
Apetit

Apetit Plc: Financial Statements Release 1 January to 31 December 2018

The Group’s net sales and result decreased due to the weak grain crop – Positive development continued in Food Solutions

October–December 2018

- Net sales amounted to EUR 74.0 (86.6) million
- Operational EBITDA was EUR 2.0 (2.7) million
- Operational EBIT was EUR 0.6 (1.2) million

January–December 2018

- Net sales amounted to EUR 283.1 (311.8) million
- Operational EBITDA was EUR 5.3 (6.8) million
- Operational EBIT was EUR -0.5 (1.3) million

Key events during the period

- Apetit announced that it will divest its remaining service sales operations of the Food Solutions business gradually during early 2019. The divestment of the service sales operations is in line with Apetit’s strategy of focusing on its core businesses and a natural continuation of the seafood business divestment in 2017.
- As a result of impairment testing in the fresh cut products category, Apetit made an impairment of EUR 4.7 million. The impairment has no impact on cash flow.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid.

The figures for 2018 and 2017 have been audited. The quarterly and six-month figures are unaudited. The figures in parentheses are the equivalent figures for the same period in 2017, and the comparison period means the corresponding period in the previous year, unless otherwise stated.

Profit guidance for 2019:

The Group’s full-year operational EBIT is expected to improve year-on-year (EUR -0.5 million in 2018). Due to the seasonal nature of the Group’s operations, most of the annual profit is accrued in the second half of the year. The profit outlook for early 2019 is burdened by the weak grain crop of 2018. Opportunities to export Finnish grain are limited, and an imbalance of supply and demand is posing challenges in the grain trade in the Baltic countries.

Juha Vanhainen, CEO:

“The year 2018 was one of large contrasts. Two consecutive exceptionally weak harvest seasons in Finland have reduced the volumes of Grain Trade significantly, making trading materially more challenging than in seasons with a normal harvest. The significant decrease of opportunities to export Finnish grain and the imbalance of supply and demand in the Baltic market have reduced profitability. On the other hand, profit improvement in Food Solutions and the related improvement measures create confidence in finding the right direction in the Food Business. The stable performance of the Oilseed Products business lays the foundation for long-term development.

During the fourth quarter of 2018, we continued the restructuring of the Food Business and announced that we would discontinue our service sales operations. This is in line with Apetit’s strategy of focusing on its core businesses and a natural continuation of the seafood business divestment in 2017.

After the divestment of the service sales operations, the Food Business will focus on the frozen food and fresh cut product categories. The frozen foods group has continued to grow commendably, thanks to systematic investments in product development, among other factors. This growth will also be supported by our investment in the new patty and ball production line in Säkylä, which will double the plant’s production capacity in this product category.

The fresh cut products category has been developing in the right direction, but this development has been disappointingly slow. As a result we have no choice but to continue to implement ongoing and new, rapid measures to improve profitability by streamlining our operations. At the beginning of 2019 we agreed on efficiency improvement measures with the aim of improving profitability concerning the planning of working hours and on working methods that improve the efficiency of operations and reduce the need for temporary agency workers. With these measures we aim for an annual overall impact of around EUR 1 million.

We have done a great deal of good work within the Group – unfortunately, much of this work is overshadowed by Grain Trade’s considerably weaker performance. On average, our growth in frozen foods and fresh cut products outpaced market development last year, and production volumes at the Kantvik oil milling plant were higher than ever before. In Grain Trade, we launched a new cooperation model, Farmer’s Avena Berner, which is off to a promising start, and we have high expectations for the cooperation and its results for 2019. Our systematic investment in research and development again resulted in numerous new products. In recognition of its expertise in processing Finnish-grown vegetables, Apetit’s Vegepops was chosen as the Finnish Food of the Year 2018.

All in all, however, I am not pleased with the company’s performance. We must continue to improve the efficiency of all of our operations and take measures to significantly improve profitability, also over the short term. Based on this need, the roles and responsibilities of the members of Apetit Plc’s Management Team were further specified in early 2019. The purpose of this is to further strengthen the company’s growing business and rapidly improve underperforming operations.

In 2018, we worked on ensuring the company’s competitiveness. Apetit implemented its strategy systematically, leading the way in vegetable-based diets through renewal and by improving our operational efficiency and taking the first important steps in growing international food sales.”

KEY FIGURES

EUR million	**10–12 2018**	10–12 2017	Change	**1–12 2018**	1–12 2017	Change
Continuing operations						
Net sales	**74.0**	86.6	-15%	**283.1**	311.8	-9%
Operational EBITDA	**2.0**	2.7		**5.3**	6.8	
Operational EBIT	**0.6**	1.2		**-0.5**	1.3	
Operating profit	**-4.3**	1.2		**-6.9**	1.1	
Share of profit of associated company Sucros	**0.3**	1.4		**-0.7**	1.0	
Profit for the period	**-3.2**	2.3		**-6.6**	2.9	
Earnings per share, EUR	**-0.51**	0.38		**-1.06**	0.46	
Working capital at the end of the period				**57.2**	30.0	
Investment				**6.7**	5.2	
Group (incl. operations discontinued during the comparison period, Seafood)						
Profit for the period	**-4.1**	2.4		**-7.5**	-0.6	
Earnings per share, EUR	**-0.66**	0.38		**-1.21**	-0.10	
Equity per share, EUR				**16.29**	18.10	
Return on capital employed (ROCE), %				**-1.2%**	2.4%	
Net cash flow from operating activities				**-23.5**	20.0	
Equity ratio				**61.4%**	72.6%	
Gearing				**21.5%**	-9.6%	

NET SALES AND PROFIT

October–December

Net sales in the fourth quarter of 2018 were EUR 74.0 (86.6) million. Operational EBIT was EUR 0.6 (1.2) million, and the reported operating profit was EUR -4.3 (1.2) million. The share of the profit of the associated company Sucros was EUR 0.3 (1.4) million.

The profit before taxes was EUR -4.2 (2.5) million, and taxes on the profit for the period came to EUR 1.1 (-0.2) million. Profit for the period came to EUR -3.2 (2.3) million, and earnings per share amounted to EUR -0.51 (0.38).

January–December

Net sales in January–December were EUR 283.1 (311.8) million. Operational EBIT was EUR -0.5 (1.3) million, and the reported operating profit was EUR -6.9 (1.1) million. The capitalisation of fixed costs in inventories arising from harvest-time production and an increase in grain stocks had an effect of EUR 0.7 million on the result in comparison with the previous year. The reported operating profit includes an impairment of EUR -4.7 million resulting from impairment testing in the fresh cut products category and a non-recurring item of EUR -1.6 million arising from a breach of contract by a foreign grain supplier. The share of the profit of the associated company Sucros was EUR -0.7 (1.0) million in January–December.

Financial income and expenses totalled EUR -0.5 (-0.5) million. Financial expenses included EUR 0.0 (-0.4) million as the share of the Avena Nordic Grain Group's profit attributable to the employee owners.

The profit before taxes was EUR -8.1 (1.6) million, and taxes on the profit for the period came to EUR 1.5 (1.2) million. Profit for the period came to EUR -6.6 (2.9) million, and earnings per share amounted to EUR -1.06 (0.46).

CASH FLOWS, FINANCING AND BALANCE SHEET

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

The full-year cash flow from operating activities after interest and taxes was EUR -23.5 (20.0) million. The impact of the change in working capital was EUR -26.1 (22.5) million. Working capital increased significantly as a result of a substantial increase in the world market prices for grains and a temporary increase in grain stock levels in the Baltic countries due to an imbalance of market supply and demand. 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 -4.8 (8.9) million. The cash flow from financing activities came to EUR 15.2 (-17.8) million, including EUR -4.3 (-4.3) million in dividend payments and EUR 19.5 million in loan withdrawals (-13.6 million in loan repayments).

At the end of the period, the continuing operations had EUR 24.4 (4.9) million in interest-bearing liabilities and EUR 2.6 (15.7) million in liquid assets. Net interest-bearing liabilities totalled EUR 21.8 (-10.8) million.

The consolidated balance sheet total stood at EUR 164.6 (154.7) million. At the end of the review period, equity totalled EUR 101.1 (112.3) million. The equity ratio was 61.4 (72.6) per cent, and gearing was 21.5 (-9.6) per cent. The Group's liquidity is secured with committed credit facilities. During the year, EUR 15 million in credit facilities was cancelled, and EUR 25 (40) million was available in credit at the end of the period. The total of commercial papers issued stood at EUR 21.0 (0.0) million.

INVESTMENT

Investment by continuing operations in non-current assets came to EUR 6.7 (5.2) million and was divided as follows: Investment in Food Solutions totalled EUR 5.6 (3.7) million, in Oilseed Products EUR 1.0 (1.1) million and in Grain Trade EUR 0.1 (0.4) million.

PERSONNEL

The Apetit Group had an average of 594 (642) employees at the end of 2018. Its average number of personnel in 2018 was 564 (697) in full-time equivalents.

STRATEGY

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

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

Financial targets for 2020

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

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

Strategic measures in 2018

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

As a part of the project to improve efficiency, Apetit is building a bioenergy plant in conjunction with its rapeseed oil milling plant in Kirkkonummi. The bioenergy plant will replace the current energy solution that uses non-renewable fuels and will significantly reduce the carbon dioxide emissions of the entire Group. Apetit will decided on the investment in the bioenergy plant if its application for an environmental permit is accepted.

Apetit Group’s Avena Nordic Grain Ltd and Farmer’s Berner merged their purchasing and sales organisations in input and grain trades to create Farmer’s Avena Berner. This new type of operating model is based on partnership and offers Finnish farmers a one-stop shop for production input and grain trade services.

Apetit announced that it will divest its remaining service sales operations under the Food Solutions business gradually during early 2019. The divestment of the service sales operations is in line with Apetit's strategy of focusing on its core businesses and a natural continuation of the seafood business divestment in 2017.

Increasing the share of international food sales has proceeded according to plan, with the amount more than doubling in 2018. In autumn 2018, Apetit launched Free From, a new selection for the Swedish market. It includes five patty and ball products. In Russia, we continue to strengthen our position through local food product chains. The export of peas increased significantly, with demand being highest in Italy.

As the number one in vegetables, Apetit has led the way in vegetable-based diets and has invested strongly in product development in recent years. In recognition of its achievements in processing Finnish-grown vegetables, Apetit's Vegepops Carrot&Mango was chosen as the Finnish Food of the Year 2018 in May. Apetit participated in the share issue of the food business development company Foodwest in May–June. This is in line with Apetit's strategic targets to invest in product development.

The project to develop a rapeseed ingredient continued as planned. The purpose is to develop an ingredient with high nutritional content for the international food market. An application for novel food marketing authorisation for the rapeseed ingredient was filed on 31 December 2018.

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 during the second half of the year. The seasonal nature of profit accumulation is most marked in the frozen foods group of the Food Solutions segment and in the associated company Sucros, where production reflects the crop harvesting season.

Harvesting seasons also cause seasonal variation in the amount of working capital tied up in operations. Working capital tied up in Grain Trade and Oilseed Products is at its highest towards the end of the year and decreases to its lowest in the summer before the next harvest season. As the production of frozen products is also seasonal and follows the harvest period, the working capital tied up in operations is at its highest around the turn of the year in the Food Solutions segment.

Net sales in Grain Trade vary from one year and quarter to the next, even quite considerably, being dependent on the demand and supply situation and on the price level in Finland and other markets.

Food Solutions

Frozen vegetables, frozen ready meals, fresh products and service sales

EUR million	7–12 2018	7–12 2017	Change	1–12 2018	1–12 2017	Change
Net sales	**47.5**	49.9	-5%	**97.4**	100.2	-3%
Operational EBIT	**2.7**	1.2		**-0.1**	-1.3	
Operating profit	**-2.1**	1.2		**-4.9**	-1.5	

Operational performance in July–December

Net sales in July–December were EUR 47.5 (49.9) million. Total net sales were reduced by the gradual discontinuation of service sales. The frozen foods group grew clearly faster than the market. This was due to increased exports and new products, whereas the growth of the fresh cut products category stabilised as a result of discontinued local wholesale operations. The volume and value of sales increased in all sales channels within the frozen foods group and particularly in retail within the fresh cut products category. Growth was strongest in patty and ball products, pizzas, frozen vegetables, pre-prepared vegetables and salad meals.

Operational EBIT was EUR 2.7 (1.2) million. Increased sales of frozen foods, as well as efficiency improvement measures started in spring 2018, had a positive effect on the result. The reported operating profit was EUR -2.1 (1.2) million, including an impairment of EUR -4.7 million recognised based on impairment testing in the fresh cut products category. The impact of the impairment on the net profit, after taxes, is EUR -3.8 million. Due to the impairment, the balance sheet value of the fresh cut products category does not include the acquisition cost allocations made in conjunction with an acquisition in 2012.

Summary of January–December

The gradual discontinuation of service sales reduced total net sales. Growth within the frozen foods group and the fresh cut products category outpaced market growth on average. Growth was supported by new products and by new customer relationships in Finland and abroad.

Costs related to the discontinuation of service sales burdened the result in early 2018. Increased sales of frozen foods and fresh cut products category, as well as efficiency improvement measures started in spring 2018, had a positive effect on the result.

Investment totalled EUR 5.6 (3.7) million and was mainly related to production development at the Säkylä frozen vegetables and frozen ready meals plant and the planning and construction of its new patty and ball production line.

Operating environment

Grocery trade* and Foodservice wholesale trade grew by around 4 per cent in 2018, with the price factor accounting for 2.4 percentage points of this growth. The growth of Apetit's frozen foods and fresh cut products category has outpaced the market. The increase in vegetable consumption is evident in the demand for new vegetable-based food solutions, which is expected to remain strong in the future.

Field vegetables suffered from the long drought during the growing season, which is why the volumes of Finnish vegetables did not quite meet the target.

*Source: Finnish Grocery Trade Association (PTY)

Oilseed Products

Vegetable oils and the processing and sale of expeller meal

EUR million	7–12 2018	7–12 2017	Change	1–12 2018	1–12 2017	Change
Net sales	**33.0**	32.2	+3%	**66.7**	65.3	+2%
Operational EBIT	**1.3**	1.0		**2.2**	1.8	
Operating profit	**1.3**	1.0		**2.2**	1.8	

Operational performance in July–December

Net sales in July–December were EUR 33.0 (32.2) million, slightly higher than in the comparison period. This was due to an increase in delivery volumes in tonnes. The high utilisation rate of the production plant and good demand for refined vegetable oil products had a positive effect on net sales. The main export markets were Norway and Sweden, with exports representing 30 per cent of net sales.

Operational EBIT was EUR 1.3 (1.0) million. Strong sales and the high share of refined vegetable oil products of all sales had a positive effect on the result. Raw materials were sourced successfully despite the challenging harvest season, and the smaller crops in Finland were supplemented by well-timed international purchases.

Summary of January–December

Production volumes at the Kantvik oil milling plant were higher than ever before. Strong demand for refined vegetable oil products was one of the factors supporting the maximisation of the plant's utilisation rate. In addition, interruptions that reduce production were minimised through the further development of maintenance processes, for example.

More efficient production had a positive effect on the result. Our sourcing of rapeseed raw material was highly successful despite the challenging harvest seasons, thanks to well-timed international purchases.

Investment totalled EUR 1.0 (1.1) million and was mainly related to maintenance at the Kirkkonummi oil milling plant and the development of the rapeseed protein ingredient.

Operating environment

The Finnish oilseed harvest in 2018 was clearly weaker than in 2017. According to the estimate of the Natural Resources Institute Finland (Luke) dated 22 November 2018, the harvest was around 71,000 thousand tonnes, representing a decrease of 22 per cent from 2017.

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

Grain Trade

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

EUR million	7–12 2018	7–12 2017	Change	1–12 2018	1–12 2017	Change
Net sales	**79.6**	90.5	-12%	**137.4**	162.9	-16%
Operational EBIT	**-1.7**	0.6		**-2.6**	0.8	
Operating profit	**-2.0**	0.6		**-4.2**	0.8	

Operational performance in July–December

Net sales in July–December decreased to EUR 79.6 (90.5) million. The decrease was due to a decline in delivery volumes from the comparison period. Due to the weak crop, grain exports from Finland were low for the second consecutive harvest season. Mainly oats were exported from Finland. The postponement of deliveries to the Baltic countries until the following year also had a significant negative effect on net sales.

Operational EBIT was EUR -1.7 (0.6) million. The significant decrease of opportunities to export Finnish grain and the imbalance of supply and demand in the Baltic market have reduced profitability. Working capital increased significantly as a result of a substantial increase in the world market prices for grains and a temporary increase in grain stock levels in the Baltic countries.

Summary of January–December

Weak crops and abnormal crop quality in 2017 and 2018 in our main areas of supply caused trade volumes to decrease to a very low level. The significant decrease of opportunities to export Finnish grain and the imbalance of supply and demand in the Baltic market have caused profitability to deteriorate.

The reported operating profit was EUR -4.2 (0.8) million and includes a non-recurring item of EUR -1.6 million (-0.3 million in H2/18) as a result of a breach of contract by a foreign grain supplier. This non-recurring item is presented in more detail under ‘Disputes’.

Investment totalled EUR 0.1 (0.4) million.

Operating environment

According to the estimate of the Natural Resources Institute Finland (Luke), the grain crop in 2018 was the weakest in Finland during this millennium, due to an unusually dry summer. The total crop was 2.7 million tonnes, with the annual consumption being 3.0 million tonnes in Finland. For the first time in decades, Finland’s grain balance was in deficit.

Rye, wheat, barley and oat crops in Finland were around 10–65 per cent smaller than in the comparison period. The rye crop was particularly small. The Baltic countries also suffered from the long drought during the growing season. Crops in these areas of supply were around 30 per cent below average. In addition, the Baltic crop consisted of high-quality milling wheat, while demand focused on lower-quality milling wheat and fodder wheat.

USE OF THE AUTHORISATIONS GRANTED TO THE BOARD OF DIRECTORS

In accordance with a decision made by the Supervisory Board regarding Board members' remuneration, a total of 5,471 Apetit Plc shares held by the company were transferred to the Board members on 7 December 2018. Based on a share-based incentive system established in 2015, a total of 5,000 Apetit Plc shares were transferred to CEO Juha Vanhainen on 9 March 2018. The transfers were announced by means of stock exchange releases issued on each date of transfer.

TREASURY SHARES

At the end of the review period, the company held a total of 100,955 treasury shares acquired during previous years. These treasury shares represent 1.6 per cent of the company's total number of shares and votes. The company's treasury shares carry no voting or dividend rights.

SHARE TURNOVER

The number of Apetit Plc shares traded on the stock exchange during the review period was 634,659 (835,165), representing 10.0 (13.0) per cent of the total number of shares. The highest share price quoted was EUR 15.25 (14.58), and the lowest was EUR 8.86 (12.91). The average price of shares traded was EUR 11.68 (13.67). The share turnover for the year was EUR 7.4 (11.4) million. At the end of the review period, the market capitalisation was EUR 56.9 (89.2) million.

CORPORATE GOVERNANCE AND AUDITORS

At its organisational meeting on 16 April 2018, Apetit Plc's Supervisory Board appointed Harri Eela as Chair and Marja-Liisa Mikola-Luoto as Vice Chair.

The Supervisory Board decided to elect six members to Apetit Plc's Board of Directors. Lasse Aho, Annikka Hurme, Esa Härmälä, 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 Esa Härmälä as Deputy Chair.

At its organisational meeting on 7 May 2018, Apetit Plc's Board of Directors elected members to its Audit Committee from among its members until the end of the Board's term of office. Seppo Laine was elected as Chair of the Audit Committee, and Lasse Aho and Esa Härmälä were elected as its members.

Veijo Meriläinen, Chair of Apetit Plc's Board of Directors, resigned from the Board for personal reasons on 7 November 2018. The Supervisory Board elected Esa Härmälä as Chair of the Board of Directors and Lasse Aho as Deputy Chair. After this change, Apetit Plc's Board consists of five members.

It was decided that the Board members be paid an annual remuneration of EUR 19,560 and that the Chair and Deputy Chair receive an annual remuneration of EUR 39,060 and EUR 24,120, respectively. A total of 60 per cent of the annual remuneration will be paid in cash and 40 per cent in the form of Apetit Plc shares held by the company at the current value of the shares at the time of transfer. The remuneration will be paid once a year in December. It was also decided that the Chair and members of the Board of Directors will 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 auditor with principal responsibility, were appointed as the company's auditors for the period ending at the close of the 2019 Annual General Meeting. Tuomo Korte, APA, replaced Jari Viljanen as principal auditor during the financial year.

DECISIONS OF THE 2018 ANNUAL GENERAL MEETING

Apetit Plc's Annual General Meeting was held in Säkylä on 27 March 2018. The Annual General Meeting adopted the parent company's financial statements and the consolidated financial statements, and discharged the members of the Board of Directors and of the Supervisory Board and the Chief Executive Officer from liability for the financial year 2017. The Board of Directors' proposals to the Annual General Meeting were approved without changes.

Dividend distribution

The Annual General Meeting decided to distribute a dividend of EUR 0.70 per share, in accordance with the Board's proposal. The dividend was paid on 10 April 2018.

SHORT-TERM RISKS AND UNCERTAINTIES

The most significant short-term risks for the Apetit Group are related to the management of changes in the prices of raw materials; the availability of raw materials; the quality and volume of grain, oilseed and field vegetable crops; the solvency of customers; the delivery performance of suppliers and service providers; and changes in the Group's business areas and customer relationships.

DISPUTES

Avena Nordic Grain Oy, which belongs to the Apetit Group, has initiated arbitration proceedings against a foreign grain supplier. In Apetit's opinion, the supplier has breached contract and caused a loss of EUR 1.6 million to Apetit. This loss consists of costs arising from the supplier's failure to deliver and from legal fees related to the dispute. In Apetit's opinion, the company is entitled to damages from the supplier. This receivable does not meet the near absolute certainty requirement of IAS 37, which would allow the receivable to be recognised. Apetit is presenting the item as a conditional reserve outside the balance sheet. In addition, the Group's other receivables include EUR 1.2 million from the same supplier.

MATERIAL EVENTS AFTER THE END OF THE REVIEW PERIOD

The roles and responsibilities of the members of Apetit Plc's Management Team were further specified as of 17 January 2019, with the aim of further strengthening the company's growing business and rapidly developing underperforming operations.

PROFIT GUIDANCE FOR 2019

The Group's full-year operational EBIT is expected to improve year-on-year (EUR -0.5 million in 2018). Due to the seasonal nature of the Group's operations, most of the annual profit is accrued in the second half of the year. The profit outlook for early 2019 is burdened by the weak grain crop of 2018. Opportunities to export Finnish grain are limited, and an imbalance of supply and demand is posing challenges in the grain trade in the Baltic countries.

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

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

On 31 December 2018, the parent company's distributable funds totalled EUR 58,632,855.11, of which EUR 380,714.20 is profit for the financial year. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid.

The Board of Directors will propose that a total of EUR 2,486,648.40 be distributed in dividends and that EUR 56,146,206.71 be left in equity. No significant changes have taken place in the financial standing of the company since the end of the financial year. The company's liquidity is good, and the Board deems that the company's solvency will not be jeopardised by the proposed distribution of dividends. No dividend will be paid on shares held by the company.

ANNUAL REPORT AND ANNUAL GENERAL MEETING

Apetit Plc's Annual Report for 2018 – including the Board of Directors' report, the financial statements for 2018, a sustainability report and a separate corporate governance statement – will be published in the week beginning 4 March 2019 on the company's website at www.apetit.fi.

The Annual General Meeting will be held in Säkylä on Thursday 28 March 2019.

CONSOLIDATED INCOME STATEMENT
EUR million

	Q4 2018	Q4 2017	**Q1-Q4 2018**	Q1-Q4 2017
Net sales	**74.0**	86.6	**283.1**	311.8
Other operating income	**0.9**	0.1	**1.8**	0.7
Operating expenses	**-73.1**	-84.1	**-281.2**	-305.8
Depreciation	**-1.4**	-1.5	**-5.8**	-5.6
Impairments	**-4.8**	0.0	**-4.8**	0.0
Operating profit	**-4.3**	1.2	**-6.9**	1.1
Share of profits of associated companies	**0.3**	1.4	**-0.7**	1.0
Financial income and expenses	**-0.2**	-0.1	**-0.5**	-0.5
Profit before taxes	**-4.2**	2.5	**-8.1**	1.6
Income taxes	**1.1**	-0.2	**1.5**	1.2
Profit for the period, continuing operations	**-3.2**	2.3	**-6.6**	2.9
Profit for the period, discontinued operations	**-0.9**	0.0	**-0.9**	-3.5
Profit for the period, equity holders of the parent	**-4.1**	2.4	**-7.5**	-0.6
Basic and diluted earnings per share, calculated of the profit attributable to the shareholders of the parent company, EUR,				
Continuing operations	**-0.51**	0.38	**-1.06**	0.46
Discontinued operations	**-0.14**	0.01	**-0.14**	-0.56
To the shareholders of the parent company	**-0.66**	0.38	**-1.21**	-0.10

STATEMENT OF COMPREHENSIVE INCOME
EUR million

	Q4 2018	Q4 2017	**Q1-Q4 2018**	Q1-Q4 2017
Profit for the period	**-4.1**	2.4	**-7.5**	-0.6
Other comprehensive income				
Items which may be reclassified subsequently to profit or loss:				
Cash flow hedges	**0.2**	-0.9	**0.7**	-1.1
Taxes related to cash flow hedges	**0.0**	0.2	**-0.1**	0.2
Translation differences	**0.0**	0.3	**0.0**	0.1
Total comprehensive income	**-4.0**	2.0	**-6.9**	-1.4
Total comprehensive income, continuing operations	**-3.1**	1.6	**-6.0**	2.0
Total comprehensive income, discontinued operations	**-0.9**	0.4	**-0.9**	-3.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Intangible assets	**3.2**	6.8
Goodwill	**0.4**	0.4
Tangible assets	**37.2**	37.5
Investment in associated companies	**21.0**	23.4
Available-for-sale financial assets	**0.0**	0.1
Receivables	**0.4**	1.3
Deferred tax assets	**5.8**	5.3
Non-current assets total	**68.0**	74.7
Current assets		
Inventories	**80.7**	45.8
Trade receivables and other receivables	**12.3**	18.3
Income tax receivable	**0.0**	0.2
Cash and cash equivalents	**2.6**	15.7
Current assets total	**95.7**	80.0
Assets held for sale	**0.9**	-
Total assets	**164.6**	154.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million

	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the parent	**101.1**	112.3
Total equity	**101.1**	112.3
Non-current liabilities		
Deferred tax liabilities	**1.8**	3.1
Long-term financial liabilities	**2.4**	3.4
Non-current provisions	**0.2**	0.2
Other non-current liabilities	**0.2**	0.2
Non-current liabilities total	**4.7**	6.9
Current liabilities		
Short-term financial liabilities	**22.0**	1.5
Income tax payable	**0.0**	0.0
Trade payables and other liabilities	**35.0**	34.1
Current liabilities total	**56.9**	35.5
Liabilities directly associated with assets held for sale	**1.9**	-
Total liabilities	**63.5**	42.5
Total equity and liabilities	**164.6**	154.7

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million

	Q1-Q4 2018	Q1-Q4 2017
Net profit for the period	**-7.5**	-0.6
Adjustments, total	**11.2**	-0.7
Change in net working capital	**-26.1**	22.5
Interests paid	**-1.1**	-1.0
Interests received	**0.1**	0.0
Taxes paid	**0.0**	-0.2
Net cash flow from operating activities	**-23.5**	20.0
Investments in tangible and intangible assets	**-6.7**	-5.9
Proceeds from sales of tangible and intangible assets	**0.0**	0.1
Proceeds from sales of operatinal segment	**-**	13,6
Acquisition of associated companies	**-0.6**	-0.4
Proceeds from sales of associated companies	**0.6**	0.2
Dividends received from investing activities	**1.9**	1.3
Net cash flow from investing activities	**-4.8**	8.9
Proceeds from and repayments of short-term loans	**21.0**	-12.8
Proceeds of long-term loans	**-**	0.1
Repayments of long-term loans	**-1.5**	-0.8
Dividends paid	**-4.3**	-4.3
Cash flows from financing activities	**15.2**	-17.8
Net change in cash and cash equivalents	**-13.0**	11.1
Cash and cash equivalents at the beginning of the period	**15.7**	4.6
Cash and cash equivalents at the end of the period	**2.6**	15.7

STATEMENT OF CHANGES IN SHAREHOLDERS´EQUITY

A = Shareholders' equity at 1 January
B = Dividend distribution
C = Other changes
D = Total comprehensive income
E = Shareholders' equity at 31 Dec

January - December 2018
EUR million

	A	**B**	**C**	**D**	**E**
Share capital	**12.6**				**12.6**
Share premium account	**23.4**				**23.4**
Net unrealised gains	**-0.8**			**0.6**	**-0.2**
Other reserves	**7.2**				**7.2**
Own shares	**-1.5**		**0.1**		**-1.4**
Translation differences	**-0.2**			**0.0**	**-0.2**
Retained earnings	**71.4**	**-4.3**	**0.0**	**-7.5**	**59.6**
Attributable to equity holders of the parent	**112.3**	**-4.3**	**0.1**	**-6.9**	**101.1**

January - December 2017
EUR million

	A	B	C	D	E
Share capital	12.6				12.6
Share premium account	23.4				23.4
Net unrealised gains	0.1			-0.8	-0.8
Other reserves	7.2				7.2
Own shares	-1.6		0.1		-1.5
Translation differences	-0.3			0.1	-0.2
Retained earnings	76.3	-4.3	0.1	-0.6	71.4
Attributable to equity holders of the parent	117.7	-4.3	0.2	-1.4	112.3

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial statements release has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2017. Apetit is applying the IFRS 15 Revenue Recognition standard as of 1 January 2018. Adjustments based partly on volume will be recognised as an adjustment to net sales. These items were previously recognised in expenses. The change will not have an impact on the operating profit. As a result of the change, net sales will decline by about EUR 2 million per year. The updated net sales for Q1 2017 is EUR 74.0 (previously 74.6) million, for Q2 EUR 76.8 (77.3) million, for Q3 EUR 74.4 (75.0) million, for Q4 EUR 86.6 (87.1) million and for the full year 2017 EUR 311.8 (314.0).

IFRS 9 Financial Instruments standards introduced new requirements for the classification and measurement of financial assets. In summary, it includes a revised guidance on the classification and measurement of financial assets, new general hedge accounting requirements and a new expected credit loss model for calculating impairment on financial assets. Furthermore, IFRS 9 introduced new disclosures. Adoption of the standard on 1 January 2018 did not have a material effect on Apetit group financial statements release’s profit or balance sheet, for example due to credit loss valuation or utilisation of hedge accounting.
Other new standards adopted in 2018 have not had material effect to the financial statements release.

Apetit Plc will divest its remaining service sales operations of the Food Solutions business by transfer of business gradually during early 2019. The service sales operations have been operated a shop-in-shop basis in connection with certain regional cooperatives. The network of the service sales operations has already been reduced earlier in 2018. The service sales assets are presented as assets held for sale in the consolidated financial statements.

RECONCILIATION OF OPERATIONAL EBIT AND OPERATING PROFIT

EUR million	**Q1-Q4 2018**	Q1-Q4 2017
Continuing operations		
Operational EBIT	**-0.5**	1.3
Non-recurring cost associated with a breach of contract by foreign grain supplier	**-1.6**	-
Impairments of fresh cut products	**-4.7**	-
Brand dispute concerning frozen pizzas	**-**	-0.2
Operating profit, Continuing operations	**-6.9**	1.1
Discontinued operations, Seafood segment		
Operational EBIT	**-**	0.4
Loss from the sale of the Seafood segment and the reorganisation costs of the business structure	-	-4.1
Operating profit, Discontinued operations	**-**	-3.6
Operating profit, Group total	**-6.9**	-2.5

DISCONTINUED OPERATIONS, SEAFOOD SEGMENT

Apetit Plc has signed an agreement on selling its seafood business in Finland, Sweden and Norway to Insula AS, a Norwegian company specialising in seafood business operations. The transaction was executed as a business transfer in Finland and as a share transaction of Maritim Food Group in Norway and Sweden in October 2017. In Finland, Apetit will remain a minority shareholder of the seafood business, with a holding of less than 20 per cent.

Discontinued operations comprise Apetit Kala Oy fish processing business in Finland and Maritim Food Group in Norway and Sweden. Apetit Kala is one of the major manufacturers of salmon and rainbow trout fish products in Finland. Maritim Food Group produces high quality fish and shellfish products in Norway and in Sweden. In 2016, the net sales of Apetit's Seafood segment's operations were EUR 87.8 million and the operational EBIT was EUR 0.1 million. Apetit's Seafood operations employ 82 persons in Finland, 71 in Norway and 15 in Sweden.

	Q1-Q4	Q1-Q4

EUR million	**2018**	2017
Income	**-**	63.6
Expenses	**-**	-67.3
Operating profit	-	-3.6
Financial income and expense	**-0.9**	-0.3
Profit before taxes	**-0.9**	-4.0
Income taxes	**-**	0.5
Profit for the period, discontinued operations	**-0.9**	-3.5

The 2018 profit includes an impairment of additional purchase price receivable. The 2017 profit includes a loss from the sale of the seafood business and expert costs related to the transaction and tax effects, totalling EUR -3.7 million. As a result of the transaction, the Group's outlook on the usability of previously unrecognised deferred tax losses improved. EUR 1.3 million was recognized in deferred tax assets under continuing operations. The Group's total profit impact is EUR -2.3 million.

Cash flows

EUR million	Q1-Q4 2017
Net cash flow from operating activities	-1.1
Net cash flow from investing activities	-0.7
Cash flows from financing activities	1.9
Net change in cash and cash equivalents	0.0

The change in the net working capital has a significant impact on the operating cash flows.

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

EUR million	31 Dec 2017
Tangible and intangible assets and non-current receivables	5.6
Deferred tax assets	1.1
Inventories	9.2
Trade receivables and other receivables	3.8
Cash and cash equivalents	0.1
Total assets	19.7
Non-current liabilities	0.4
Current liabilities	8.7
Total liabilities	9.1

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

Cash flows of discontinued operations sold

EUR million	Q1-Q4 2017
Consideration received	13.7
Cash disposed	0.0
Net cash inflow	13.6

SEGMENT INFORMATION

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

Operating segments,
January - December 2018
EUR million

	A	B	C	D	E	F
Total segment sales	**97.4**	**66.7**	**137.4**	**301.6**		**301.6**
Intra-group sales	**0.0**	**-0.3**	**-18.2**	**-18.5**		**-18.5**
Net sales	**97.4**	**66.5**	**119.2**	**283.1**		**283.1**
Operating profit	**-4.9**	**2.2**	**-4.2**	**-6.9**		**-6.9**
Gross investments in non-current assets	**5.6**	**1.0**	**0.1**	**6.7**		**6.7**
Corporate acquisitions and other share purchases	**0.4**		**0.2**	**0.6**		**0.6**
Depreciations	**4.6**	**0.9**	**0.4**	**5.8**		**5.8**
Impairments	**4.8**	**0.0**	**0.0**	**4.8**		**4.8**
Personnel	**455**	**47**	**62**	**564**		**564**

Operating segments,
January - December 2017
EUR million

	A	B	C	D	E	F
Total segment sales	100.2	65.3	162.9	328.4	63.6	392.0
Intra-group sales	-0.2	-0.3	-16.1	-16.6	-9.5	-26.1
Net sales	100.0	65.0	146.8	311.8	54.1	365.9
Operating profit	-1.5	1.8	0.8	1.1	-3.6	-2.5
Gross investments in non-current assets	3.7	1.1	0.4	5.2	0.7	5.9
Corporate acquisitions and other share purchases			0.4	0.4		0.4
Depreciations	4.5	0.8	0.3	5.6	0.8	6.5
Impairments	0.0	0.0	0.0	0.0	0.0	0.1
Average number of personnel	451	45	61	557	140	697

KEY INDICATORS	**31 Dec 2018**	31 Dec 2017
Shareholders' equity per share, EUR	**16.29**	18.10
Equity ratio, %	**61.4**	72.6
Gearing, %	**21.5**	-9.6
Gross investments in non-current assets, EUR million	**6.7**	5.9
Corporate acquisitions and other share purchases, EUR million	**0.6**	0.4
Average number of personnel	**564**	697
Average number of shares, 1,000 pcs	**6211**	6202

The key figures in this financial statements bulletin are calculated with same accounting principles than presented in the 2017 annual financial statements.

COLLATERALS, CONTINGENT LIABILITIES, CONTINGENT ASSETS AND OTHER COMMITMENTS

EUR million

	31 Dec 2018	31 Dec 2017
Mortgages given for debts		
Real estate and corporate mortgages		
Guarantees	**3.9**	3.1
Non-cancellable other leases, minimum lease payments		
Real estate leases	**10.7**	8.0
Other leases	**0.7**	0.9
DERIVATIVE INSTRUMENTS		
Outstanding nominal values of derivate instruments		
Interest rate swaps	**13.4**	4.8
Forward currency contracts	**0.2**	-
Commodity derivative instruments	**29.3**	14.2
CONTINGENT ASSETS		
The present value of proceeds from the sale of shares in the joint entry account	**0.7**	0.7
Claim for damages associated with the foreign grain supplier's neglect of delivery	**1.6**	-
INVESTMENT COMMITMENTS		
Food Solutions	**7.1**	1.0

CHANGES IN TANGIBLE ASSETS

EUR million

	31 Dec 2018	31 Dec 2017
Book value at the beginning of the period	**37.5**	47.7
Additions	**5.7**	3.9
Disposals	**-0.1**	-9.4
Depreciations and impairments	**-5.9**	-4.5
Other changes	**0.0**	-0.2
Book value at the end of the period	**37.2**	37.5

RELATED PARTY TRANSACTIONS

EUR million

	Q1-Q4 2018	Q1-Q4 2017
Sales to associated companies	**1.0**	0.9
Purchases from associated companies	**3.2**	2.8
Trade receivables and other receivables from associated companies	**0.3**	0.4
Trade payables and other liabilities to associated companies	**0.6**	0.5
Purchases from other related parties	**0.6**	0.4
Liabilities to other related parties	**0.3**	0.3

In Helsinki, 20 February 2019
APETIT PLC
Board of Directors