative financial instruments, as they are measured at fair value.

Preparation of the financial statements in accordance with the IFRS standards requires the Group's management to make certain assessments and exercise judgement in applying the accounting principles. Details of the judgements made by the management in applying the accounting principles observed by the Group, and of those aspects which have the greatest impact on the figures reported in the financial statements, are given below under the heading 'Accounting principles requiring executive judgement and the main uncertainties concerning the assessments made'.

Consolidation principles

Subsidiaries are companies over which the Group exercises control. This control derives from the Group holding more than half of the voting rights or otherwise being in a position to exercise control or having the right to stipulate the principles of the company's finances and business operations. Mutual shareholdings have been eliminated using the acquisition cost method. The acquisition consideration, including deferred and contingent consideration, as well as the identifiable assets acquired and liabilities assumed, is measured at the acquisition date fair values. The acquisition related costs are accounted as expenses for the period in which they are incurred. At the acquisition date the non-controlling interests are valued either at the acquisition date fair values or at non-controlling interests' proportionate share in the recognised amounts of the identifiable net assets. Valuation principle is determined separately for each acquisition. Subsidiaries acquired by the Group are consolidated into the financial statements from the time that the Group establishes its control, while subsidiaries disposed of are consolidated up to the time that the Group's control ceases. All intra-group transactions, receivables, liabilities and profits are eliminated on consolidation. Unrealized losses are not eliminated if the loss is due to impairment.

Net income for the period is disclosed in the income statement as an allocation to the shareholders of the parent company and non-controlling interests. The allocation of the comprehensive income to the shareholders of the parent company and non-controlling interests is presented in the statement of comprehensive income. Non-controlling interests are disclosed separately under consolidated total equity.

Associates are companies in which the Group exercises significant influence. Significant influence is exercised when the Group holds more than 20% of the voting rights in the company or otherwise exercises significant influence but not control. The associate companies have been consolidated into the financial statements using the equity method. If the Group's share of the losses of an associate exceeds the book value of the investment, the investment is recognised in the balance sheet at a valuation of zero, and losses that exceed the book value are not consolidated unless the Group has undertaken to meet the obligations of associates. Unrealized gains between the Group companies and associates have been eliminated according to the share of ownership. Any goodwill arising from the acquisition of an investment in an associate is included in the investment.

Foreign currency items

The figures for the financial performance and standing of each of the Group's units are measured in the currency of the unit's principal operating environment ('functional currency'). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the Group's parent company. Foreign currency transactions are recognised as amounts denominated in the functional currency using the rate prevailing on the transaction date. At the balance sheet date, monetary receivables and payables are translated using the closing rate. Exchange differences arising from translation are recognised in the income statement. Exchange gains and losses from operating activities are included in the corresponding items above the operating profit.

The income statements of foreign subsidiaries have been translated into euros using average rates for the reporting period, and their balance sheets translated using the closing rates. The exchange difference due to the use of average rates in the income statement translations and closing rates in the balance sheet translations is recognised as a separate item under shareholders' equity.

In preparing the consolidated financial statements, the translation difference due to exchange rate fluctuations, in regard to the shareholders' equity of the subsidiaries and associates, is recognised as a separate item in the translation differences for the consolidated shareholders' equity. If a foreign subsidiary or associate is disposed of, the accrued translation difference is recognised in the income statement under profit or loss.

Net sales and the principles for recognition as income

Income is recognised on the basis of the fair value of the consideration received or receivable. An item is recognised as income when the risks and benefits of ownership pass to the purchaser. Generally, this occurs when a production item is delivered. When net sales are calculated, indirect taxes and trade discounts are deducted from proceeds.

Interest income is recorded under the effective interest method and dividend income when the right to the dividend has been created.

Pension liabilities

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Provisions

A provision is recognised when the Group has a legal or constructive obligation based on a past event and it is probable that the fulfilment of this obligation will require a contribution, and the amount of the obligation can be reliably estimated. Provisions are valued at the present value of the costs required to cover the obligation.

Provisions are made in connection with operational restructuring, onerous contracts, litigation and environmental and tax risks. A restructuring provision is recognised when a detailed and appropriate plan has been drawn up for it, sufficient grounds have been given to expect that the restructuring will occur and information has been issued on it.

Income taxes

Income taxes recognised in the consolidated income statement comprise taxes levied on an accrual basis on the reporting period results of Group companies, based on the taxable profits calculated for each Group company in accordance with the local tax regulations, as well as tax adjustments from previous periods and changes in deferred tax.

Deferred tax assets and liabilities are calculated on the temporary differences between the taxable values and the book values of assets and liabilities, in accordance with the liability method. Deferred taxes are recognised in the financial statements using the tax rates that apply up to the balance sheet date.

The most material temporary differences arise from fixed assets, consolidation, inventories, unused tax losses and revaluation of derivative financial instruments. Deferred tax assets are recognised up to an amount where it is probable that they can be utilized against future taxable profits. Deferred taxes are not recognised on goodwill which is not tax deductible.

In the case of derivative financial instruments covered by hedge accounting and available-for-sale investments, the deferred taxes related to value adjustments recognised directly under the statement of comprehensive income are also recognised directly under the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash, bank deposits from which withdrawals can be made and other short-term highly liquid investments. Items classified under cash and cash equivalents have a maximum of three months maturity from the acquisition date.

Borrowing costs

Borrowing costs are recognised under the expenses for the period in which they arose. Directly attributable borrowing costs related to the acquisition, construction or production of a qualifying asset, for example, factory building, are capitalised. Where clearly linked to a specific loan, transaction costs arising directly from loans are included in the loan's original amortised cost and divided into a series of interest expenses using the effective interest method.

Key employees' share holdings in Foison Oy are treated as liability instruments in Apetit's Group balance sheet due to certain terms and conditions of repurchase. Foison Oy owns 20% of Avena Nordic Grain Oy's share capital. Group recognises financial expense related to the key employees' dividend right from Avena Group.

Research and development costs

Research costs is expensed as incurred. Development costs are recognised on the statement of financial position when intangible asset satisfies all the following criteria:

- research and development phases can be separated from each other
- it is technically feasible and it can be used or sold
- it will be completed and either used or sold
- it can be demonstrated that the asset will generate probable future economic benefit and that the company has the adequate resources to use or sell the intangible asset; and
- its development expenditure can be reliably measured

If the development expenditure does not satisfy all the above capitalisation criteria, it is expensed as incurred.

Intangible assets

Goodwill

Goodwill corresponds to that part of the cost of acquiring the company which is in excess of the Group's share of the fair value of the acquired company's net assets on the acquisition date. Goodwill is tested annually for impairment and has been allocated to each of the cash-generating units for this purpose. Goodwill is valued at historic acquisition cost less any impairment. In the case of associated company, goodwill is included in their investment value. Goodwill generated through acquisitions of foreign business combinations is measured in the currency of the foreign operations and translated using the period end rates.

Other intangible assets

An intangible asset is recognised in the balance sheet at the original acquisition cost in a case where the cost can be determined reliably and it is likely that an expected financial benefit derived from the asset will turn out to be to the company's benefit.

Patents, trademarks and other intangible assets with a limited useful life are recognised as expenses in the balance sheet and amortised on a straight-line basis over the period of their useful lives. Intangible assets have not included assets with an unlimited useful life.

Depreciation period for intangible assets:

Customer relationships	15 years
Trademarks	15 years
Other intangible assets	5–10 years

Assets whose useful life has not yet expired and fully depreciated fixed assets that are still used in operating activities are included in the acquisition cost of assets. Similar principles apply to accumulated depreciation.

Subsequent expenditure relating to intangible assets is recognised as an asset only if its financial benefit to the company exceeds the originally estimated level of performance. Otherwise the expenditure is recognised as a cost at the time it is incurred.

Property, plant and equipment

Property, plant and equipment have been measured at historic acquisition cost less depreciation and impairment. These assets are subject to straight-line depreciation over the period of their useful lives. Land is not subject to depreciation. The residual value of the assets and their useful lives are reviewed each time the financial statements are prepared and, when necessary, are adjusted to reflect any change in the economic benefits expected.

The estimated useful lives are as follows:

Property and plant	10–40 years
Machinery and equipment	5–15 years

Property, plant and equipment are no longer depreciated if they are classified as assets held for sale.

Assets whose useful life has not yet expired and fully depreciated fixed assets that are still used in operating activities are included in the acquisition cost of assets. Similar principles apply to accumulated depreciation. Repair and maintenance costs of tangible assets are recognised as expenses when incurred.

Government grants

Government grants received for the acquisition of fixed assets are recognised as deductions in the book values for property, plant and equipment. The grants are released to profit through smaller depreciations during the use of the asset in question.

Leases

Leases in which the risks and benefits inherent in an asset are transferred in all essential respects to the company are classified as finance leases. Finance leases are recognised in the balance sheet at the lesser of the fair value at the inception of the leasing period and the present value of the minimum lease payments. The lease obligations of finance lease assets are included in discounted form under interest-bearing liabilities.

Assets acquired with finance leases are depreciated according to plan, and any impairment losses recognised. Depreciation is charged over the shorter of the relevant fixed asset depreciation period and the lease period. Leases to be paid are divided into financial cost and a decrease in debt during the lease term so that the interest on the remaining debt is the same each financial year. Lease obligations are included in interest-bearing liabilities. During the reporting period there were no situations in which the Group would have been categorized as the lessor of a finance lease asset.

Leases in which risks and rewards incident to ownership are not transferred to the lessee are classified as operating leases. Lease payments related to them are recognised in the income statement on a straight-line basis over the lease term.

Impairment

The book values for assets are assessed for any signs of impairment. If there are signs of impairment, an estimate is determined for the amount recoverable on the asset. An impairment loss is recognised if the balance sheet value of the asset or the cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the income statement.

The impairment loss of a cash-generating unit is first allocated to reducing the goodwill attributed to the unit, and then to reducing other assets of the unit on a pro rata basis.

The recoverable amount of intangible and tangible assets is determined at the higher of the fair value less costs to sell and the value in use. In determining the value in use, the estimated future cash flows are discounted to their present value on the basis of discount rates applying to the average pre-tax capital costs of the cash-generating unit in question. The discount rates also take into account any special risk associated with the cash-generating units.

Impairment losses on property, plant and equipment and on intangible assets other than goodwill are reversed if a change has occurred in the estimates used in determining the recoverable amount of the asset. The amount by which an impairment loss is reversed is no more than the book value (less depreciation) that would have been determined for the asset if no impairment loss had been recognised on it in previous years. Impairment losses recognised on goodwill are not reversed.

Inventories

Inventories have been measured at the lower of acquisition cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, after deduction of the estimated costs of completion and the estimated costs necessary to make the sale.

The value of inventories has been determined using the weighted average price method and includes all direct costs of acquisition and other indirect costs to be allocated. The cost of each inventory item produced comprises not only the purchase costs of materials, direct labour costs and other direct costs, but also a proportion of production overheads, but not selling or financing costs. The value of inventories has been reduced for obsolescent assets.

Financial assets and liabilities

Financial assets are classified to four categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity investments. The classification is conducted based on the purpose of the financial asset and when the financial asset is originally acquired.

The group of financial assets to be recognised in income at fair value includes assets held for trading. Financial assets held for trading have been acquired primarily for the purpose of making a profit on short-term changes in market prices. Both unrealized and realized gains and losses from changes in fair value are recognised in the income statement for the period in which they occur.

Loans and other receivables are non-derivative assets with fixed or measurable payments, are not publicly quoted and the Group does not held them for trading. These assets are recognised at amortised cost.

Available-for-sale financial assets are not part of the derivative assets but are non-current assets, because the intention is to keep them for longer than 12 months following the balance sheet date. Publicly quoted shares are classified as available-for-sale investments and are measured at fair value, which is the market price on the balance sheet date. Changes in fair value are recognised directly in the statement of comprehensive income until the investment is sold or otherwise disposed of, when the changes in fair value are recognised in the income statement. Permanent impairment of assets is recognised in the income statement. Unquoted shares are presented at their acquisition price, because their fair values are not reliably available.

Financial liabilities are measured at amortised cost except derivative instruments. Financial liabilities are long or short term and can be interest-bearing or interest free. This item includes, for example, trade receivables and loans.

All financial assets and liabilities are recorded in the balance sheet at an acquisition cost corresponding to the original fair value. Transaction costs are deducted only when the item is not valued against the profit at fair value. Purchases and sales of financial assets are recognised using the trade date method.

Fair values are measured using publicly quoted prices. These instruments are mainly investments to funds and mainly all commodity derivatives. If publicly quoted prices are not available, fair value is measured based on discounted cash flows and price quotation of the counterparty. These instruments are usually currency derivatives. Short-term receivables or payables are not discounted.

The carrying amounts of the financial assets are tested to determine whether there is objective evidence of impairment. An impairment is recognised when there is objective evidence that receivables are not fully collectible. The impairment loss is reversed if in a subsequent period the fair value of the financial asset increases and this increase can be related objectively to events occurring after the impairment was recognised.

Derivative financial instruments are initially recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The Group applies cash flow hedge accounting to certain forward currency and commodity derivative contracts. The hedged cash flow must be probable and the cash flow must ultimately have an impact on the income statement. The hedge must be effective when examined prospectively and retrospectively. For hedges that meet the terms for hedge accounting, the effective portion of the change in fair value of a hedge is recognised in the statement of comprehensive income, and any residual ineffective portion is recognised for currency derivatives to financial items and for commodity derivatives to other operating income or expenses. The cumulative change in fair value recognised under the statement of comprehensive income is recognised to purchases or sales or financial items based on their nature on the same date that the projected cash flow is recognised in the income statement. If a derivative financial instrument expires, is sold or does not meet the hedge accounting terms, the cumulative change in the fair value of the hedging instrument will remain in the hedge reserve and is recognised in income statement on the same date that the projected cash flow is recognised in the income statement. The cumulative fair values of the hedging instruments are transferred from the hedge reserve to other operating income or expense or financial items based on their nature immediately if the hedged cash flow is no longer expected to occur.

Despite certain hedging relationships fulfil the effective hedging requirements of the Group's risk management policy, the Group does not apply hedge accounting to all transactions done in hedging purpose. These instruments' fair value changes are recognised to other operating income and expense or financial items based on their nature.

Equity

Purchases of own shares are deducted from equity attributable to shareholders of the parent company up till the shares are cancelled or transferred back to circulation.

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

Accounting principles requiring executive judgement and the main uncertainties concerning the assessments made

In preparing the consolidated financial statements in accordance with international accounting practices, the company's management has had to make assessments and assumptions that affect the amount of assets, liabilities, income and expenses recognised in the accounts and the contingencies presented. These assessments and assumptions are based on experience and on other reasonable suppositions that are believed to be realistic in the circumstances that constitute the basis for the estimates of items recognised in the financial statements. The outcome may deviate from these estimates.

The Group tests annually goodwill for possible impairment and assesses any indication of impairment. The recoverable amounts of units that generate cash flow are based on value in use calculations. These calculations require the use of estimates.

Determination of the fair value of tangible and intangible assets acquired in business combinations requires estimations by management and is often based on assessment of asset cash flows.

Other assessments including management judgement are mainly related to restructuring plans, the extent of obsolescent inventories, environmental, litigation and tax risks and the use of deferred tax assets against future taxable profits.

Application of new and updated IFRS

The Group has not in these financial statements applied the following standards, amendments to standards or interpretations which were published by the balance sheet date and the application of which is not yet compulsory at this stage.

The following new standards and interpretations effective in 2017 will not have material effects to the Group's financial statements.

- Amendment to IAS 7, 'Statement of Cash Flows'
- Amendment to IAS 12, 'Income Taxes'
- Annual improvements of different standards by IASB

The Group will adopt 2018 or later the following standards and interpretations:

- Amendment to IFRS 2 'Share-based Payment'
- IFRS 9, 'Financial Instruments' *
- IFRS 15 'Revenue from Contracts with Customers' *
- IFRS 16, 'Leases' *
- Amendment to IAS 40 Investment property
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Annual improvements of different standards by IASB

IFRS 9 replaces the current standard IAS 39 Financial Instruments – recognition and measurement. The standard includes revised guidance on the classification and measurement of financial instruments, a new expected loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The Group may extend the use of hedge accounting. Group's credit losses have been small and change in measurement model is not expected to have material impact to the financial statements.

IFRS 15 establishes a new framework can revenue be recognised, how much and when. The standard replaces for example the IAS 18 Revenue and the IAS 11 Construction Contracts standards. The Group is not expecting material impact to revenue recognition methods.

Based on the IFRS 16 all rental agreements are recognized on the lessee's statement of financial position. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The nature of expenses related to those leases will change as the standard replaces operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities reported under financing expenses. Group assess that the impact to net profit is not material because Group's yearly rental expense is approximately three million euros. Rental commitments are about 11 million euros at the end of the period. The application of the new standard will increase assets and liabilities on the statement of financial position. The Group will assess the impact over the next twelve months.

Management is assessing the impact of the revisions and interpretations of 2018 or later years on the financial statements of the Group.

* not yet endorsed by EU

2. Operating segments

The Group has four reportable segments. The operating segments offer different products or services and are managed separately.
The segment information is based on the Group's organisation and management reporting structure. Reportable segments are:

Food Solutions
Oilseeds Products
Grain Trade
Seafood

Intra-group sales take place at arm's length prices. The assets and liabilities of a segment are such items of the business operations that the segment uses in its business operations or that can be allocated to a segment on reasonable basis. Tax and financing items together with items common to the whole Group are unallocated assets and liabilities. Reported figures are based on IFRS standards.

Operating segments 1–12/2016

EUR million	Food Solutions	Oilseed Products	Grain Trade	Seafood	Total
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
Assets	56.3	22.9	38.3	34.2	151.6
Unallocated					32.2
Total assets					183.7
Liabilities	13.1	5.2	11.9	12.9	43.2
Unallocated					22.8
Total liabilities					66.0
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 1–12/2015

EUR million	Food Solutions	Oilseed Products	Grain Trade	Seafood	Total
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
Assets	54.6	25.0	47.8	31.2	158.6
Unallocated					39.3
Total assets					197.9
Liabilities	12.5	3.2	9.4	11.0	36.1
Unallocated					40.8
Total liabilities					76.9
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
Personnel	434	40	53	198	725

Geographical information

EUR million	Revenue 2016	Revenue 2015	Non-current Assets 2016	Non-current Assets 2015
Finland	**203.9**	238.8	**78.0**	73.5
Norway	**34.4**	33.0	**4.3**	4.6
Germany	**13.4**	15.2	–	–
Sweden	**26.8**	20.2	**1.1**	1.0
Other countries	**108.0**	73.6	**0.1**	0.0
Total	**386.5**	380.8	**83.6**	79.1

Revenues from one customer were EUR 110.5 (102.1) million or 28.6% (26.8%) of the net sales. Revenues from this customer were from all operating segments.

3. Other operating income and expenses

EUR million	2016	2015
Other operating income		
Government grants received	**0.2**	0.2
Gains from sales of non-current assets	**0.1**	0.8
Gains from sales of investments	**0.3**	0.1
Additional purchase price, Taimen	**0.4**	–
Rental income	**0.2**	0.3
Fair value change based on derivative instruments, no hedge accounting	**0.1**	0.0
Other	**0.4**	0.7
Total	**1.6**	2.2
Other operating expenses		
Rental expenses	**3.3**	3.3
Administrative expenses	**4.3**	4.2
Information technology expenses	**2.4**	2.4
Sales and marketing expenses	**17.7**	18.0
Maintenance expenses	**6.1**	5.9
Loss from sales of associated companies	**–**	3.6
Fair value change based on derivative instruments, no hedge accounting	**0.1**	0.5
Other	**3.7**	3.8
Total	**37.7**	41.7

Audit fees paid by the Group to its independent auditor PricewaterhouseCoopers
The audit fees relate to the auditing of the annual accounts and to the statutory and obligatory functions closely attached to them. The non-audit fees are caused by services linked to the audit and aimed to assure the correctness of the financial statements and other advice.

Audit fees and non-audit fees

EUR million	2016	2015
Audit fees	**0.2**	0.2
Non-audit fees	**0.0**	0.0
Total	**0.2**	0.2

4. Employee benefits expense

EUR million	2016	2015
Wages and salaries	**30.4**	30.0
Termination benefits	**0.1**	0.1
Pensions, defined contribution plans	**5.5**	5.3
Other personnel costs	**1.4**	1.2
Total	**37.4**	36.6

Information on the remuneration and loans granted to the management is presented in Note 25 "Related party transactions". Information on the defined benefit plans is presented in Note 19 "Provisions".

Post employment benefits
Pension coverage in the Group companies is provided in accordancewith the rules and practices in the respective countries. The disabilitycomponent of Finnish statutory pension system ("TyEL") is recognised in Finland as defined contribution plan. Apetit Plc and Apetit Ruoka Oy have defined contribution plans.

5. R & D expenses

R & D expenses of the Group amounted to EUR 0.9 (0.8) million, representing 0.2% (0.2%) of the net sales.

6. Materials and services

EUR million	2016	2015
Raw materials and consumables	**292.3**	289.4
Change in stocks	**−0.4**	−4.4
External services	**13.9**	14.9
Total	**305.8**	299.9

Materials and services include foreign currency gains and losses a total of EUR 0.1 (0.5) million.

Net sales include foreign currency losses and gains a total of EUR 0.1 (–0.1) million.

The ineffective portion of the change in fair value of hedge instruments totalled EUR –0.1 (0.0) million.

7. Depreciations and impairments

EUR million	2016	2015
Depreciations		
Intangible assets	**1.2**	1.3
Buildings	**2.3**	2.2
Machinery and equipment	**2.9**	2.4
Other tangible assets	**0.1**	0.1
Total	**6.6**	6.0
Impairments		
Intangible assets	**0.0**	0.0
Tangible assets	**0.0**	0.2
Total	**0.0**	0.3

8. Financial income and expenses

EUR million	2016	2015
Financial income		
Interest income	**0.0**	0.0
Foreign currency gains	**0.0**	0.1
Other financial income	**0.0**	0.0
Total	**0.1**	0.1
Financial expenses		
Interest expenses	**–0.4**	–0.4
Foreign currency losses	**0.0**	–0.4
Avena Nordic Grain minority dividend	**–0.5**	–0.8
Fair value change based on interest rate swaps, no hedge accounting	**0.0**	–
Other financial expenses	**0.0**	–0.1
Total	**–1.0**	–1.7

9. Income taxes

EUR million	2016	2015
Current period taxes	**–1.0**	–1.4
Previous periods' taxes	**0.0**	0.0
Deferred taxes	**1.8**	0.3
Total	**0.8**	–1.1
Reconciliation of income taxes		
Profit before taxes	**0.3**	–3.5
Tax calculated at the tax rate of the parent company 20.0%	**–0.1**	0.7
Effect of Avena Nordic Grain minority dividend	**–0.1**	–0.2
Effect of associated company results	**0.1**	–0.3
Sale of Taimen ownership	**–**	–0.6
Recognised deferred tax receivables on taxable losses	**0.9**	–
Unrecognised deferred tax receivables on taxable losses	**–**	–0.8
Other items	**0.0**	0.1
Tax expenses in the income statement	**0.8**	–1.1

Reconciliation of deferred tax assets and liabilities to balance sheet 2016

EUR million	1 Jan. 2016	Charge in income statement	Charged to other compre-hensive income	31 Dec. 2016
Deferred tax assets				
Carry forward of unused tax losses	2.3	1.3	–	3.7
Intangible and tangible assets	0.2	0.0	–	0.2
Deferred depreciation	0.3	0.0	–	0.3
Other	0.1	0.0	0.0	0.1
Total	2.9	1.4	0.0	4.3
Deferred tax liabilities				
Accumulated depreciation difference	–1.4	0.4	–	–1.1
Valuation of assets in Avena Kantvik Oy's acquisition (netting company's accumulated depreciation difference)	0.5	0.0	–	0.5
Valuation of assets in acquisition cost allocation calculations	–1.9	0.2	0.0	–1.7
Inventories	–0.6	–0.1	–	–0.7
Derivative instruments	–0.2	0.0	0.2	0.0
Goodwill	–0.1	–	–	–0.1
Tangible assets	–0.5	–	–	–0.5
Other	–0.2	0.0	0.0	–0.1
Total	–4.3	0.4	0.2	–3.7

The Group has not recognised deferred tax assets total of EUR 1.4 million at 31 December 2016 related to taxable losses. These taxable losses expire in 2020–2026. Recognised deferred tax assets on unused taxable losses EUR 2.9 million will expire in 2020–2026. Other unused taxable losses do not expire.

Reconciliation of deferred tax assets and liabilities to balance sheet 2015

EUR million	1 Jan. 2015	Charge in income statement	Charged to other compre-hensive income	31 Dec. 2015
Deferred tax assets				
Carry forward of unused tax losses	2.5	–0.2	–0.0	2.3
Intangible and tangible assets	0.2	0.0	–	0.2
Deferred depreciations	0.3	0.0	–	0.3
Other	0.1	0.0	–0.1	0.1
Total	3.1	–0.1	–0.1	2.9
Deferred tax liabilities				
Accumulated depreciation difference	–1.4	–0.1	–	–1.4
Valuation of assets in Avena Kantvik Oy's acquisition (netting company's accumulated depreciation difference)	0.6	–0.0	–	0.5
Valuation of assets in acquisition cost allocation calculations	–2.2	0.2	0.0	–1.9
Inventories	–0.7	0.1	–	–0.6
Derivative instruments	–0.3	0.1	0.0	–0.2
Goodwill	–0.1	–	–	–0.1
Tangible assets	–0.5	–	–	–0.5
Other	–0.2	0.1	0.0	–0.2
Total	–4.7	0.4	0.0	–4.3

The Group has not recognised deferred tax assets total of EUR 2.1 million at 31 December 2015 related to taxable losses. These taxable losses expire in 2020–2025. Recognised deferred tax assets on unused taxable losses EUR 1.3 million will expire in 2020–2025. Other unused taxable losses do not expire.

10. Earnings per share

Basic earnings per share are calculated by dividing the profit for the financial year attributable to the shareholders of the parent company by weighted average number of the shares outstanding. The outstanding shares do not include treasury shares in possession of the company. Diluted earnings per share are calculated by dividing the profit for the financial year attributable to the shareholders of the parent company by diluted weighted average number of the shares outstanding.

The company has no such instruments that would cause a dilution effect on the earnings per share.

EUR million	2016	2015
Profit attributable to the shareholders of the parent company, basic and diluted	**1.2**	–4.3
Weighted average number of outstanding shares (1,000 pcs)	**6,198**	6,192
Diluted average number of shares outstanding (1,000 pcs)	**6,198**	6,192
Basic and diluted earnings per share (EUR per share)	**0.19**	–0.69

11. Intangible and tangible assets

The cost of assets include the assets, whose useful lives have not ended and fully depreciated assets still used in operating activities. Similar principles apply to accumulated depreciation.

Intangible assets 2016

EUR million	R & D expenses	Goodwill	Customer relationships	Other Intangible rights	Advance payments	Total
Acquisition cost 1 Jan.	–	20.2	10.7	8.5	0.3	39.7
Additions	0.2	–	–	0.4	0.2	0.8
Disposals	–	–	–	–0.2	–	–0.2
Translation difference and other changes	–	0.0	0.1	0.2	0.0	0.2
Transfers	0.1	–	–	0.2	–0.3	–
Acquisition cost 31 Dec.	0.3	20.2	10.7	9.1	0.2	40.5
Accumulated depreciation 1 Jan.	–	–19.9	–4.6	–6.8	–	–31.2
Disposals, accumulated depreciation	–	–	–	0.0	–	0.0
Depreciation for the period	0.0	–	–0.7	–0.5	–	–1.2
Impairments	–	–	0.0	0.0	–	0.0
Accumulated depreciation 31 Dec.	0.0	–19.9	–5.2	–7.3	–	–32.5
Book value 31 Dec. 2016	0.3	0.4	5.5	1.8	0.2	8.1

Intangible assets 2015

EUR million	R & D expenses	Goodwill	Customer relation-ships	Other Intangible rights	Advance payments	Total
Acquisition cost 1 Jan.	–	20.2	10.7	7.2	0.6	38.7
Additions	–	–	–	0.7	0.3	1.0
Disposals	–	–	–	–	–	–
Translation difference and other changes	–	0.0	–0.1	0.1	–	0.0
Transfers	–	–	–	0.6	–0.6	–
Acquisition cost 31 Dec.	–	20.2	10.7	8.5	0.3	39.7
Accumulated depreciation 1 Jan.	–	–19.9	–3.7	–6.3	–	–29.9
Disposals, accumulated depreciation	–	–	–	0.0	–	0.0
Depreciation for the period	–	–	–0.7	–0.5	–	–1.2
Impairments	–	–	–0.2	0.0	–	–0.2
Accumulated depreciation 31 Dec.		–19.9	–4.6	–6.8	–	–31.2
Book value 31 Dec. 2015	–	0.4	6.1	1.7	0.3	8.5

Goodwill impairment testing

Impairment test for cash-generating-units containing goodwill

Goodwill has been allocated to the following cash-generating units or groups of units:

EUR million	2016	2015
Frozen products	**0.4**	0.4
Total	**0.4**	0.4

In goodwill impairment testing, the recoverable amount from operating activities is determined on the basis of value in use calculations. Expected future cash flows are based on management-approved forecasts and are given for a five-year period, and cash flows beyond this are extrapolated using a growth factor of 1%–2%.

The key variables in the value in use calculation are the budgeted gross margin, net sales and the discount rate. The pre-tax discount rates used in Frozen products group is 7.0% (7.0%). In Frozen products group the value in use exceeded the carrying amount of the tested assets by a wide margin and significant negative change in any of the key variables would not result to an impairment.

Fresh product group impairment testing

At the time of testing, on 30 September 2016, the book value of the cash-generating unit in the fresh products group stood at EUR 19.1 million, including EUR 4.2 million in acquisition costs allocated to customer relationships. Due to weak business performance, the value in use had decreased close to the book value in the impairment testing of fresh products and that of customer relationships. The target for the fresh products group for the forecast period is an annual increase of 15–20% in net sales. The operating result improved as a result of enhanced operational efficiency, and an increase in volumes will significantly support performance in the forecast period. Net sales are expected to increase in terms of both retail and wholesale customers. Some of the increase will come from new products, such as the Apetit Tuorekset product line, which was introduced in 2016. The book value is subject to impairment risk if the outlook for net sales and performance becomes weaker.

Tangible assets 2016

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost 1 Jan.	3.3	51.8	49.4	1.1	1.6	107.2
Additions	–	2.8	4.7	0.4	1.1	8.9
Disposals	0.0	0.0	–1.4	–	0.2	–1.3
Translation differences and other changes	0.0	0.0	0.2	–	0.1	0.3
Transfers	–	0.2	0.6	1.1	–1.9	–
Acquisition cost 31 Dec.	3.3	54.7	53.4	2.6	1.2	115.2
Accumulated depreciation 1 Jan.	–0.2	–24.8	–37.9	–0.5	–	–63.7
Accumulated depreciation on disposals and transfers	–	0.0	1.2	–	–	1.2
Depreciation for the period	–	–2.3	–2.9	–0.1	–	–5.3
Impairments	–		0.0	–	–	0.0
Accumulated depreciation 31 Dec.	–0.2	–27.1	–39.6	–0.7	–	–67.8
Book value 31 Dec. 2016	3.1	27.7	13.8	1.9	1.2	47.7

Machinery and equipment includes assets acquired through finance leases totalling EUR 0.4 million.

Tangible assets 2015

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost 1 Jan.	3.4	51.7	46.7	0.8	0.5	103.1
Additions	–	2.3	3.5	0.2	2.3	8.2
Disposals	–0.1	–2.3	–2.0	–	–	–4.3
Translation differences and other changes	0.0	0.1	0.3	0.0	–	0.3
Transfers	–	0.1	0.9	0.2	–1.1	–
Acquisition cost 31 Dec.	3.3	51.8	49.4	1.1	1.6	107.2
Accumulated depreciation 1 Jan.	–0.2	–24.5	–36.8	–0.5	–	–62.3
Accumulated depreciation on disposals and transfers	–	1.9	1.6	–	–	3.5
Depreciation for the period	–	–2.2	–2.5	–0.1	–	–4.8
Impairments	–	–	–0.1	0.0	–	–0.1
Accumulated depreciation 31 Dec.	–0.2	–24.8	–37.9	–0.5	–	–63.7
Book value 31 Dec. 2015	3.1	27.0	11.5	0.6	1.6	43.8

Machinery and equipment includes assets acquired through finance leases totalling EUR 0.5 million.

12. Investment in associated companies

EUR million	2016	2015
Book value 1 Jan.	**22.6**	34.9
Acquisitions, other additions	**0.2**	0.4
Share of profits for the period	**0.7**	–0.6
Sales, deductions	**–0.1**	–10.2
Dividends	**–0.3**	–1.9
Book value 31 Dec.	**23.1**	22.6

Groups associated companies are Sucros group and Foison Oy. Group sold its ownership in Taimen group on May and on September 2015. A loss of EUR 3.6 million was recognised in the sales transactions. Fish products group purchases trout from Taimen group, Apetit does not have significant business relations with the other associated companies. Sucros group's beet factory is situated at Säkylä industrial site where also is situated Frozen products group's factory. Associated companies are consolidated using the equity method and they do not have public quatations.

Information about group's material associated companies

EUR million	Sucros group Group holding 20% 2016	Sucros group Group holding 20% 2015	Taimen group Direct group holding 30%, after cross ownership 23% 2016	Taimen group Direct group holding 30%, after cross ownership 23% 2015
Non-current assets	**21.9**	20.7	–	–
Current assets	**140.7**	124.3	–	–
Cash and cash equivalents	**4.9**	2.3	–	–
Non-current financial liabilities	**5.4**	5.4	–	–
Current financial liabilities	**32.5**	17.8	–	–
Other current liabilities	**17.4**	14.8	–	–
Net assets, 100%	**112.2**	109.3	–	–
Share in net assets	**22.4**	21.9	–	–
Goodwill	–	–	–	–
Book value, 31 December	**22.4**	21.9	–	–
Net sales	**208.4**	148.7		22.3
Other income and expenses	**–201.9**	–154.3	–	–20.1
Operating profit	**6.5**	–5.6	–	2.2
Interest income and expenses	**0.2**	0.3	–	–0.2
Taxes	**–0.2**	0.5	–	–0.4
Profit or loss	**6.5**	–4.9	–	1.6
Book value, 1 January	**21.9**	24.4	–	9.8
Profit or loss	**0.7**	–1.0	–	0.4
Dividends received	–	–1.6	–	–
Book value, 31 December	**–0.1**	–	–	–10.2
Book value, 31 December	**22.4**	21.9	–	–

13. Available-for-sale investments

The shares of unlisted companies are reported at acquisition cost as their values are not reliably available.

EUR million	2016	2015
Investments in shares of unlisted companies	**0.1**	0.1
Total	**0.1**	0.1

14. Non-current receivables

EUR million	2016	2015
Capital loan receivable in accordance with the Finnish Limited Liability Companies Act chapter 12	**–**	0.6
Additional purchase price receivable	**–**	0.3
Connection fees	**0.3**	0.4
Total	**0.3**	1.2

The fair values of the receivables are estimated to correspond to their book values.

15. Current receivables

EUR million	2016	2015
Trade receivables	**27.3**	24.6
Receivables based on derivative instruments, hedge accounting	**0.0**	0.7
Receivables based on derivative instruments, no hedge accounting	**0.0**	0.1
Accrued income and deferred expenses	**1.5**	1.5
Other receivables	**1.2**	3.1
Receivables from associated companies and joint venturescompanies and joint ventures		
Trade receivables	**0.1**	0.2
Other receivables	**0.0**	0.0
Total	**30.1**	30.2

The substantial items in the accrued income and deferred espenses and other receivables are related to raw material purchases and accruals of employment benefits.

The fair values of the receivables are estimated to correspond to their book values.

During the financial year the group recorded credit losses of EUR 0.0 (0.0) million on trade receivables.

16. Inventories

EUR million	2016	2015
Materials and consumables	**15.3**	14.9
Work in progress	**7.7**	5.4
Finished goods	**42.3**	54.5
Total	**65.3**	74.8

A write-down of EUR 1.7 (2.0) million in inventory value was booked to correspond the net realisation value.

17. Cash and cash equivalents

EUR million	2016	2015
Cash and bank receivables	**4.6**	13.4
Total	**4.6**	13.4

18. Shareholders' equity

EUR million	Number of shares (1,000 pcs)	Share capital	Share premium account	Total
31 Dec. 2016	**6,201**	**12.6**	**23.4**	**36.0**
31 Dec. 2015	6,195	12.6	23.4	36.0

The fully paid and registered share capital of the company at the end of the financial year was EUR 12,635,152. The nominal value of a share is EUR 2.

Descriptions of the funds in the equity

Translation differences

Translation differences fund contains the translation differences arising from the translations of the financial statements prepared in foreign currency.

Revaluation reserve

Revaluation reserve consists of two sub-reserves: fair value reserve for available-for-sale financial assets and hedging reserve for the revaluations of the fair values of derivative instruments used for cash flow hedges. Changes on the statement of changes in shareholder's equity relate only the revaluation reserve. Changes in the fair value reserve is null on both reporting periods.

Other reserves

Other reserves consist mainly of contingency reserve accounts. Contingency reserve includes the proportion transferred from retained earnings according to the decision by the Annual General Meeting. Contingency reserve totals EUR 7.2 (7.2) million.

Treasury shares

Treasury shares include the acquisition cost of the own shares that are in the Group's possession.The company possessed 116,805 own shares that have been repurchased during 2000–2001 and 2008. 5,484 shares have been distibuted as part of the Board of Directors'remuneration in 2016. The treasury shares represent 1.8% of the company's share capital and votes. The acquisition cost of the repurchased shares totals EUR 1.6 million.

Dividends

After the date of the financial statement the Board of Directors has proposed a dividend of EUR 0.70 per share to be paid.

19. Provisions

EUR million	2016	2015
Non-current		
Provisions 1 Jan.	**0.2**	0.4
Increases, decreases	**0.1**	–0.2
Provisions 31 Dec.	**0.3**	0.2
Current		
Provisions 1 Jan.	**0.3**	0.1
Increases, decreases	**–0.1**	0.2
Provisions 31 Dec.	**0.2**	0.3

Provisions relate mainly to defined benefit pension plans.

Apetit Group's most significant defined benefit plans are in the parent company. Parent company's plans include one employee and about 80 pensioners. Plans are administered in pension companies. Parent company's defined benefit obligation totals to EUR 2.3 (2.2) million and plan assets totals to EUR 2.0 (2.0) million. Net liability total to EUR 0.3 (0.2) million.

EUR million	2016	2015
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	**2.3**	2.2
Present value of unfunded obligations	**–**	–
Fair value of plan assets	**2.0**	2.0
Surplus (–) / deficit (+)	**0.3**	0.2
Unrecognised actuarial gains (+) and losses (–)	**0.0**	0.0
Net liability (+) / asset (–)	**0.3**	0.2
Change in the defined benefit obligation		
Defined benefit obligation in the beginning of the year	**2.3**	2.7
Current service cost	**0.0**	0.0
Interest cost	**0.1**	0.1
Actuarial gains (–) and losses (+)	**0.2**	–0.3
Benefits paid	**–0.3**	–0.3
Defined benefit obligation at the end of the year	**2.3**	2.2
Change in plan assets		
Plan assets in the beginning of the year	**2.1**	2.3
Interest income	**0.0**	0.1
Expected return of plan assets	**0.2**	–0.1
Contributions paid into the plans	**0.0**	0.0
Benefits paid	**–0.3**	–0.3
Plan assets at the end of the year	**2.0**	2.0

EUR million	2016	2015
Defined benefit expense in the income statement		
Current service cost	**0.0**	0.0
Interest cost on pension obligation	**0.1**	0.1
interest income on plan assets	**0.0**	–0.1
Pension expense recognised in the income statement	**0.1**	0.0
The amounts recognised in the equity		
Demographic gains and losses	**0.0**	–0.3
Gains and losses from change of financial assumptions	**0.1**	0.0
Experience gains and losses	**0.1**	0.0
Return on plan assets excluding interest	**–0.2**	0.1
Remeasurements of post employment benefit obligations	**0.0**	–0.1
Significant actuarial assumptions		
Discount rate (%)	**1.8**	2.5
Salary growth rate (%)	**2.5**	2.5
Pension growth rate (%)	**1.7**	1.9
Inflation (%)	**1.6**	2.0

Changes in the assumptions, sensitivity 2016	Liability Increase %	Decline %
Discount rate, change 0,5%	**–3.6**	3.8
Salary growth rate, change 0.5%	**0.0**	0.0
Pension growth rate, change 0.25%	**2.1**	–2.0
Life expectancy, change 5%	**–2.5**	2.6

Changes in the assumptions, sensitivity 2016	Assets Increase %	Decline %
Discount rate, change 0.5%	**–3.5**	3.8
Salary growth rate, change 0.5%	**0.0**	0.0
Pension growth rate, change 0.25%	**2.0**	–1.9
Life expectancy, change 5%	**–2.5**	2.7

20. Financial liabilities

EUR million	2016	2015
Non-current		
Loans from credit institutions	**4.8**	1.0
Other loans	**0.1**	0.2
Total	**4.9**	1.2

The loans from credit institutions are floating rate.The loan in 'Other loans' carries a fixed rate of 5% p.a. Interest-bearing long-term loans are denominated in euros totalling EUR 4.5 (0.8) million and in Norwegian crowns totalling EUR 0.4 (0.4) million. It is assessed that the book values of the liabilities correspond to their fair values.

EUR million	2016	2015
Current		
Commercial papers and loans from credit institutions	**14.2**	35.1
Other loans	**0.0**	0.2
Total	**14.2**	35.3

The fair values of the liabilities are estimated to correspond to their book values.

21. Trade payables and other liabilities

EUR million	2016	2015
Non-current		
Payables based on derivative instruments, hedge accounting	**0.1**	0.2
Other liabilities	**0.1**	0.1
Total	**0.2**	0.2
Current		
Trade payables	**30.2**	22.7
Payables to associated companies and joint ventures	**0.3**	0.3
Payables based on derivative instruments, no hedge accounting	**0.0**	0.0
Payables based on derivative instruments, hedge accounting	**0.0**	0.1
Accrued expenses and deferred income	**8.3**	8.5
Other liabilities	**3.7**	4.0
Total	**42.5**	35.5

The material items in accrued expenses and deferred income consist of personnel expenses and accruals of material purchases.

22. Financial Risk Management

The Apetit Group is exposed to various financial risks in its normal business operations. The aim of the Group's risk management is to minimize the adverse effects of changes in the financial markets on its financial performance. The main financial risks are the liquidity risk, currency risk, the interest rate risk and the funding risk. The Group uses derivative financial instruments, among other things, to hedge against currency and interest rate risks.

The financial risk management principles observed by the Group are subject to approval by the Board of Directors of Apetit plc, and the practical implementation of these principles is the responsibility of the Financing Department, which operates under the CFO.

1. Market Risks

Currency Risk

The Group operates in international markets and is thus exposed to currency risks arising from changes in exchange rates. The Group's currency risks concern sales, purchases and balance sheet items denominated in foreign currencies (transaction risk), and also investment in foreign subsidiaries (translation risk). The most significant currency risk is caused by the US dollar, Swedish crowns and Norwegian crowns. Other currencies causing some currency risk is mainly Canadian dollar. Group's largest currency risk is from currency derivatives, cash balances and trade payables denominated in other currency than the operating currency in Maritim companies and Group's internal financing to Maritim companies.

On 31 December 2016 the most significant net investments to foreign subsidiaries are in Norwegian crowns EUR 2.0 million and Swedish crowns EUR 0.7 million. Apetit plc has intra-group loan receivables in Norwegian crowns EUR 7.2 million and in Swedish crowns EUR 3.1 million. Group's policy is not to hedge balances related to subsidiary ownership such as net investments in foreign operations or intra-group loans. From the beginning of 2016, Internal loans to Norway and Sweden has been treated as part of the net investment and exchange rate differences recognised on statement of comprehensive income. Statement of comprehensive income include foreign currency losses total of EUR –0.3 (in previous year financial expenses –0.3) million related to the intra-group loans.

The principle followed by the Group is to hedge the original transaction risk in the case of all financially significant currency positions. The Group's financial policy is to look on open currency positions with a value in excess of EUR 100,000 as significant. Hedging can also be made against a probable future open currency position. The instruments available in currency hedging are forward currency contracts, currency options and currency swaps. The Group's business units are responsible for currency risk hedging. Currency hedging is guided by the risk management policy specifically defined for the purpose and this is monitored by the Group's Financing Department.

Sensitivity to currency risk arising from financial instruments

Currency risk (or foreign exchange risk) arises from financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this IFRS, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

If on 31 December 2016 (31 December 2015) Norwegian crowns would have been 10% stronger/weaker against euro, group's net profit would have increased / decreased by EUR 0.0/0.0 (0.6/–0.5) million and equity increased/ decreased by EUR 0.6/–0.5 (0.0/0.0) million. All other variables such as interest rates remain the same on the analyses.

If on 31 December 2016 (31 December 2015) US dollar would have been 10% stronger/weaker against euro, group's net profit would have increased/decreased by EUR 0.9/–0.8 (0.2/–0.2) million and equity decreased/increased by EUR 0.2/–0.1 (0.0/0.0) million. All other variables such as interest rates remain the same on the analyses.

If on 31 December 2016 (31 December 2015) Swedish crowns would have been 10% stronger/weaker against euro, group's net profit would have increased/decreased by EUR 0.0/–0.0 (0.4/–0.3) million and equity increased/ decreased by EUR –0.3/0.2 (–0.1/0.1) million. All other variables such as interest rates remain the same on the analyses.

Interest rate risk

At the end of the financial year, the Group had a total of EUR 4.9 (1.2) million in long-term floating rate loans from financial institutions, commercial papers EUR 11.0 (32.0) million, EUR 3.2 (3.3) million in other short-term liabilities and EUR 4.6 (13.4) million in liquid cash assets. The Group has hedged against long-term and short-term interest rate risk using interest rate swap with nominal value of EUR 5.4 (6.6) million.

Sensitivity to interest rate risk arising from financial instruments

With the balance sheet structure on 31 December 2016 (31 December 2015), a rise/decrease of one percentage point in interest rates would have decreased / increased Group's net profit by EUR –0.1/0.1 (–0.2/0.2) million and equity increased/decreased EUR 0.0/0.0 (0.0/0.0) million.

Commodity risk

The Group is exposed to commodity risks associated with the availability of raw materials, the time difference between procurement and sales, and price fluctuations. The most significant single commodity risks concern Grains and Oil Seeds; wheat, barley, oats, soy and rapeseed. It seeks to reduce these risks by using certain quoted commodity futures, forward agreements and options. The Group's exposure to commodity risk and correspondingly the hedging instruments expire within 12 months. At the end of the year commodity derivatives totalled to EUR 15.0 (20.9) million. In frozen products, fish products and fresh products businesses commodity risk arises from store chains' pricing periods, where prices are fixed for the entire pricing period. Commodity risk is mostly controlled by purchase and sales functions' co-operation. The business units are responsible for managing their commodity risks in accordance with the risk management principles laid down for them. Hedge accounting is mostly applied when hedging the raw material risk.

The Apetit Group hedges against price variations in the electricity by agreeing fixed power supply price agreements up to two years. Management of the Group's electricity portfolio has been outsourced for Finnish companies. Management of the electricity risk is governed by a separate risk policy for the procurement of the electricity. There were no electricity derivatives at the end of the year.

Sensitivity to commodity risk arising from financial instruments

If on 31 December 2016 (31 December 2015) derivative based commodity prices would have been increased/ decreased by 10%, Group's net profit would have increased/decreased by EUR –0.6/0.5 (–0.1/0.1) million and equity increased/decreased by EUR –0.9/1.1 (–1.3/1.3) million. When cash flow hedge accounting is applied, the change in the fair value of derivative financial instruments is assumed to be recorded fully in equity.

Other market risks information

The sensitivity analysis presented may not be representative, since the Group's exposure to market risks also arises from other balance sheet items than financial instruments. For example, the currency risk analyses only reflect the change in fair value of derivative instruments. Cash flows from derivatives are materially offset by commodity purchase prices denominated in foreign currency even though the Group does not apply IAS 39 hedge accounting to all transactions made in hedging purpose.

2. Credit Risk

Derivative financial instruments are only entered into with domestic and foreign banks that have a good credit rating. Commodity derivative instruments can be entered into on the appropriate commodity exchanges if necessary. Liquid assets are invested within the approved limits in targets with a good credit rating.

To minimize the operational credit risk, the business units endeavour to obtain collateral security, as credit insurance, in the event that a customer's credit rating so requires.

The Group's management evaluates that there are no significant customer, geographical or counterparty concentrations in the Group's credit and counterparty risks.

Aging of Group's receivables

EUR million	2016	2015
Not due	**30.1**	30.1
0 –3 months past due	**0.0**	0.1
4 –6 months past due	**0.0**	0.0
Over 6 months past due	**0.0**	0.0
Total	**30.1**	30.2

Other Group's receivables do not include credit risk.

3. Liquidity Risk

The liquidity risk is the risk that the company may not have sufficient liquid assets or be unable to acquire enough funds to meet the needs of its business operations. The aim of liquidity risk management is to maintain sufficient liquid funds and credit facilities to ensure that there is always enough financing for the Group's business operations. The cash flows of the Group companies are netted with the aid of the Group's internal bank and Group accounts. To manage liquidity, the Group has a commercial paper programme worth EUR 100 (50) million and also long-term binding credit facilities agreed with financial institutions; a total of EUR 40 (45) million was available in credit on 31 December 2016. Credit facilities expire for EUR 25 million on June 2018, for EUR 15 million on June 2020 and for EUR 5 million on June 2022. The total amount of commercial papers issued were EUR 11.0 (32.0) million. Liquidity risk management is the responsibility of the parent company's Financing Department.

Group's derivative liabilities and interest-bearing loan repayments and interest cash flows on 31 December 2016

EUR million	0–3 months	4–12 months	1–5 years	Over 5 years
Loans from financial institutions and other loans	**–11.0**	**–0.9**	**–4.7**	**–0.7**
Trade payables	**–30.5**	**–**	**–**	**–**
Derivative liabilities	**0.0**	**0.0**	**–0.1**	**–**
Total	**–41.5**	**–0.9**	**–4.8**	**–0.7**

Group's derivative liabilities and interest-bearing loan repayments and interest cash flows on 31 December 2015

EUR million	0–3 months	4–12 months	1–5 years	Over 5 years
Loans from financial institutions and other loans	–32.0	–1.2	–1.2	–0.1
Trade payables	–22.9	–	–	–
Derivative liabilities	0.0	–0.1	–0.2	–
Total	–55.0	–1.3	–1.5	–0.1

4. Capital Risk Management

The main objective for capital risk management is to secure the Group's operational preconditions in all circumstances. The capital structure of the Group is reviewed by the Board of Directors on a regular basis. Apetit plc does not have a public credit rating.

The amounts of the Group's interest bearing debts fluctuate significantly during the year due to a seasonality of the employed working capital. Normally the employed working capital is at highest level during the last quarter of the year and at lowest level during the spring and summer.

EUR million	2016	2015
Interest bearing liabilities	**19.1**	36.5
Liquid assets	**4.6**	13.4
Interest bearing net debt	**14.5**	23.0
Equity	**117.7**	121.0
Interest bearing net debt and equity total	**132.3**	144.0
Gearing, %	**12.4**	19.0
Equity ratio, %	**64.1**	61.1

23. Collateral, contingent liabilities, contingent assets and other commitments

EUR million	2016	2015
Liabilities secured by pledges		
Loans from financial institutions	**0.4**	0.5
Pledges given for debts		
Real estate mortgages	**2.5**	2.8
Other securities given	**2.2**	1.3
Guarantees	**9.4**	9.3
Other leases, present value of minimum lease payments		
Within one year	**3.9**	3.5
After one year but not more than five years	**4.9**	2.3
After more than five years	**1.8**	1.9
Total	**10.6**	7.8

The present value of minimum lease payments includes real estate leases a total of EUR 9.6 (7.0) million.

Contingent assets		
The present value of proceeds from the sale of shares in the joint book-entry	**0.7**	0.7
Investment commitments		
Food Solutions	**1.0**	2.2
Oilseed Products	**–**	0.7
Seafood	**–**	0.9

Other liabilities

Liability to adjust value added tax on property investments

The group is liable to adjust value added tax deductions on 2008–2016 property investments, if taxable use of the properties decreases. The maximum value of the liability is EUR 2.0 (1.8) million and liability is valid untill 2026.

24. Fair value hierarchy on financial assets and liabilities valued at fair

EUR million	Level 1	Level 2	Level 3	Total
Assets 2016				
Currency derivatives, no hedge accounting	**–**	**0.0**	**–**	**0.0**
Commodity derivatives, hedge accounting	**0.0**	**–**	**–**	**0.0**
Assets 2015				
Currency derivatives, no hedge accounting	–	0.1	–	0.1
Commodity derivatives, no hedge accounting	0.0	–	–	0.0
Commodity derivatives, hedge accounting	0.7	–	–	0.7
Liabilities 2016				
Currency derivatives, no hedge accounting	**–**	**0.0**	**–**	**0.0**
Commodity derivatives, no hedge accounting	**0.0**	**–**	**–**	**0.0**
Interest rate swaps, no hedge accounting	**–**	**0.1**	**–**	**0.1**
Interest rate swaps, hedge accounting	**–**	**0.0**	**–**	**0.0**
Liabilities 2015				
Currency derivatives, hedge accounting	–	0.0	–	0.0
Commodity derivatives, hedge accounting	0.2	–	–	0.2
Interest rate swaps	–	–0.1	–	–0.1

During the year there has not been any transfers between levels 1 and 2.

Level 1 fair values are based on prices obtained from active markets.

Level 2 fair values are based on other input data and commonly accepted fair value models. The input data is based on observable market prices.

Level 3 fair values are mostly based on other input data that are not for the most part based on observable market prices, instead management estimates and commonly accepted fair value models.

Nominal values of derivative instruments

EUR million	2016	2015
Currency derivatives, no hedge accounting	**8.1**	15.1
Currency derivatives, hedge accounting	**–**	1.6
Commodity derivatives, no cash flow hedge accounting	**2.4**	0.7
Commodity derivatives, cash flow hedge accounting	**12.6**	20.9
Interest rate swaps, cash flow hedge accounting	**5.4**	6.6

Other information related to cash flow hedge

The Group applies cash flow hedge accounting to commodity and currency derivatives. Electricity derivatives expire in three years being more emphasized to the two subsequent years from the balance sheet date. Other derivatives become due within one year. Due to cash flow hedge accounting EUR –0.5 (–0.3) million was recognised in equity. Group's derivatives affected the profit and loss statement related to net sales EUR 0.0 (0.0) million, purchases and other operating income and expense EUR –0.4 (0.3) million, financial income and expenses EUR 0.1 (–0.1) million and taxes EUR 0.1 (0.0) million. Profit and loss statement effects of cash flow hedges are materially netted against the opposing fair value change of the hedged item.

25. Related party transactions

Parent company and subsidiary relations of the Group	Domicile	Group's share of ownership %	Group's share of votes %
Apetit plc (parent company)	Finland		
Apetit Ruoka Oy	Finland	100.0	100.0
Apetit Kala Oy	Finland	100.0	100.0
Safu Oy, non operative	Finland	100.0	100.0
Kiinteistö Oy Kivikonlaita	Finland	100.0	100.0
Apetit Suomi Oy	Finland	100.0	100.0
Maritim Food AS	Norway	100.0	100.0
Maritim Food Sweden AB	Sweden	100.0	100.0
Sandanger AS	Norway	100.0	100.0
Avena Nordic Grain Oy	Finland	90.0 [1)]	90.0 [1)]
Avena Kantvik Oy	Finland	90.0 [1)]	90.0 [1)]
OOO Avena St. Petersburg	Russia	90.0 [1)]	90.0 [1)]
UAB Avena Nordic Grain	Lithuania	90.0 [1)]	90.0 [1)]
Avena Nordic Grain OÜ	Estonia	90.0 [1)]	90.0 [1)]
TOO Avena Astana	Kazakhstan	90.0 [1)]	90.0 [1)]
OOO Avena-Ukraine	Ukraine	90.0 [1)]	90.0 [1)]
SIA Avena Nordic Grain	Latvia	90.0 [1)]	90.0 [1)]
1 non-operative company	Finland	100.0	100.0

[1)] In addition Apetit owns indirectly through Foison Oy 3.0% of the shares in Avena Nordic Grain Oy.

Salaries, wages and benefits of the administrative bodies of the Group

The administrative bodies consists of the members of the Supervisory Board, the Board of Directors, the CEO and other members of the corporate management of the parent company.

The chairmans of the Supervisory Board was paid EUR 16,500 (16,200), the deputy chairmans EUR 12,780 (13,380) and the members EUR 300 to 1,200 (300 to 1,200) in fees and allowances.

The members of the Board of Directors and CEO were paid in salaries, wages and fringe benefits as follows:

EUR 1,000	2016	2015
Veijo Meriläinen, chairman of the Board since 16 April 2015	**46**	35
Aappo Kontu, chairman of the Board until 16 April 2015, deputy chairman of the Board since 16 April 2015	**28**	35
Lasse Aho, member of the Board since 16 April 2015	**23**	17
Esa Härmälä, member of the Board	**23**	23
Seppo Laine, member of the Board since 28 April 2016	**17**	–
Tuomo Lähdesmäki, member of the Board until 28 April 2016	**6**	23
Samu Pere, member of the Board until 16 April 2015	**–**	6
Niko Simula, member of the Board since 16 April 2015	**23**	18
Helena Walldén, member of the Board until 16 April 2015	**–**	6
Veijo Meriläinen, CEO until 15 March 2015	**–**	75
Juha Vanhainen, CEO since 16 March 2015	**446**	288
Corporate management, six members, one employed since Fall 2016	**861**	698

The remuneration and incentive plans for management are made up of monetary remuneration, fringe and pension benefits, and performance-related compensation, by which the degree of success for the year is measured. The level of these plans as a whole is compared annually with the general market level. The Board of Directors of Apetit plc decides on the principles for the remuneration and incentive plans for the CEO and other members of the management. The Board also confirms annually the indicators to be used for the plans and their level in relation to the targets set. The indicators also include key figures connected with annual budgets as well as development targets selected on a function-specific basis. In 2016, indicators for the CEO and management were among others the Group´s and applicable business unit's operational EBIT. The maximum amount of performance-related compensation corresponds to 60 per cent of annual salary in the case of the CEO, and 50 per cent of annual salary for other management. The CEO and two member of the corporate management has separate operatinal EBIT based compensation scheme for periods 2015–2017 and 2016–2018, where the maximum compensation corresponds to yearly salary in the case of CEO and 8 months salary in the case of other members. Payment will take place at the end of the scheme in shares (50%) and in cash (50%). In addition, the CEO has acquired 10,000 Apetit Plc shares, and in return Apetit will compensate equivalent amount in shares (50%) and in cash (50%) after three years of employment.

The members of the Board do not have any pension agreements with the Group companies. The agreed retirement age for the CEO is 62 years.

Post–employment benefits

EUR 1,000	2016	2015
Pension benefits, amount transferred to income statement		
Juha Vanhainen, CEO	**105**	89

The key conditions of the CEO's terms of service are defined in his contract. The period of notice for the CEO is six months. Should the CEO be given notice by the company, he will be entitled to a severance package equivalent to 12 months' pay.

The Group did not have any loan receivables from the group key management.

Transactions with associated companies

EUR million	2016	2015
Sales to associated companies	**0.8**	1.1
Purchases from associated companies	**3.0**	7.8
Trade receivables and other receivables from associated companies	**0.1**	0.2
Trade payables and other liabilities to associated companies	**0.3**	0.3

The sales and purchases of goods and services to and from the associated companies are based on valid market prices.

26. Events since the end of the financial year

The Group is not aware of any events of material importance after the balance sheet date that might have affected the preparation of the financial statements.

27. Key indicators

Financial ratios

Profitability

EUR million	2016	2015	2014	2013	2012
Net sales	**386.5**	380.8	384.7	387.3	378.2
Exports from Finland	**69.6**	74.7	82.7	64.0	73.0
Operating profit	**0.6**	–1.0	–7.7	3.8	4.7
% of net sales	**0.1**	–0.3	–2.0	1.0	1.2
R & D expenses	**0.9**	0.8	0.8	0.9	1.0
% of net sales	**0.2**	0.2	0.2	0.2	0.3
Financial income (+)/ expenses (–), net	**–0.9**	–1.5	–2.2	–0.2	–1.0
Profit before taxes	**0.3**	–3.5	–8.1	9.3	7.5
% of net sales	**0.1**	–0.9	–2.1	2.4	2.0
Profit for the period	**1.2**	–4.6	–8.7	9.3	6.7
% of net sales	**0.3**	–1.2	–2.3	2.4	1.8
Attributable to					
Shareholders of the parent company	**1.2**	–4.3	–8.0	10.1	6.6
Non-controlling interests	–	–0.3	–0.7	–0.8	0.1
Return on equity, % (ROE)	**1.0**	–3.7	–6.5	6.5	4.8
Return on capital employed, % (ROCE)	**0.9**	–1.5	–4.2	5.9	5.6

Finance and financial position

EUR million	2016	2015	2014	2013	2012
Equity ratio, %	**64.1**	61.1	69.7	70.3	60.6
Net gearing, %	**12.4**	19.0	–1.3	8.4	22.0
Non-current assets	**83.6**	79.1	88.5	105.2	110.9
Inventories	**65.3**	74.8	53.8	64.0	79.4
Other current assets	**34.8**	44.0	43.4	35.2	42.6
Shareholders' equity	**117.7**	121.0	129.4	143.6	141.5
Distributable funds	**66.3**	67.3	73.4	86.0	88.5
Interest-bearing liabilities	**19.1**	36.5	12.0	14.9	36.4
Non-interest-bearing liabilities	**46.8**	40.4	44.3	45.8	55.0
Balance sheet total	**183.7**	197.9	185.7	204.4	232.9

Other indicators

EUR million	2016	2015	2014	2013	2012
Gross investments excluding acquisitions	**9.7**	9.1	2.5	3.0	3.9
% of net sales	**2.5**	2.4	0.7	0.8	1.0
Acquisitions and other investments in shares	**0.0**	0.1	0.0	–	9.7
% of net sales	**0.0**	0.0	0.0	–	2.6
Average number of personel	**729**	725	723	782	721

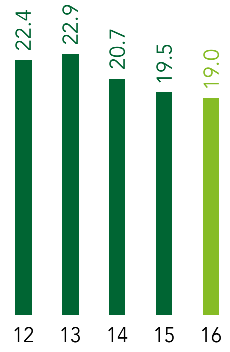
Share indicators

	2016	2015	2014	2013	2012
Earnings and dividend					
Earnings per share, EUR	**0.19**	–0.69	–1.29	1.63	1.07
Dividend per share, EUR	**0.70** [1]	0.70	0.70	1.00	0.90
Dividend per earnings, %	**368.4**	–	–	61.3	84.1
Effective dividend yield, %	**5.4**	5.5	5.2	5.1	6.3
P/E ratio	**68.3**	–	–	11.9	13.4
Shareholders' equity per share, EUR	**19.00**	19.53	20.70	22.90	22.37
Share performance, EUR					
Lowest price during the year	**11.64**	12.61	13.56	14.41	12.38
Highest price during the year	**14.50**	16.80	21.63	19.64	16.77
Average price during the year	**12.97**	14.12	16.42	16.77	14.48
Share price at the end of the year	**12.97**	12.65	13.59	19.45	14.32
Share turnover					
Share turnover (1,000 pcs)	**561**	696	1,031	700	833
Turnover ratio, %	**8.9**	11.0	16.3	11.1	13.2
Share capital, EUR million	**12.6**	12.6	12.6	12.6	12.6
Market capitalisation, EUR million	**81.9**	79.9	85.9	122.9	90.5
Dividends, EUR million	**4.3** [1]	4.3	4.3	6.2	5.6
Number of shares					
Number of shares	**6,317,576**	6,317,576	6,317,576	6,317,576	6,317,576
Average adjusted number of shares	**6,197,815**	6,192,435	6,188,416	6,220,618	6,187,576
Adjusted number of shares at the end of the period	**6,200,771**	6,195,287	6,190,298	6,187,576	6,187,576
Number of own shares	**116,805**	122,289	127,278	130,000	130,000

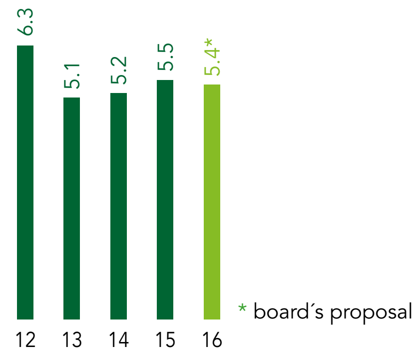
[1] Board's proposal

Note is not part of the official consolidated financial statements.

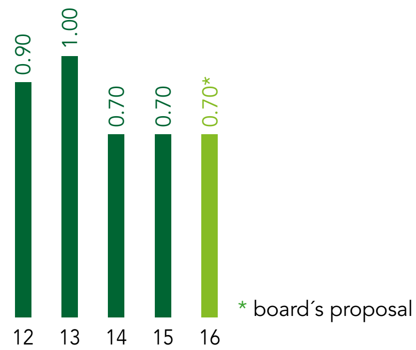
Equity per share 2012–2016, EUR



Effective dividend yield 2012–2016, %



Dividend / share 2012–2016, EUR



28. Calculation of key indicators

Return on equity (ROE), % $= \dfrac{\text{Profit/loss}}{\text{Total equity, average for the year}} \times 100$

Return on capital employed (ROCE), % $= \dfrac{\text{Operating profit + share of profits of associated companies}}{\text{Capital employed, average for the year}} \times 100$

Operational return on capital employed (ROCE), % $= \dfrac{\text{Operational EBIT + share of profits of associated companies}}{\text{Capital employed, average for each quarter}} \times 100$

Equity ratio, % $= \dfrac{\text{Total equity}}{\text{Total assets – advance payments received}} \times 100$

Gearing, % $= \dfrac{\text{Interest-bearing net liabilities}}{\text{Total equity}} \times 100$

Interest-bearing net liabilities = Interest-bearing liabilities – cash and cash equivalents – short term investments

Earnings per share $= \dfrac{\text{Profit/loss for the year attributable to the shareholders of the parent}}{\text{Weighted average number of outstanding shares}}$

Dividend per share $= \dfrac{\text{Dividend for the period}}{\text{Basic number of outstanding shares on 31 December}}$

Dividend per earnings, % $= \dfrac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$

Effective dividend yield, % $= \dfrac{\text{Dividend per share}}{\text{Share price at the end of the period}} \times 100$

Price/earnings ratio (P/E) $= \dfrac{\text{Share price at the end of the period}}{\text{Earnings per share}}$

Shareholders' equity per share $= \dfrac{\text{Equity attributable to the equity holders of the parent company}}{\text{Basic number of outstanding shares on 31 December}}$

Market capitalisation = Basic number of outstanding shares × share price at the end of the period

Operational EBITDA = Operational EBIT – depreciations, impairments and profit of the associated companies

Operational EBIT = EBIT excluding restructuring expenses, any significant impairment on goodwill or other balance sheet items or reversal of impairment, the profit of the associated companies not related to operating segments or other extraordinary and material items.

Note is not part of the official consolidated financial statements.

29. Major Shareholders on 1 February 2017

	Number of shares	%	Number of votes	%
Jussi Capital Oy	714,039	11.3	714,039	11.5
Valio's Pension Fund	520,108	8.2	520,108	8.4
Eela Esko	392,392	6.2	392,392	6.3
Nordea Nordic Small Cap Fund	347,860	5.5	347,860	5.6
EM Group Oy	214,520	3.4	214,520	3.5
Central Union of Agricultural Producers and Forest Owners	125,485	2.0	125,485	2.0
Jussi Invest Oy	101,000	1.6	101,000	1.6
Norvestia Plc	74,294	1.2	74,294	1.2
Säkylä municipality	59,822	0.9	59,822	1.0
Ilmarinen Mutual Pension Insurance Company	53,800	0.9	53,800	0.9
Top 10 sub-total	2,603,320	41.2	2,603,320	42.0
Nominee-registered shares	293,462	4.6	293,462	4.7
Other shareholders	2,916,645	46.2	2,916,645	47.0
External ownership total	6,200,771	98.2	6,200,771	100.0
Shares owned by the company	116,805	1.8		
Total	**6,317,576**	**100.0**		

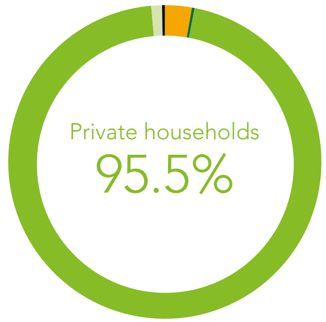
Distribution of shareholdings on 1 February 2017

Shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	5,983	53.1	244,966	3.9
101–500	3,966	35.2	964,654	15.3
501–1,000	804	7.1	595,740	9.4
1,001–5,000	454	4.0	889,137	14.1
5,001–10,000	31	0.3	205,234	3.2
10,001–50,000	23	0.2	419,894	6.6
50,001–100,000	4	0.0	264,235	4.2
100,001–500,000	7	0.1	1,499,569	23.7
500,001–	2	0.0	1,234,147	19.5
Total	11,274	100.0	6,317,576	100.0

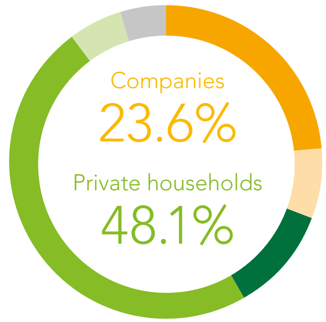
Distribution of ownership on 1 February 2017

	% of share-holders	% of shares
Companies total	2.8	23.6
Financial and insurance institutions	0.2	7.3
Public organisations	0.3	10.9
Private households	95.5	48.1
Non-profit organisations	1.1	5.4
Foreign owners	0.2	0.0
Nominee-registered		4.6
Total	100.0	100.0

Distribution of shareholdings percentage of shareholders, %



Distribution of shareholdings percentage of shares, %



Note is not part of the official consolidated financial statements.

Parent company income statement, FAS

EUR 1,000	Note	2016	2015
Other operating income	(1)	**583**	1,153
Personnel expenses	(2)	**–1,973**	–1,699
Depreciation and impairments	(3)	**–267**	–292
Other operating expenses	(4)	**–1,189**	–1,201
Operating profit		**–2,846**	–2,039
Financial income and expenses	(5)	**5,848**	–993
Profit before appropriations and taxes		**3,002**	–3,033
Group contributions	(6)	**–**	1,237
Change in deferred tax assets	(7)	**330**	54
Net profit		**3,333**	–1,742

Parent company balance sheet, FAS

EUR 1,000	Note	31 Dec. 2016	31 Dec. 2015
ASSETS			
Non-current assets			
Intangible assets	(8)	**139**	189
Tangible assets	(9)	**3,641**	3,754
Investments in Group companies	(10, 11)	**22,780**	22,780
Investments in associated companies	(10, 11)	**12,246**	12,245
Other investments and receivables	(10, 11)	**42**	71
Total non-current assets		**38,847**	39,038
Current assets			
Long-term receivables	(12)	**20,421**	18,183
Deferred tax assets	(14)	**918**	588
Current receivables	(13)	**59,138**	70,634
Cash and cash equivalents		**3,995**	12,814
Total current assets		**84,472**	102,219
Total assets		**123,319**	141,257
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	(15)		
Share capital		**12,635**	12,635
Share premium account		**23,391**	23,391
Contingency reserve		**7,232**	7,232
Retained earnings		**55,716**	61,795
Profit for the period		**3,333**	–1,742
Total equity		**102,307**	103,311
Appropriations		**10**	10
Liabilities	(16)		
Long-term interest bearing liabilities		**4,400**	600
Long-term non-interest bearing liabilities		**103**	–
Current interest bearing liabilities		**15,785**	36,683
Current non-interest bearing liabilities		**714**	653
Total liabilities		**21,002**	37,935
Total equity and liabilities		**123,319**	141,257

Parent company statement of cash flows, FAS

EUR 1,000	2016	2015
Cash flow from operating activities		
Profit before extraordinary items	**3,002**	–3,033
Adjustments [1]	**–5,868**	556
Change in working capital		
Change in non-interest-bearing current receivables	**–996**	1,343
Change in non-interest-bearing current liabilities	**88**	–1,763
Cash flow from operating activities before financial items and taxes	**–3,774**	**–2,896**
Dividends received	**4,420**	5,041
Interests paid	**–305**	–229
Interests received	**1,175**	1,050
Taxes paid	**–**	–
Cash flow from operating activities (A)	**1,516**	**2,966**
Cash flow from investing activities		
Investments in tangible and intangible assets	**–104**	–108
Proceeds from sales of tangible and intangible assets	**1**	790
Investments in subsidiaries	**–**	–1,729
Investments in associated companies	**–**	–119
Investments in other investments	**314**	–
Dividends received	**317**	1,866
Cash flow from investing activities (B)	**527**	**701**

EUR 1,000	2016	2015
Cash flow before financing	**2,044**	3,667
Cash flow from financing activities		
Change in long-term loans	**3,903**	–1,200
Change in short-term loans	**–21,000**	24,000
Change in long-term subsidiary financing	**–2,238**	201
Change in short-term subsidiary financing	**11,572**	–26,534
Dividends paid	**–4,337**	–4,334
Group contributions, received	**1,237**	4,315
Cash flow from financing activities (C)	**–10,863**	**–3,551**
Net increase/decrease in cash and cash equivalents	**–8,819**	**116**
Cash and cash equivalents at beginning of financial year	**12,814**	**12,698**
Cash and cash equivalents at end of financial year	**3,995**	**12,814**

Change in receivables and liabilities of the Group account –971 (–344) is included in the change of the working capital.

[1] Adjustments to cash flow from operating activities:

	2016	2015
Depreciation and impairments	**267**	292
Financial income and expenses	**–5,848**	993
Gains and losses on sales of tangible and intangible assets	**–285**	–729
Other adjustments	**–2**	0
Total	**–5,868**	556

Accounting principles, FAS

Valuation of fixed assets

Fixed assets have been capitalised at their acquisition cost. Fixed assets have been depreciated on a straight line basis according to plan, based on useful economic life.

In 2015 an impairment in subsidiary shares a total of EUR 4.3 million have been recognised on the financial statements of the parent company. In 2015 financial expenses include subsidiary loan conversion to equity a total of EUR 4.1 million.

Foreign currency items

Receivables and payables denominated in foreign currencies have been translated into euros at the European Central Bank middle rate on the closing day. Exchange rate differences caused by short-term receivables and liabilities have been charged to the profit and loss account. Unrealised exchange rate losses and gains of long-term receivables and liabilities have also been charged to the profit and loss account.

Deferred tax assets and liabilities

Deferred tax liabilities and assets are calculated on the basis of the timing differences between the closing date and the taxation date, using the tax rate for subsequent years confirmed on the closing date.

Derivative contracts

In line with its risk management policy, Apetit uses a variety of derivatives for hedging against a number of risks arising from foreign currencies, interest rates and commodity prices. The market values of derivatives are entered under derivative contracts in the other notes to the accounts and indicate what the result would have been if the derivative position had been closed at market prices on the date of closing of the accounts.

Unrealised losses on derivative instruments are recognised on financial costs. Unrealised gains are not recognised on profit and loss statement, gains are recognised on financial income at the moment when derivative instrument is realised.

Pension arrangements

Statutory pension coverage for corporate personnel is covered by pension insurance. Special pension insurance policies provide additional pension coverage under the Trust rules for former employees and retired staff previously covered by the Lännen Tehtaat Staff Pension Trust.

The retirement age for the parent company's CEO has been set at 62 years.

Notes to the parent company financial statements, FAS

1. Other operating income

EUR 1,000	2016	2015
Gains from sales of non-current assets	**285**	729
Rental income	**141**	267
Service fees	**146**	145
Other	**11**	12
Total	**583**	1,153

2. Personnel expenses and average number of personnel

EUR 1,000	2016	2015
Personnel expenses		
Wages and salaries	**1,639**	1,493
Pension expenses	**273**	164
Other social security expenses	**61**	43
Total	**1,973**	1,699

Salaries, wages and benefits of the administrative bodies are presented in Note 25 of the Notes to the consolidated financial statements.

Average number of personnel	**11**	11

The pension commitments to the members of the Board of Directors and the CEO
The retirement age of the CEO is 62 years.

3. Depreciation and impairments

Depreciation according to plan has been calculated from the original acquisition cost on a straight-line-basis. Tangible and intangible assets are subject to straight-line depreciation over the period of their useful lives. Deprecitions begin from the month that they are available fo use.

Depreciation periods:	
Intangible rights	5 or 10 years
Other capitalised long-term expenses	5 or 10 years
Buildings and structure	20–30 years
Other buildings and constructions	5 or 10 years
Machinery and equipment	5 or 10 years

The basis for depreciations have not changed.

EUR 1,000	2016	2015
Depreciation according to plan		
Intangible rights	**12**	23
Other capitalised long-term expenses	**34**	39
Buildings and structure	**197**	206
Machinery and equipment	**16**	18
Total	**259**	286
Impairments		
Immaterial goods	**1**	–
Other capitalised longterm expenses	**2**	–
Machinery and equipment	**4**	6
Total	**8**	6
Depreciation and impairments according to plan total	**267**	292

4. Other operating expenses

EUR 1,000	2016	2015
Rental expenses	**25**	20
Expenses of administration	**509**	529
Other operating expenses	**655**	651
Total	**1,189**	1,201
Audit fees	**76**	67

5. Financial income and expenses

EUR 1,000	2016	2015
Dividend income		
From Group companies	**4,416**	5,027
From associated companies	**317**	1,866
From others	**4**	14
Total	**4,737**	6,907
Interest income from long-term investments		
From Group companies	**193**	234
Other interest and financial income		
From Group companies	**981**	814
From foreign currency gains	**266**	47
From others	**1**	2
Total	**1,248**	863
Financial income, total	**6,177**	8,005
Reduction in value of investments held as non-current assets	**–**	4,303
Interest expenses and other financial expenses		
To foreign currency losses	**25**	366
From interest expenses	**87**	57
To others	**218**	172
Subsidiary loan convertion to equity	**–**	4,100
Total	**329**	4,694
Financial expenses total	**329**	8,998
Financial income and expenses, total	**5,848**	–993

Foreign currency gains include unrealised currency gains from long-term loan receivables a total of EUR 264 thousands. In the previous year foreign currency losses include unrealised currency losses EUR 328 thousands.

6. Appropriations

EUR 1,000	2016	2015
Group contributions, received	**–**	1,237

7. Income taxes

EUR 1,000	2016	2015
Income taxes on appropriations	**–**	–247
Income taxes for the financial year	**–**	247
Change in deferred tax assets	**330**	54
Total	**330**	54

8. Non-current assets

Intangible assets 2016

EUR 1,000	Intangible rights	Other capitalised long-term expenses	Assets under construction	Total
Acquisition cost 1 Jan.	**162**	**463**	**–**	**625**
Additions	**–**	**–**	**–**	**–**
Disposals	**–2**	**–16**	**–**	**–18**
Acquisition cost 31 Dec.	**160**	**448**	**–**	**608**
Accumulated depreciation 1 Jan.	**–112**	**–324**	**–**	**–437**
Disposals, accumalated depreciation	**2**	**16**	**–**	**18**
Impairments	**–1**	**–2**	**–**	**–3**
Depreciation for the period	**–12**	**–34**	**–**	**–46**
Accumulated depreciation 31 Dec.	**–124**	**–345**	**–**	**–469**
Book value 31 Dec. 2016	**36**	**103**	**–**	**139**

Intangible assets 2015

EUR 1,000	Intangible rights	Other capitalised long-term expenses	Assets under construction	Total
Acquisition cost 1 Jan.	103	322	195	624
Additions	–	18	–	18
Disposals	–	–12	–	–12
Transfer difference and other changes	59	136	–195	–
Acquisition cost 31 Dec.	162	463	–	630
Accumulated depreciation 1 Jan.	–89	–297	–	–392
Disposals, accumalated depreciation	–	12	–	12
Depreciation for the period	–23	–39	–	–62
Accumulated depreciation 31 Dec.	–112	–324	–	–442
Book value 31 Dec. 2015	49	139	–	189

9. Non-current assets

Tangible assets 2016

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construc-tion in progress	Total
Acquisition cost 1 Jan.	2,260	4,769	339	57	–	7,425
Additions	–	–	–	–	104	104
Disposals	–	–	–11	–	–	–11
Acquisition cost 31 Dec.	2,260	4,769	328	57	104	7,518
Accumulated depreciation 1 Jan.	–	–3,389	–282	–	–	–3,671
Disposals, accumalated depreciation	–	–	11	–	–	11
Impairments	–	–	–4	–	–	–4
Depreciation for the period	–	–197	–16	–	–	–213
Accumulated depreciation 31 Dec.	–	–3,586	–291	–	–	–3,877
Book value 31 Dec. 2016	2,260	1,183	37	57	104	3,641

Tangible assets 2015

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Construc-tion in progress	Total
Acquisition cost 1 Jan.	2,260	5,868	401	63	–	8,655
Additions	–	90	–	–	–	90
Disposals	–	–1,190	–63	–6	–	–1,258
Acquisition cost 31 Dec.	2,260	4,769	339	57	–	7,487
Accumulated depreciation 1 Jan.	–	–4,350	–318	–	–	–4,730
Disposals, accumalated depreciation	–	1,167	54	–	–	1,222
Depreciation for the period	–	–206	–18	–	–	–224
Accumulated depreciation 31 Dec.	–	–3,389	–282	–	–	–3,733
Book value 31 Dec. 2015	2,260	1,380	57	57	–	3,754

Revaluation 2016 and 2015

EUR 1,000	Total
Revaluation includes in book value of land and water areas.	
Land and water areas 1 Jan. and 31 Dec.	**1,850**

10. Investments

Investments, other investments and receivables 2016

EUR 1,000	Holdings in Group companies	Holdings in associated companies	Other investments	Other receivables	Total
Acquisition cost 1 Jan.	**22,780**	**12,245**	**69**	**1**	**35,095**
Additions	**–**	**0**	**–**	**–**	**0**
Disposals	**–**	**–**	**–29**	**–**	**–29**
Impairments	**–**	**–**	**–**	**–**	**–**
Book value 31 Dec. 2016	**22,780**	**12,245**	**40**	**1**	**35,066**

Investments, other investments and receivables 2015

EUR 1,000	Holdings in Group companies	Holdings in associated companies	Other investments	Other receivables	Total
Acquisition cost 1 Jan.	25,354	12,126	69	31	37,580
Additions	1,729	119	–	–	1,848
Disposals	–	–	–	–30	–30
Impairments	–4,303	–	–	–	–4,303
Book value 31 Dec. 2015	22,780	12,245	69	1	35,095

11. Shares of Group companies, associated companies and other shares

EUR 1,000	Domicile	Holding-%
Group companies		
Apetit Ruoka Oy	Säkylä	100.0
Apetit Kala Oy	Kuopio	100.0
Apetit Suomi Oy	Säkylä	100.0
Avena Nordic Grain Oy	Helsinki	90.0
Maritim Food AS	Norway	100.0
1 non-operative company	Säkylä	100.0
Associated companies		
Sucros Ltd	Helsinki	20.0
Foison Oy	Helsinki	30.0

Other shares, holdings and receivables

	Book value EUR 1,000
Shares and holdings	40
Connection fees, long-term receivables	1
Total	41

12. Long-term receivables

EUR 1,000	2016	2015
Loans receivables from Group companies	**20,421**	18,183

13. Current receivables

EUR 1,000	2016	2015
Accounts receivable	**23**	8
Amounts owed by the Group companies		
Accounts receivable	**96**	104
Loans receivable	**54,880**	66,211
Group account receivables	**3,979**	2,905
Group contribution receivables	**–**	1,237
Other receivables	**95**	95
Total	**59,049**	70,553
Amounts owed by the associated companies		
Accounts receivable	**16**	2
Personel expenses	**3**	55
Other	**47**	16
Total	**50**	71
Current receivables total	**59,138**	70,634

14. Deferred tax assets and liabilities

EUR 1,000	2016	2015
Deferred tax assets, carry forward of unused tax losses	**918**	588

Deferred tax asset of EUR 330,5 thousands has been recognised in 2016 for taxable losses.

15. Changes in shareholders' equity

EUR 1,000	2016	2015
Share capital 1 Jan.	**12,635**	12,635
Share capital 31 Dec.	**12,635**	12,635
Share premium account 1 Jan.	**23,391**	23,391
Share premium account 31 Dec.	**23,391**	23,391
Contingency reserve 1 Jan.	**7,232**	7,232
Contingency reserve 31 Dec.	**7,232**	7,232
Retained earnings 1 Jan.	**61,795**	72,573
Transfer from previous year's profit	**–1,742**	–6,444
Dividends paid	**–4,337**	–4,334
Retained earnings 31 Dec.	**55,716**	61,795
Profit for the financial year	**3,333**	–1,742
Shareholders' equity 31 Dec.	**102,307**	103,311
Distributable funds		
Contingency reserve	**7,232**	7,232
Retained earnings	**55,716**	61,795
Profit for the financial year	**3,333**	–1,742
Distributable funds 31 Dec.	**66,281**	67,285

16. Liabilities

EUR 1,000	2016	2015
Non-current liabilities		
Loans from financial institutions	**4,503**	600
Current liabilities		
Loans from financial institutions	**1,200**	1,200
Commercial papers and loans from credit institutions	**11,000**	32,000
Trade payables	**127**	178
Amounts owed to Group companies		
Other liabilities	**61**	74
Group account liabilities	**3,585**	3,483
Total	**3,647**	3,557
Amounts owed to associated companies		
Trade payables	**13**	12
Other liabilities		
Tax account payable	**17**	34
Accrued expenses and deferred income		
Personnel expenses	**359**	310
Accruals of expenses	**136**	43
Total	**495**	354
Non-current liabilities, interest-bearing	**4,400**	600
Long-term non-interest bearing liabilities	**103**	–
Current liabilities, interest-bearing	**15,785**	36,683
Current liabilities, non-interest-bearing	**714**	652
Total	**21,002**	37,935

17. Contingent liabilities

EUR 1,000	2016	2015
Lease liabilities		
Real estate lease liabilities		
Falling due during the following year	**233**	200
Falling due at later date	**466**	–
Other lease liabilities		
Falling due during the following year	**44**	37
Falling due at later date	**26**	32
Other liabilities		
Guarantees	**72**	62
Contingent liabilities on behalf of the Group companies		
Guarantees	**9,319**	9,221
Liabilities total	**10,161**	9,552
Outstanding derivative instruments		
Commodity derivatives		
Nominal value of underlying instruments	**–**	756
Market value	**–**	–218
Interest rate swaps		
Nominal value of underlying instruments	**5,418**	6,618
Market value	**–**	–60
Currency derivates		
Nominal value of underlying instruments	**–**	1,068
Market value	**–**	–23
Contingent assets		
Proceeds from the sale of shares in the joint book-entry account.	**717**	720

Proposal of the Board of Directors for the distribution of profits

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 the distributable funds be used as follows:

– distributed as a dividend of EUR 0.70 per share i.e. a total of	EUR 4,340,539.70
– retained in shareholders' equity	EUR 61,940,723.83
Total	EUR 66,281,263.53

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.

Signatures to the Board of Directors' report and Financial Statements

Helsinki, 22 February 2017

Veijo Meriläinen
Chairman of the Board

Lasse Aho

Esa Härmälä

Aappo Kontu

Seppo Laine

Simo Nikula

Juha Vanhainen
CEO

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Apetit Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Apetit Oyj (business identity code 0197395–5) for the year ended 31 December 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

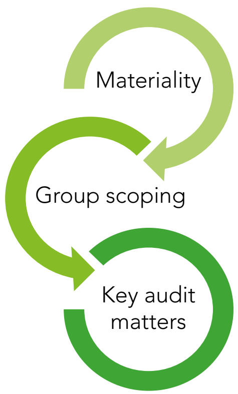
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview



Materiality

We applied an overall group materiality of EUR 1,5 million, which amounts to some 0,4% of consolidated net sales. The result of Apetit group has fluctuated during the recent years and therefore net sales provides a more solid base for determining materiality than using the result as a benchmark.

Group scoping

The group audit scope encompassed in Finland five domestic subsidiaries in addition to the parent company. Additionally audit procedures were performed in subsidiaries in Norway and Sweden.

Key audit matters

- Occurrence and cut-off of revenue
- Valuation of deferred tax assets
- Valuation of assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	EUR 1,5 million
How we determined it	0.4% of consolidated net sales
Rationale for the materiality benchmark applied	The result of Apetit group has fluctuated and been at loss during the recent years. Therefore net sales provides a more solid base for determining materiality than using the result as a benchmark. In our view net sales is a benchmark against which the performance of the group is commonly measured by users.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Apetit group, the accounting processes and controls, and the industry in which the group operates.

The group operates mainly in Finland and through Maritim group entities in Norway and Sweden. The consolidated net sales accumulates mainly from the Finnish entities. The group audit scope encompassed the Finnish entities and two subsidiaries in Norway and one in Sweden. We determined that no risk for material misstatements relates to other foreign subsidiaries and therefore our procedures regarding these entities comprised only of analytical procedures performed at Apetit group level.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the Key audit matter
Occurrence and cut-off of revenue *Accounting principles, note 2 to the consolidated financial statements* The group's net sales consist mainly of the sales of frozen food, fresh and fish products as well as grain and oilseed products. Revenue is recognized when the risks and rewards of ownership are transferred to the buyer. This ordinarily takes place as the product transfers to the buyer. Because of the nature of revenue, we focused on sales transactions that occurred during the financial period, especially on whether the recorded sales reflect real sales transactions. We also focused on the accurate timing of revenue recognition (cut-off) of big shipments of grain sales. For other revenue streams of the group, the accurate timing of revenue recognition is not considered to be a key audit matter because of the nature of the operations and the relatively small monetary value of individual sales transactions.	Our audit procedures consisted of obtaining an understanding of the group's internal control as well as of testing of controls and substantive procedures performed on recorded sales transactions. Our audit relating to the group's internal control focused on testing of controls which ensure appropriate revenue recognition. We especially focused on controls ensuring the correct timing of revenue recognition (cut-off) and on controls ensuring that the recorded sales reflect real sales transactions (occurrence). As part of substantive audit procedures relating to net sales we: • Evaluated the appropriateness of the accounting policies for revenue recognition. • Tested a sample of sales transactions recorded during the financial year to verify that they reflect actual sales transactions. • Tested the accurate timing of revenue recognition of sales transactions recorded near the end of the financial period, focusing on big shipments in the grain business. Tested the basis for selected journal entries posted to net sales.

Key audit matter	How our audit addressed the Key audit matter
Valuation of deferred tax assets *Accounting principles, note 9 to the consolidated financial statements.* Deferred tax assets recognized in the consolidated balance sheet totaled €4,3 million. Deferred tax assets mainly consist of tax losses confirmed or to be confirmed. In addition, the group has unrecognized deferred tax assets of approximately €1,4 million relating to tax losses confirmed or to be confirmed. Deferred tax assets are recognized to the extent that it is probable that they can be utilized against taxable profit in the future. The valuation of deferred tax assets requires estimates by management, including the future operating profitability of operations. Because of estimates involved in the valuation of deferred tax assets as well as their materiality we consider deferred tax assets to be a key audit matter. In particular, we focused on the risk of overstatement of deferred tax assets in the consolidated balance sheet.	We obtained an understanding of the company's processes relating to the calculation and valuation of deferred taxes. Our audit procedures were especially directed to the following: • We tested the reliability of estimates and forecasts previously made by the company by comparing management's forecasts from prior years to actual results. • We tested the mathematical accuracy of calculations and reconciled data, for applicable parts, to plans and other assumptions approved by management. • We evaluated the appropriateness of key assumptions used in the forecasts. Our focus was especially on assumptions that are significant to future profitability, such as the development of net sales and expenses and the period of utilization of deferred tax assets.

Key audit matter	How our audit addressed the Key audit matter
Valuation of assets *Accounting principles, note 11 to the consolidated financial statements* The profitability of Fresh products group, which is part of Food Solutions business segment, has not been on the desired level. Profitability below expectations may be an indication of impairment of assets relating to the business. Where such indications are identified, the asset's estimated recoverable amount needs to be determined. An impairment loss is recognized, if the carrying amount of the asset or cash-generating unit in the balance sheet exceeds its recoverable amount. The company's management has performed impairment test calculations at the level of customer relationships as well as at the level of the cash generating unit, Fresh products group. Recoverable amounts for impairment testing have been determined based on the value in use. Impairment test calculations involve, to a significant extent, estimates by management, especially relating to forecasts for growth as well as profitability. Because of the estimates involved as well as the potential materiality, we considered the risk of impairment of assets in the Fresh products group to be a key audit matter.	Our audit procedures included the following: • We discussed with management the accounting policies applied and significant assumptions involving estimates, such as the development of sales and margins and the discount rate. • We reconciled the cash flow forecast for the year 2017 to the budget approved by the Board of Directors, and compared the assumptions used for subsequent years to long-term objectives for the business • We evaluated the reliability of forecasts used by management relating to, for example, the growth of net sales and gross margin by comparing forecast made in prior years to actual results. • We tested the method for the determination of the discount rates used in impairment testing. • We tested the mathematical accuracy of the calculations for impairment testing.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 22 February 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jari Viljanen	Pasi Karppinen
Authorised Public Accountant (KHT)	Authorised Public Accountant (KHT)

Statement by the Supervisory Board

The Supervisory Board has today reviewed Apetit Plc's financial statements 2016 including the consolidated financial statements, the Board of Directors' report and the auditors' report provided by the Company's auditors. The Supervisory Board has no comments to make on these.

The Supervisory Board proposes that the parent company financial statements and consolidated financial statements be adopted and concurs with the proposal of the Board of Directors concerning the distribution of the profit funds.

The term of the following Supervisory Board members will end on the date of the Annual General Meeting: Jaakko Halkilahti, Mika Leikkonen, Marja-Liisa Mikola-Luoto, Petri Rakkolainen and Mauno Ylinen.

Säkylä, 24 February 2017

For the Supervisory Board

Harri Eela	Asmo Ritala
Chairman	Secretary

Corporate Governance Statement of Apetit Plc 2016

This Corporate Governance Statement of Apetit Plc has been drawn up in accordance with the Finnish Corporate Governance Code 2015 of the Securities Market Association. The Corporate Governance Statement has been considered by Apetit Plc's Board of Directors and is issued separately from the Board of Directors' report. The company's auditors have confirmed that the Corporate Governance Statement has been issued and that the description it contains of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements.

Apetit Plc complies with the Finnish Corporate Governance Code 2015 published by the Securities Market Association, which came into effect on 1 January 2016.

The company does not follow recommendation 5 concerning the election of the Board of Directors. Recommendation 5 of the Corporate Governance Code states that the general meeting shall elect the members of the Board of Directors. Under Apetit Plc's Articles of Association, however, the Supervisory Board elects the members of the Board based on the proposals of the Nomination Committee, and decides on their remuneration. The company has chosen to deviate from the recommendation because the Supervisory Board, as the body that oversees the company's Board of Directors, is best placed to assess the composition of the Board of Directors and the attributes required of Board members.

The company deviates from the Corporate Governance Code recommendation (no. 9) on the composition of the Board of Directors, which states that both sexes shall be represented on the Board. Although the company considers it important that its Board of Directors should have a diverse composition, it has been necessary to deviate from the recommendation because in the selection process it was emphasised that candidates should have experience of the retail trade and of primary production. In the future, the company will put more emphasis on the search for representatives of both sexes for membership of the Board of Directors.

The Corporate Governance Code is publicly available on the website of the Securities Market Association at www.cgfinland.fi.

Board of Directors

1. Board of Directors election procedure laid down in the Articles of Association

Under Apetit Plc's Articles of Association, the Supervisory Board decides the number of members of the Board of Directors and their remuneration based on the proposals of the Nomination Committee, and elects the members of the Board of Directors.

In accordance with the Articles of Association, Apetit Plc's Board of Directors consists of a minimum of five and a maximum of seven members. The Articles of Association do not limit the number of terms served by members of the Board of Directors nor is the Supervisory Boards decision-making power in the election of members of the Board of Directors restricted in any other way.

2. Composition of Board of Directors

Members

In the period up to 28 April 2016, Apetit Plc's Board of Directors comprised the six members elected by the Supervisory Board on 15 April 2015. Lasse Aho, Esa Härmälä, Aappo Kontu, Tuomo Lähdesmäki, Veijo Meriläinen and Niko Simula formed the Board of Directors during 1 January–28 April 2016.

At a meeting held on 28 April 2016, the Apetit Plc Supervisory Board decided to elect six members to the Apetit Plc 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.

Information on members of the Board of Directors

Veijo Meriläinen, b. 1952, M.Sc. (Agric.), eMBA
Principal occupation: Merive Oy, President
Chairman since 2015, Deputy Chairman since 2013, member since 2012
CEO of Apetit Plc until 15 March 2015
Share ownership 31 December 2016: 2,702 shares

Lasse Aho, b. 1958, M.Sc. (Soc.)
Principal occupation: CEO, Olvi plc
Member since 2015
Share ownership 31 December 2016: 3,011 shares

Aappo Kontu, b. 1952, M.Sc. (Tech.)
Principal occupation: Valor Partners Ltd, Senior Advisor
Deputy Chairman since 2015, Chairman since 2013, Deputy chairman 2012, member since 2004
Share ownership 31 December 2016: 7,223 shares

Esa Härmälä, b. 1954, M.Sc. (Agric.)
Principal occupation: Metsähallitus, General Director 2014–2016
Member since 2014
Share ownership 31 December 2016: 1,915 shares

Seppo Laine, b. 1953, APA
Principal occupation: Professional board member
Member since 2016
Share ownership 31 December 2016: 2,065 share

Tuomo Lähdesmäki, b. 1957, M.Sc. (Tech.), MBA
Principal occupation: Boardman Ltd, partner, 2002–
Member 2013–2016
Share ownership 31 December 2016: 3,000 shares

Niko Simula, b. 1966, L.L.M. with court training
Principal occupation: farmer
Member since 2015
Share ownership 31 December 2016: 1,368 shares

Evaluation of independence

The company's Board of Directors has performed an evaluation of the independence of the Board's members in relation to the company and in relation to the major shareholders, in accordance with recommendation 10 of the Corporate Governance Code.

The evaluation found that all the Board members are independent of the company and of significant shareholders as referred to in the Corporate Governance Code recommendation.

3. Description of the operation of the Board of Directors

Main elements of the Board of Directors' rules of procedure

The rules of procedure of the Board of Directors describe the following

- functions of the Board of Directors and the Board's chairman
- planning and assessment of the Board's operation
- establishment of Board committees and temporary working groups, and
- practices for approving the expenses of Board members and the Chief Executive Officer (CEO)

Functions of the Board of Directors

The general function of the Board of Directors is to direct the operations of the company in such a way that in the long run the amount of added value for the capital invested is maximised, taking into account at the same time the expectations of the different stakeholders. The Board of Directors also monitors on a continuous basis the demands placed by shareholders on the Board of Directors and the general development of ownership policy.

For the purpose of performing its functions the Board of Directors:

- considers the company's corporate governance statement
- appoints and releases from duties the CEO and Deputy to the CEO, determines their duties and decides on their terms of service and their incentive schemes
- sets personal targets for the CEO annually and assesses their realisation
- convenes at least once a year without the operating organisation's management in attendance
- holds a meeting with the auditors at least once a year
- prepares a draft resolution on the choice of auditors for submission to the general meeting
- assesses its own performance once a year
- confirms its rules of procedure, which are reviewed annually
- discusses other matters proposed by the Board of Directors chairman or the CEO for inclusion in the meeting agenda. Members of the Board of Directors are also entitled to have a matter of their choosing discussed by the Board by first notifying the chairman of this

Based on proposals presented by the CEO, the Board of Directors:

- confirms the company's ethical values and operating policies, and supervises their implementation
- confirms the company's basic strategy and continuously monitors its validity
- defines the company's dividend policy
- approves the annual operating plan and budget on the basis of the strategy, and supervises their implementation
- approves the total annual investment and its distribution among the business areas, and decides on large and strategically important investments, acquisitions and divestments
- confirms the operating guidelines for the company's internal control, ensuring annually that they are kept up-to-date, and monitors the effectiveness of internal control
- confirms the company's risk management policy and principles as well as the risk limits to be confirmed annually, and monitors the effectiveness of the risk management systems
- reviews quarterly the main risks associated with the company's operations and the management of these risks
- approves interim reports, the Board of Directors' report and financial statements discussed by the Audit Committee
- confirms the Group's organisational structure
- where necessary, submits proposals to the general meeting concerning the remuneration systems for management and personnel
- annually monitors issues associated with management successors and draws up the necessary conclusions
- confirms the decisions of the CEO about the choice of the CEO's immediate subordinates, their duties, terms of employment and incentive schemes, and
- monitors the company's working atmosphere and the way in which personnel cope with their tasks

Planning and assessment of the Board's operation

The Board of Directors draws up an operating plan for itself for the ensuing 12 months. The plan includes a schedule of meetings and, for each meeting, the most important issues for discussion.

The Board of Directors assesses its performance annually through a self-evaluation, and the evaluation results are submitted to the Supervisory Board for its information. The evaluation results are taken into consideration in the preparation of proposals for the composition of the new Board of Directors.

Board of Directors' meetings in 2016

The Apetit Plc Board of Directors convened 10 times in 2016. One of the meetings was held by written procedure. The meeting attendance rate of members was as follows:

Veijo Meriläinen	100%
Lasse Aho	100%
Esa Härmälä	88.9%
Seppo Laine	100%
Tuomo Lähdesmäki	100%
Aappo Kontu	100%
Niko Simula	100%

Audit Committee of the Board of Directors

The Board of Directors has elected an Audit Committee from among its members. The Chairman of the Committee, established in August 2016, is Seppo Laine and the members of the Committee are Esa Härmälä and Aappo Kontu. The Committee convened once in 2016. All members attended the meeting.

The purpose of the Audit Committee is

- to consider the financial statements and the consolidated financial statements and the financial statement release and inspect them with the management of the company before they are considered by the Board, and to monitor and supervise the Group's financial statement and the financial reporting process,
- to consider the company's Board of Directors' report, and the company's corporate governance statement before they are considered by the Board of Directors, and to assess their consistency with the financial statements,
- to familiarize themselves with applicable accounting principles and management estimates used in their preparation and the auditor's audit findings, changes in accounting policies, and their impact on the company's financial statements and the consolidated financial statements and on the Group's financial reporting,
- to prepare the decisions of the Board of Directors on significant changes in the company's accounting principles or the valuation of the Group's assets,
- to follow the development of the company's and the Group's financial situation and, together with executive management, assess the financial information published on the company and the Group,
- to familiarise themselves with the company's and the Group's audit plan for the financial year and to discuss any issues raised during the audit,
- to monitor and evaluate auditing, the level of remuneration, the resources of the auditing firm and the advisory services provided to the company by the auditing firm and the fees payed for them,
- to evaluate the independence and any conflicts of interest of the auditors,
- to prepare a proposal for the company's Board of Directors to present to the annual general meeting on the appointment of the auditors and their fees, to consider and propose to the company's Board of Directors an annual audit plan and to ensure that it covers the relevant risk areas and that cooperation with the auditors is properly organized,
- to supervise the activities and effectiveness of internal audit, internal control and risk management, to familiarize themselves with the organisation and processes of these functions, and to ensure that they have the necessary resources at their disposal,
- to consider all key reports drawn up by internal audit, internal control and risk management,
- to assess compliance with laws and regulations and to supervise the associated process,
- to monitor compliance with the company's and the Group's corporate governance guidelines.
- The Audit Committee may also consider any other issues and tasks assigned to it by the company's Board of Directors.

Supervisory Board

1. Composition and term

In accordance with the Articles of Association, the Supervisory Board comprises a minimum of 15 and a maximum of 18 members elected by the general meeting. In addition, the personnel choose from among its members a maximum of four Supervisory Board members at a time, and each of these members has a personal deputy. The members' term of office ends at the close of the third Annual General Meeting following their election.

2. Functions

The Supervisory Board elects the members, chairman and vice chairman of the Board of Directors, and decides on their remuneration in accordance with the preparation of the Nomination Committee.

The Supervisory Board is also responsible for supervising the corporate administration, issuing instructions to the Board of Directors, issuing an opinion on the financial statements, the Board of Director's report and the auditors' report, and other duties that are prescribed for it in the Limited Liability Companies Act.

3. Composition of the Supervisory Board and information on its members

In the period up to 31 March 2016 the Supervisory Board consisted of 18 members elected by the general meeting. On 31 March 2016, the Annual General Meeting decided to select 18 members to the Supervisory Board.

Information on members of the Supervisory Board:

Harri Eela, b. 1960, wood-products industries technician, Sales Director
Chairman of the Supervisory Board since 2014, member since 2012

Marja-Liisa Mikola-Luoto, b. 1971, M.Sc. (Agric.), farmer
Deputy Chairman of the Supervisory Board since 2011, member since 2005

Jaakko Halkilahti, b. 1967, farmer
Member since 2011

Jussi Hantula, b. 1955, farmer
Member since 1995

Laura Hämäläinen, b. 1975, M.Sc. (Agric.), farmer
Member since 2009

Aki Kaivola, b. 1960, M.Sc. (Agric.), farmer
Member since 2015

Risto Korpela, b. 1949, M.Sc. (Econ. & Bus. Adm.), commercial counsellor
Member since 2007

Jonas Laxåback, b. 1973, M.Sc. (Agric.), Secretary General
Member since 2013

Mika Leikkonen, b. 1963, farmer , agrologist
Member since 2008

Ilkka Markkula, b. 1960, farmer, agrologist
Member since 2003

Jari Nevavuori, b.1966, M.Sc. (Agric.), Product Manager, farmer
Member since 2012

Pekka Perälä, b. 1961, M.Sc. (Admin.), CEO
Member since 2016

Markku Pärssinen, b. 1957, M.Sc. (Agric.), Secretary General
Member since 2012

Petri Rakkolainen, b. 1966, engineer, Managing Director, farmer
Member since 2014

Timo Ruippo, b. 1968, Agricultural Technician, farmer
Member since 2013

Veli-Pekka Suni, b. in 1964, farmer, Bachelor of Natural Resources
Member since 2016

Johanna Takanen, b. 1973, BBA, Managing Director
Member since 2015

Mauno Ylinen, b. 1965, M.Sc. (Agric.)
Member since 2005

Members appointed by the personnel:

Jari Heiskanen, b. 1979, shop steward
Member since 2015
Deputy member Kirsi Turunen

Timo Hurme, b. 1959, shop steward
Member since 2015
Deputy member Päivi Hakasuo

Mari Saarinen, b. 1982, shop steward
Member since 2015
Deputy member Marika Palmén

Heikki Vesanto, b. 1949, shop steward
Member since 2012
Deputy member Kirsi Roos

4. Meetings of the Supervisory Board in 2016

The Supervisory Board convened four times in 2016. The average attendance rate of members was 80.2%.

Supervisory Board Nomination Committee

1. Composition and tasks

The Supervisory Board's Nomination Committee, which prepares the names for election to the Board of Directors, consists of two members chosen by the Annual General Meeting, the chairman of the Supervisory Board, the deputy chairman of the Supervisory Board and the chairman of the Board of Directors, in accordance with the Articles of Association. The Nomination Committee is chaired by the Supervisory Board's chairman, and in his/her absence, by the Supervisory Board's deputy chairman.

The Nomination Committee has the task of preparing proposals for the Supervisory Board on the number of members of the Board of Directors, the names of the members, chairman and deputy chairman of the Board of Directors and the remuneration payable to them. The Committee's tasks also include searching for successor candidates to replace members of the Board of Directors, as necessary. The Committee asks shareholders with significant voting power for their views concerning the proposals being put to the Supervisory Board.

2. Activity

In 2016 the Nomination Committee convened three times to discuss matters pertaining to the Committee's tasks. The average attendance rate of the Committee's members was 100%.

3. Information on members of the Nomination Committee

Chairman
Harri Eela, b. 1960, wood-products industries technician, Chairman of the Apetit Plc Supervisory Board

Sauli Lähteenmäki, b. 1960, agricultural engineer

Veijo Meriläinen, b. 1952, M.Sc. (Agric.), eMBA
Apetit Plc Board Chairman

Marja-Liisa Mikola-Luoto, b. 1971
Deputy Chairman of the Apetit Plc Supervisory Board

Jorma Takanen, b. 1946, B.Sc. (Chem. Eng.)

CEO

CEO

Juha Vanhainen, b. 1961, M.Sc. (Tech.)
Share ownership 31 December 2016: 12,500 shares

CEO's duties

It is the CEO's duty to direct the operations of the company according to the instructions and provisions issued by the Board of Directors and to inform the Board about the development of the company's business operations and financial situation.

The CEO is also responsible for arrangement of the day-to-day management of the company and for seeing that the company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Corporate Management

The Group's Corporate Management is chaired by the CEO of Apetit Plc. Its members are:

Johanna Heikkilä, b. 1962, M.Sc. (Econ & Bus. Admin)
HR Director
Share ownership 31 December 2016: 0 shares

Eero Kinnunen, b. 1970, M.Sc. (Econ & Bus. Admin)
Vice President, strategic projects
Share ownership 31 December 2016: 750 shares

Anu Ora, b. 1973, M.Sc. (Econ & Bus. Admin.)
Vice President, Food Business
Share ownership 31 December 2016: 0 shares

Asmo Ritala, b. 1958, LL.M.
Corporate Counsel
Share ownership 31 December 2016: 0 shares

Sami Saarnio, b. 1973, M.Sc. (Econ & Bus. Admin.)
Chief Financial Officer
Share ownership 31 December 2016: 0 shares

Kaija Viljanen, b. 1952, M.Sc. (Econ & Bus. Admin.), eMBA
Director of Grains and Oilseeds business
Share ownership 31 December 2016: 0 shares

The Corporate Management does not exercise powers based on law or the Articles of Association. The Corporate Management is an advisory body appointed by Apetit Plc's CEO and has the task of discussing Group-wide development projects and Group-level principles and procedures as necessary. The CEO is responsible for choosing the members of the Corporate Management.

Main features of the internal control and risk management systems pertaining to the financial reporting process

1. Internal control operating principles

Apetit Plc's Board of Directors confirms the operating principles for the Apetit Group's internal control and assesses the state of internal control at least once a year.

Internal control refers to all the operating methods, systems and procedures with which the company's management seeks to ensure efficient, economical and reliable operations. Internal control comprises financial and other control. At Apetit, internal control is performed by the company's management and by all other personnel.

Risk management as part of internal control refers to the identification, assessment, restriction and monitoring of risks arising in business activities and risks that are materially related to this.

2. Role of company boards in arranging internal control

Apetit Plc's Board of Directors is responsible for arranging and maintaining sufficient and effective internal control within the Apetit Group.

As part of the arrangement of internal control and risk management, the company's Board of Directors regularly monitors the results and operating risks of the Group and its business units, and decides on the reporting, the procedures and the qualitative and quantitative indicators for assessing the efficiency and profitability of operations. The Group's Board of Directors confirms annually the Group's risk policy, risk management principles and key risk limits.

To ensure implementation of the Group's ownership policy towards the Group companies and to monitor the effectiveness of internal control, the boards of directors of the main Group companies include one or more members of the Group's Corporate Management. Group-level risk management and financial reporting are performed on a centralised basis in the Group Administration, independent of the different business activities. The boards of directors of Group companies are responsible for the highest level of management duties related to the internal control of their respective companies. The operating organisation's management in each of the Group companies is responsible for the implementation of internal control and risk management in line with the pre-determined principles and operating guidelines, and for reporting on the company's operations, risk-bearing ability and risk situation in accordance the Group's management system.

3. Implementation of internal control within Apetit Plc and the Group companies

The main principles of internal control observed within Apetit Plc and the Group companies are:

Organisational structure and division of tasks

The basis for internal control is the function-specific line organisation that is further divided into departments, units and teams, as necessary. The organisational units are allotted defined tasks and responsibilities required for the company's operations. The task of the operating organisation's management, i.e. the managers of the Group's business areas and operations, is to set quantitative and qualitative targets for the various areas of the business in accordance with the business plan approved by the Board of Directors. For the units, decision-making bodies and people operating within the framework of the organisation there are separately defined decision-making and operating powers set out in work and job specifications, as well as obligations to report to one's superiors or otherwise to a higher organisational level. The task of the operating organisation's management is to ensure that those working under them are familiar with their own duties, and the management are required to create the right conditions for their personnel to be able to perform their work and achieve the targets.

Decision-making and monitoring

Significant commitments or other actions deemed to carry risks are subject to the approval of the Group's Board of Directors. Business units are responsible for formulating proposed decisions and for putting decisions into effect. Reporting on the implementation of decisions is made in connection with the management reporting.

Business activities and processes are guided within the confines of operating guidelines and descriptions, which are monitored to ensure they are complied with and kept up-to-date. All decisions taken are documented and archived. An essential aspect of risk management is the performance of daily controls in the operating chains and processes.

Risk management

The internal and external risks of Apetit Plc and the Group companies that could have an adverse effect on achieving business targets are identified, assessed regularly and reported quarterly to the Group Board of Directors. The risks are contained and the confining limits are monitored.

The Group Administration's risk management has the task of monitoring, measuring and reporting risks and of maintaining, developing and preparing risk management principles for the Board of Directors' approval, and of drafting procedures for use in risk assessment and measurement. Roles and responsibilities are defined in Apetit's risk management policy and risk management principles, which are approved by the Group's Board of Directors.

Data systems

The basis for business and other activities is provided by the accounting, information and business IT systems. The parent company and the Group companies have an IT strategy in accordance with currently assessed needs and sufficient and appropriately organised IT systems. The IT function ensures that the company's data resources can be utilised in the planning, management, execution and monitoring of the company's business.

Responsibility for the effectiveness of internal control

The operating organisation's management has the primary responsibility for ensuring the implementation of practical measures for internal control. The management must constantly monitor the operations it is responsible for and must take the necessary development measures if action contrary to guidelines or decisions or action that is otherwise ineffective or inappropriate is observed. In a transparent and effective organisation the entire personnel are all responsible not only for the appropriate discharging of their own duties but also for the fluency of operations with the rest of the organisation.

4. Reporting and management systems

Internal control is supported by appropriate reporting that allows monitoring of operations, results and risks. Achievement of the business targets and developments in the Group's financial situation are monitored with the aid of a Group-wide management system. The Group's accounting principles, controls and responsibilities are described in the Apetit Group's accounting manual. Reporting guidelines and timetables have been drawn up in writing for monthly reporting and preparation of interim reports and annual financial statements. The company's financial management unit constantly monitors the business units' reporting and develops and produces guidelines on the content of reporting, taking into account the needs of internal control. The Group prepares financial information for publication, complying with the international financial reporting standards (IFRS). Interim reports and annual financial statements are reviewed by the Group's Board of Directors and are subject to its approval.

The business units update the longer term financial estimates each year. The annual budgets are prepared on the basis of these strategic figures. The Group's Board of Directors assesses and approves the business units' annual budgets. In addition, on a quarterly basis or more often, the business units update the profit and balance sheet estimates to cover at least the ensuing 12 months.

Monthly reporting and related analysis for budgets and estimates constitute a key element of Apetit's management system and internal control. Financial figures are assembled from the business units' data systems every month for the Group's joint accounting system.

The outturn information and up-to-date estimates are reviewed monthly at Group level. The management system comprises the actual profit and balance sheet information, the key figures and the written management report of those responsible for the businesses. The management report covers the factors that affected the results given in the month's report, the measures planned for the immediate term and an assessment of the operating profit for the current quarter and the full year, consisting of best case, probable and worst case scenarios.

The Group CEO and members of the Corporate Management are issued with the reports, and the Group's Board of Directors is issued with a summary for the Group and summaries of the data for each business unit.

The business units' management groups examine their own financial outturn data at least once a month and compare them with budgets and estimates, and also examine the results of the various units' monitoring measurements used for business management purposes and compare them with estimates and targets, and the reasons for any significant discrepancies between these. In addition, the business units' results, estimates and state of business are reviewed at business unit review meetings, attended by members of Group management and those responsible for the business units based on the agenda in question. Per business unit, these meetings are held once a month or less frequently.

5. Internal audit

The internal audit unit functions objectively and independently in support of the Board of Directors, the CEO and Group Administration, for the purpose of assessing and developing the level of internal control in the Group's different units by providing an independent and objective assessment and advisory service for risk management and monitoring processes within the organisation.

Internal audit is performed on the basis of a pre-determined plan. The internal audit is overseen by the Audit Committee, which submits the annual audit plan to the Group's Board of Directors for its approval.

The internal audit is performed by an external service provider.

Remuneration, insider issues

Remuneration

Supervisory Board

On 31 March 2016, Apetit Plc's Annual General Meeting decided on the remuneration paid to the Supervisory Board as follows:

- The monthly fee paid to the Chairman of the Supervisory Board is EUR 1,000 (EUR 1,000 in 2015).
- The monthly fee paid to the Deputy Chairman is EUR 665 (665).
- The meeting attendance allowance for the members and Chairman of the Supervisory Board is EUR 300 (300).
  - The meeting allowance is also paid to the Chairman and Deputy Chairman of the Supervisory Board for their attendance at meetings of the company's Board of Directors.
  - The meeting allowance is also paid to the members of the Supervisory Board's Nomination Committee.

The Supervisory Board met four times in 2016. Members' average attendance rate was 80.2 per cent. The fees and allowances paid to the members of the Supervisory Board totalled EUR 48,780 in 2016.

Board of Directors

The Supervisory Board decides on the remuneration of the members of the Board of Directors.

In accordance with the decision made by Apetit Plc's Supervisory Board on 28 April 2016:

- The annual fee paid to the Chairman of the Board of Directors is EUR 39,060 (39,060).
- The annual fee paid to the Deputy Chairman is EUR 24,120 (24,120).
- The annual fee paid to the other members of the Board of Directors is EUR 19,560 (19,560).
- In addition, a meeting allowance of EUR 510 (510) is paid to the Chairman, and EUR 300 (300) to the members.

The Board of Directors met nine times in 2016. Members' average attendance rate was 98.1%. The fees and allowances paid to the members of the Board of Directors totalled EUR 164,610 in 2016. The fees and allowances are itemised in Note 25 to the financial statements.

CEO and Deputy CEO

The Board of Directors appoints the CEO and Deputy CEO and releases them from their duties, determines their duties and decides on their terms of service and their incentive schemes.

Juha Vanhainen, MSc (Tech.), has served as the CEO since 16 March 2015. His key terms of service are defined in his CEO contract. The CEO has an additional defined contribution pension plan, with contributions totalling EUR 110,900 in 2016.

The salary and benefits paid to the CEO in 2016 amounted to EUR 446,148.

The Group's CFO Sami Saarnio, MSc (Econ. & Bus. Adm.), has served as Deputy CEO since 3 November 2016. His predecessor, Eero Kinnunen, MSc (Econ. & Bus. Adm.), served as Deputy CEO until 2 November 2016.

Insider issues

The insider guidelines confirmed by Apetit Plc's Board of Directors on 3 November 2016 are based on the provisions of the Market Abuse Regulation (MAR, 596/2014), the Market Abuse Directive (2014/57/EU), the Commission Delegated Regulation (EU) 2016/522, the Commission Implementing Regulations (EU) 2016/347 and (EU) 2016/626, the Criminal Code of Finland (39/1889) and the Securities Markets Act (746/2012) as they stand at any given time, in addition to the regulations of the Financial Supervisory Authority and the Guidelines for Insiders issued by Nasdaq Helsinki Ltd, which were approved by its Board of Directors and came into effect on 3 July 2016. The insider guidelines concern the employees and managers of the Group ('Company') consisting of Apetit Plc.

The Company's insiders include managers subject to the disclosure obligation and project-specific insiders.

The Company maintains a non-public register of its managers subject to the disclosure obligation and their related parties. The Company also maintains a non-public register of its project-specific insiders. The people entered into a project-specific insider register are notified of their inclusion and the related obligations in writing or by other verifiable means, such as email. Insiders must confirm receipt of the notification.

A person must submit a basic declaration to the keeper of the Company's insider register immediately after becoming a manager subject to the disclosure obligation. The basic declaration is provided using a form submitted by the Company. A manager who is subject to the disclosure obligation must submit a new declaration whenever changes occur in the circumstances declared on the form. The declaration of changes in circumstances must be provided without delay.

Project-specific insiders include everyone with access to insider information who works at the Company on the basis of an employment relationship or who is otherwise performing duties that provide them with access to insider information. A person becomes a project-specific insider after receiving unpublished information about the project and loses their insider status after the project has been made public or the cancellation of the project has been announced. The Company informs the people involved about the establishment of a project and the related obligations and enters these people into a project-specific insider register. The project-specific insider register is updated whenever the grounds for including a person change, a new person gains access to insider information or a person no longer has access to insider information.

A trading restriction is in force within the company, which forbids its permanent insiders from trading in Apetit shares 30 days prior to the publication of Apetit's interim reports and the release of its financial statements bulletin. The trading restriction ends on the day following publication.

The Company maintains its insider register in the SIRE system of Euroclear Finland Ltd. The holdings of the members of the Board of Directors and the Group's management on 31 December 2016 are presented in conjunction with the presentation of the Board and management on pages 62–66 of the financial statements.

Supervisory Board and Auditors

Supervisory Board

Members elected by the Shareholders' meeting

Harri Eela, b. 1960, Wood Industry Technician, Sales Director
Chairman since 2014, Member since 2012
Principal occupation: Cursor Oy, Sales Director
Main simultaneous positions of trust:
Chairman of the Board: Finninno Oy, Oy Scanhomes Ltd. Finland

Marja-Liisa Mikola-Luoto, b. 1971, M.Sc. (Agric.)
Deputy Chairman since 2011, Member since 2005
Principal occupation: Farmer
Membership expires 2017
Main simultaneous positions of trust:
Member of the Board: Säkylän Osuuspankki

Jaakko Halkilahti, b. 1967, Farmer
Member since 2011
Membership expires 2017

Jussi Hantula, b. 1955, Farmer
Member since 1995

Laura Hämäläinen, b. 1975, M.Sc. (Agr.), Farmer
Member since 2009

Aki Kaivola, b. 1960, M.Sc. (Agr.), Farmer Member since 2015

Risto Korpela, b. 1949, M.Sc. (Econ. & Bus. Adm.), commercial councellor
Member since 2007

Jonas Laxåback, b. 1973, M.Sc. (Agric.), Executive Director
Member since 2013

Mika Leikkonen, b. 1963, Farmer
Member since 2008, agrologist
Membership expires 2017

Ilkka Markkula, b. 1960, agrologist, Farmer
Member since 2003

Jari Nevavuori, b. 1966, M.Sc. (Agric.), Development Manager, Farmer
Member since 2012

Pekka Perälä, b. 1961, M.Sc. (Admin), Managing Director
Member since 2016

Markku Pärssinen, b. 1957, M.Sc. (Agric.), Executive Director
Member since 2012

Petri Rakkolainen, b. 1966, B.Sc. (Eng.), Managing Director, Farmer
Member since 2014
Membership expires 2017

Timo Ruippo, b. 1968, Agricultural Technician, Farmer
Member since 2013

Veli-Pekka Suni, b. 1964, Farmer, Bachelor of Natural Resources
Member since 2016

Johanna Takanen, b. 1973, Managing Director
Member since 2015

Mauno Ylinen, b. 1965, M.Sc. (Agric.)
Member since 2005
Membership expires 2017

Personnel representatives

Jari Heiskanen, b. 1979
Member since 2015
Personal Deputy Member
Kirsi Turunen

Timo Hurme, b. 1959
Member since 2015
Personal Deputy Member
Päivi Hakasuo

Mari Saarinen, b. 1982
Member since 2015
Personal Deputy Member
Marika Palmén

Heikki Vesanto, b. 1949
Member since 2012
Personal Deputy Member
Kirsi Roos

Auditors

Pasi Karppinen
M.Sc. (Econ. & Bus. Adm.), APA

PricewaterhouseCoopers Oy
Authorised Public Accountants
Auditor with Principal Responsibility
Jari Viljanen
M.Sc. (Econ. & Bus. Adm.), APA

Board of Directors

Veijo Meriläinen, b. 1952, M.Sc. (Agric.), eMBA
Chairman of the Board since 2015, Member of the Board since 2012

Main simultaneous positions of trust:
Chairman of the Board: Merive Oy, A-lab Oy
Memeber of the Board: HZPC Sadokas Oy, 4dBarn Oy
Employment history:
Apetit Plc, CEO 2014–2015
Valio Oy, management positions in international operations, international sales and commercialization of innovations 1999–2011, member of the group management team 1990–2011, management positions in production, product acquisition and cheese business 1990–1999, R&D management positions 1978–1990
Shareholding in Apetit: 2,712 shares (31.12.2016)

Aappo Kontu, b. 1952, M.Sc. (Tech.), Senior Advisor, Valor Partners Oy
Deputy Chairman of the Board since 2015, Chairman of the Board since 2013, Deputy Chairman of the Board in 2012, member of the Board since 2004

Main simultaneous positions of trust:
Chairman of the Board: Vahterus Oy, Anvia Oyj, Anvia Securi Oy, Kieku Oy, Adven Group Oy
Employment history:
Empower Group Oy, President, 1999–2012
Pohjolan Voima Oy, Technical Director,
PVO-Engineering Oy, Managing Director, 1996–1998
TVS-Tekniikka Oy, Managing Director, 1993–1996
Teollisuuden Voimansiirto Oy, Director of Technical Department, 1989–1993
Teollisuuden Voima Oy, Head of Engineering Office, 1977–1989
Shareholding in Apetit: 7,223 shares (31.12.2016)

Esa Härmälä, b. 1954, M.Sc. (Agric.)
Member of the Board since 2014
Principal occupation:
Metsähallitus, General Director, 2014–2016

Employment history:
Ministry of Employment and the Economy, Director-General of the Energy Department, 2011–2014
Fertilizers Europe, Director General 2006–2010
Chairman of The Central Union of Agricultural Producers and Forest Owners (MTK) 1994–2006
EU accession negotiator, Ministry for Foreign Affairs of Finland 1993–1994
Special Adviser (Economic Policy) for the Prime Minister 1991–1992
Secretary and Head of Department for Trade Policy, The Central Union of Agricultural Producers and Forest Owners (MTK) 1987–1991
Shareholding in Apetit: 1,915 shares (31.12.2016)

Niko Simula, b.1966, Master of Laws, Trained on the bench
Member of the Board since 2015
Principal occupation: Farmer

Main simultaneous positions of trust:
Member of the Board, Finnamyl Oy, Lammaisten Energia Oy
Employment history:
Employed at law offices 1992–2011, attorney-at-law 1995–2011
Asianajotoimisto Niko Simula, 1999–2011
Asianajotoimisto Santala & Simula, 1994–1999
Asianajotoimisto Pekka Santala, 1992–1993
District Court of Kokemäki 1991–1992, notary, acting district court judge
Farmer 1987–
Shareholding in Apetit: 1,368 shares (31.12.2016)

Lasse Aho, b. 1958, M.Soc.Sc.
Member of the Board since 2015
Principal occupation: CEO, Olvi plc, 2004–

Main simultaneous positions of trust:
Member of the Board, Finnish Hockey League, Genelec Oy, The Federation of the Brewing and Soft Drinks Industry,
Finnish Food and Drink Industries' Federation
Vice President: The Brewers of Europe
Employment history:
MetroAuto Tampere Ltd, CEO 2000–2004
Linkosuon Leipomo Oy, CEO 1997–2000
Fazer Bakeries Ltd, Sales Director 1993–1997
Fazer Keksit Oy, Marketing Director 1985–1993
Atoy-yhtiöt, Product Manager 1984–1985
Shareholding in Apetit: 3,011 (31.12.2016)

Seppo Laine, b. 1953, Authorised Public Accountant
Member of the Board since 2016
Principal occupation: Auditor, independent professional 2008–

Main simultaneous postitions of trust:
Chairman of the Board: Cor Group Oy, Talenom Oyj, Lakkapää Oy, Joutsen Media Oy, Pohjaset Oy
Board Member: Paikallis-Sähkö Oy, Partnera Oy, IKP Group Oy, Fysiopalvelu Easy Move Oy, Sievi Capital Oyj, FCG City Portal Oy
Employment history:
Elektrobit Corporation, CFO, 2000–2007
Auditing Company Ernst & Young Ltd, International Partner and Director at the Oulu regional office, 1995–2000
Oulun Laskenta Ltd, President, 1979–1995,
Turun Muna Oy Jaakko Tehtaat, Financial Manager, 1977–1979
Tammerneon Oy, Financial Manager, 1975–1977
Shareholding in Apetit: 2,065 (31.12.2016)

CEO and Corporate Management

Juha Vanhainen, b. 1961, M.Sc. (Tech.)
CEO since 2015
Main simultaneous positions of trust:
Member of the Board of Directors: Finnish Food and Drink Industries' Federation
Employment history:
Stora Enso Oyj, Member of the Group Leadership Team 2007–2015
Executive Vice President, energy, logistics, IT services and wood supply 2013–2015
Executive Vice President, paper business area 2007–2013
Country Manager Finland 2008–2013
Chairman and Member of the Board of Directors of several international subsidiaries and associated companies
Stora Enso International Office London, Senior Vice President, uncoated fine paper 2003–2007
Stora Enso Oulu Mill, Mill Director 1999–2003
Enso Oy and Veitsiluoto Oy, Oulu Paper Mill, management, project and expert positions 1990–1998
Kemi Oy, department engineer 1988–1990
Shareholding in Apetit: 12,500 shares (31.12.2016)

Sami Saarnio, b. 1973, M.Sc. (Econ & Bus. Adm.)
CFO since 2016, Deputy to the CEO
Employment history:
Onninen Ltd, CFO, 2011–2016
Onninen Ltd, Group Controller 2005–2011
Oriola Oy, Business Controller 2000–2005
Shareholding in Apetit: –

Johanna Heikkilä, b. 1962, M.Sc. (Econ. & Bus. Adm.)
HR Director since 2005
Main simultaneous positions of trust:
Member of the Supervisory Board:
Elo Mutual Pension Insurance Company
Employment history:
Fazer Leipomot Oy, HR Director, 2003–2005
LU Suomi Oy, HR Director, 2002–2003
LU Suomi Oy (earlier Fazer Keksit Oy), HR Manager, 1995–2002
Fazer Suklaa Oy, HR Manager, 1992–1994
Fazer Suklaa Oy, HR specialist 1990–1991
Shareholding in Apetit: –

Eero Kinnunen, b. 1970, M.Sc. (Econ. & Bus. Adm.)
Vice President, Strategic Projects since 2016
Chief Financial Officer, 2006–2016
Employment history:
Cloetta Fazer Suklaa Oy, Business Controller, 2004–2006
Cloetta Fazer Makeiset Oy, Category Expert, 2000–2004
Fazer Polska Sp.z.o.o., Business Controller, 1998–2000
Fazer Suklaa Oy, Controller 1996–1998
Shareholding in Apetit: 750 shares (31.12.2016)

Asmo Ritala, b. 1958, LL.M.
Corporate Councel since 1995
Employment history:
Avena Ltd, Corporate counsel, 1995–2002
Finnish Grain Board, lawyer, 1990–1994
Oy Esso Ab, superintendent, 1986–1990
Shareholding in Apetit: -

Kaija Viljanen, b. 1952, M.Sc. (Econ. & Bus. Adm.), B.A., EMBA Managing Director of Avena Nordic Grain Oy since 1995 and Managing Director of Mildola Oy since 2009
Main simultaneous positions of trust:
Member of the Board and various working groups; Coceral
Employment history:
Finnish Grain Board, Deputy Director, 1992–1995
The Central Union of Agricultural Producers and Forest owners (MTK), Project Manager, 1991–1992
Finnish-Russian Chamber of Commerce Moskow, Director, 1987–1991
Shareholding in Apetit: –

Anu Ora, b. 1973, M.Sc. (Econ. & Bus. Adm.)
Vice President, Food Business since 2015
Main simultaneous positions of trust:
Member of the Board; Raskone
Employment history:
Suomen Lähikauppa Oy, Vice President, Commercial, 2012–2015
Suomen Lähikauppa Oy, Vice President, Category Management, 2011–2012
Suomen Lähikauppa Oy, Vice President, Category Management Processes, 2010–2011
Suomen Lähikauppa Oy, Purchasing Director, 2010
Boston Consulting Group, Project Leader & Principal, 2001–2009
Boston Consulting Group, Associate Consultant & Consultant, 1997–2001
Shareholding in Apetit: –

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