

# PRFOODS

## **AS PRFoods**

Consolidated Unaudited Interim Report

for 4<sup>th</sup> quarter and 12 months of 2015

18/02/2016

2015 | Q4+12 MONTHS

# P R F O O D S

<b>Business name</b>	AS PRFoods
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<b>Website</b>	prfoods.ee
<b>Main activities</b>	Production and sale of fish products Fish farming
<b>Reporting period</b>	1 January 2015– 31 December 2015
<b>Auditor</b>	AS PriceWaterhouseCoopers

# Table of Contents

Corporate profile .....	4
Activities Report by Management Board.....	6
Overview of the Economic Activities .....	7
Description of main risks of the Group .....	18
Management and Supervisory Board.....	20
PRFoods Share.....	22
Interim Accounting Report .....	26
Consolidated statement of financial position.....	27
Consolidated statement of profit or loss and other comprehensive income .....	28
Consolidated cash flow statement .....	29
Consolidated statement of changes in equity .....	30
Notes to the Interim Report.....	31
NOTE 1. Summary of material accounting policies.....	31
NOTE 2. Inventories .....	32
NOTE 3. Biological assets.....	33
NOTE 4. Long-term financial investments.....	34
NOTE 5. Tangible fixed assets.....	34
NOTE 6. Intangible assets .....	34
NOTE 7. Financial lease.....	35
NOTE 8. Debt obligations .....	35
NOTE 9. Government grants.....	36
NOTE 10. Equity.....	36
NOTE 11. Segment reporting.....	37
NOTE 12. Related party transactions.....	37
NOTE 13. Contingent liabilities and assets .....	38
NOTE 14. Discontinued operations.....	38
NOTE 15. Events after the balance sheet date .....	40
Management Board's confirmation to the Consolidated Interim Report for the 4 <sup>th</sup> quarter and 12 months of 2015 .....	41

## Corporate profile

AS PRFoods (hereinafter "Group") is a company engaged in food processing and sales that is listed on the main list of NASDAQ OMX Tallinn Stock Exchange since 5 May 2010.

The company is engaged in the production and sales of fish products in Finland and Estonia and fish farming in Sweden and Finland. The most significant trademarks of PRFoods are "Heimon Gourmet" and "Saaristomeren". The Group's other trademarks include "Gurmé" and "Polar Fish", which are marketed in the Baltic States.

As a result of the sale of the ice cream and frozen goods business segments at the end of the previous financial year, data from 2014 has been restated in these financial statements in the interest of comparability. The ice cream and frozen goods business segments are classified as discontinued operations.

GROUP COMPANIES					
Subsidiary	Domicile	Ownership interest 31/12/2015	Ownership interest 31/12/2014	Area of activity	Owner
Saaremere Kala AS	Estonia	100%	100%	Holding company of fish segment	PRFoods AS
Vettel OÜ	Estonia	100%	100%	Production of fish products	Saaremere Kala AS
GourmetHouse OÜ	Estonia	100%	100%	Sale of fish and fish products	Saaremere Kala AS
Heimon Kala Oy	Finland	100%	100%	Fishfarming, processing and sale of fish and fish products	Saaremere Kala AS
Överumans Fisk Ab	Sweden	100%	100%	Fishfarming and sales	Heimon Kala Oy
OOO Hladomagija*	Russia	0%	100%	Holding company	PRFoods AS

\*OOO Hladomagija is in liquidation. Additional information is provided in note 15.

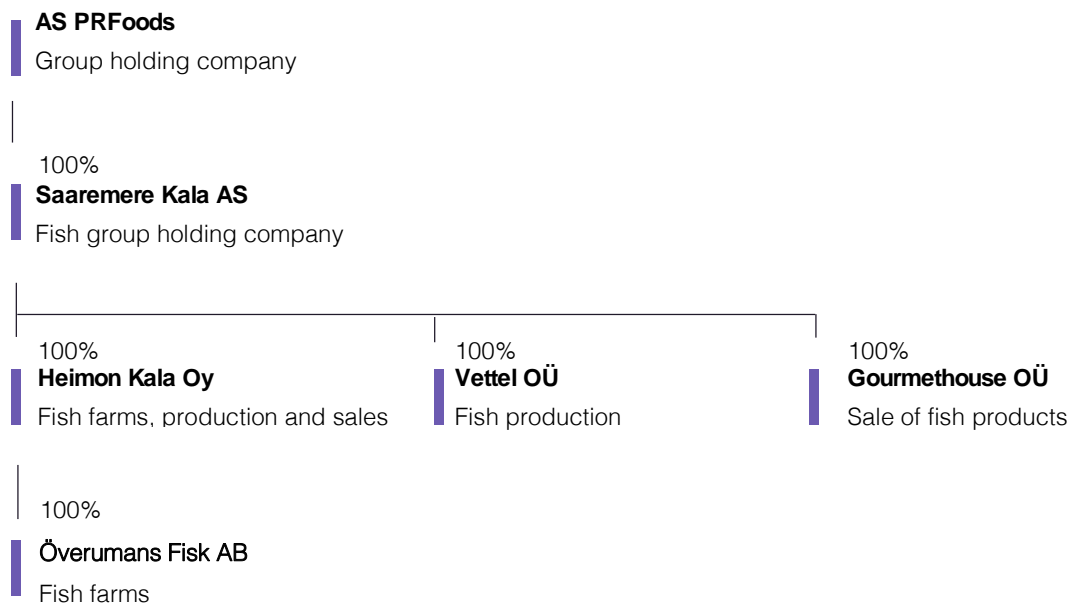
### MISSION

We wish for people to enjoy our range of products and healthy food. We continuously try to maintain and grow consumer trust. We are a benchmark of care, innovation and quality.

### VISION

PRFoods is a well-known environmentally friendly international company engaged in the production and sale of fresh fish and fish products in Scandinavia and the Baltic States.

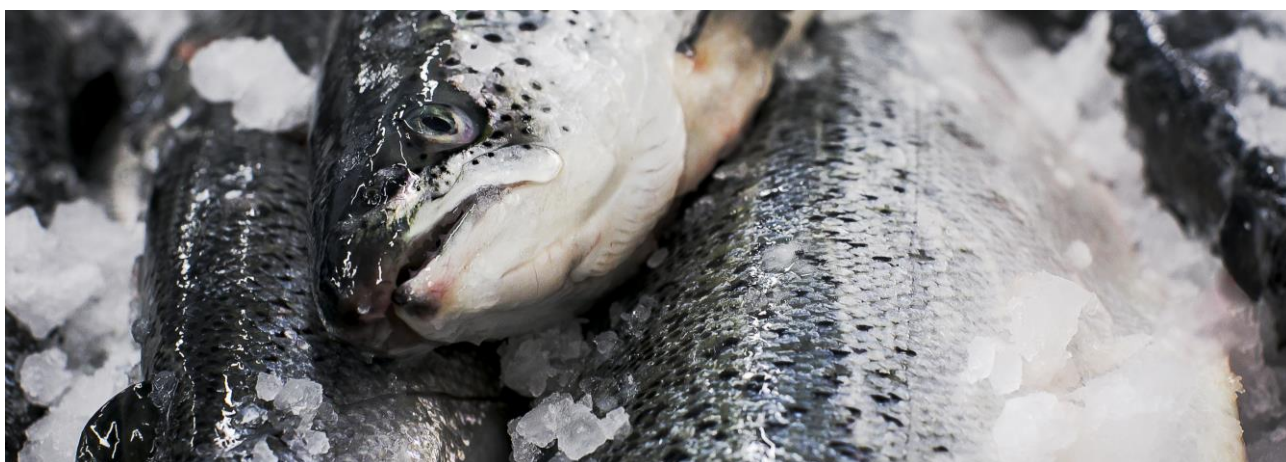
## STRUCTURE OF THE PRFOODS GROUP AS AT 31 DECEMBER 2015



The group has also a 20% shareholding in AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology).

The indisputable competitive advantage of the Group is its vertical integration – fish farming, production and sales. Trout farmed in the lakes of Sweden and in the archipelago in Turku area in Finland, as well as salmon imported from Norway, are processed in the modern production facilities of Heimon Kala OY in Renko, Finland and of Vettel OÜ on the island Saaremaa, Estonia. The Group's distribution network in Finland and Estonia enables to ensure that our customers receive fast and high quality deliveries. The Group is among the leaders of the fishing industry in the Finland retail market with its own trademarks and with private label products and also in the HoReCa sector.

Trademarks of the Finnish Group include "Heimon Gourmet" and "Saaristomeren". These are well known and appreciated fishbrands, which have been a part of Finnish everyday and festive dishes. Other trademarks of the Group include „Gurmé" and „Polar Fish" that are sold in the Baltic States.



P R F O O D S

# Activities Report by Management Board

# Overview of the Economic Activities

## MANAGEMENT COMMENTARY

PRFoods management is very pleased with the results of 2015, we exceeded the budget both on sales and profitability despite challenging macro environment in our key markets of Finland and Estonia. Volatility in raw fish prices was counterbalanced by impressive production efficiency and sales efforts by our team. The company implemented its investment program on time and on budget. 2015 was first full year for the company as dedicated value added fish processing company and the results prove that company is on right track. PRFoods will maintain its target to be one of the most profitable companies in the sector and favourite for the customers. PRFoods will announce the dividend amount once the audit for 2015 is completed.

## UNAUDITED FINANCIAL RESULTS OF AS PRFOODS, THE 4<sup>th</sup> QUARTER OF 2015 COMPARED TO THE 4<sup>th</sup> QUARTER OF 2014

- Unaudited consolidated revenue 17.2 million euros, increase 19.7%, i.e. 2.8 million euros.
- Gross margin 14.9%, increase 3.1 percentage points.
- The negative effect of revaluation of biological assets 0.4 million euros (Q4 2014: 0.3 million euros).
- EBITDA from business operations 1.4 million euros, increase 1.7 million euros.
- EBITDA 1.0 million euros, increase 1.7 million euros.
- EBIT 0.7 million euros, increase 1.6 million euros.
- Net profit 0.7 million euros, increase 2.0 million euros.

### SUMMARY OF FINANCIAL RESULTS: THE 4<sup>TH</sup> QUARTER OF 2015 COMPARED TO THE 4<sup>TH</sup> QUARTER OF 2014

EUR mln	Q4 2015	Q4 2014	Increase EUR mln	Q4
Sales	17.2	14.3	2.8	▲
Gross profit	2.6	1.7	0.9	▲
EBITDA from operations	1.4	-0.3	1.7	▲
EBITDA	1.0	-0.7	1.7	▲
EBIT	0.7	-0.9	1.6	▲
Net profit	0.7	-1.3	2.0	▲

## UNAUDITED FINANCIAL RESULTS OF AS PRFOODS, 12 MONTHS OF 2015 COMPARED TO 12 MONTHS OF 2014

- Unaudited consolidated revenue 50.3 million euros, increase 9.6%, i.e. 4.4 million euros.
- Gross margin 13.4%, increase 1.9 percentage points.
- The negative effect of revaluation of biological assets 0.9 million euros (12 months 2014: 0.6 million euros).
- EBITDA from business operations 2.9 million euros, increase 2.5 million euros.
- EBITDA 2.0 million euros, increase 1.5 million euros\*.
- EBIT 0.9 million euros, increase 1.5 million euros.
- Net profit 1.2 million euros, increase 2.7 million euros.

\* Negative effect in comparing data of EBITDA, EBIT and net profit is caused by the reimbursement of a claim in the amount of 751 thousand euros received in June 2014 from the Swedish Board of Agriculture, recorded in the income statement of Q2 2014 on line "Other business incomes/costs".

## SUMMARY OF FINANCIAL RESULTS: 12 MONTHS OF 2015 COMPARED TO 12 MONTHS OF 2014

EUR mln	12m 2015	12m 2014	Increase EUR mln	12m
Sales	50.3	45.9	4.4	▲
Gross profit	6.8	5.3	1.5	▲
EBITDA from operations*	2.9	0.4	2.5	▲
EBITDA	2.0	0.5	1.5	▲
EBIT	0.9	-0.6	1.5	▲
Net profit (-loss)	1.2	-1.5	2.7	▲





## KEY RATIOS

The company's key ratios of the 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> quarter and 12 months of 2015 have been indicated in the following tables.

Profit & Loss, EUR mln	Q1 2015	Q2 2015	Q3 2015	Q4 2015	12m 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	12m 2014
Sales	10.3	11.4	11.4	17.2	<b>50.3</b>	10.2	11.3	10.0	14.3	<b>45.9</b>
Gross profit	1.3	1.3	1.6	2.6	<b>6.8</b>	1.4	1.0	1.2	1.7	<b>5.3</b>
EBITDA from operations	0.4	0.4	0.7	1.4	<b>2.9</b>	0.5	-0.1	0.3	-0.3	<b>0.4</b>
EBITDA	-0.6	0.6	1.1	1.0	<b>2.0</b>	-0.7	1.1	0.7	-0.7	<b>0.5</b>
EBIT	-0.9	0.3	0.8	0.7	<b>0.9</b>	-0.9	0.8	0.4	-0.9	<b>-0.6</b>
EBT	-0.8	0.3	0.8	0.7	<b>1.1</b>	-1.2	0.8	0.2	-1.2	<b>-1.4</b>
Net profit (-loss)	-0.5	0.3	0.7	0.7	<b>1.2</b>	-0.9	0.6	0.1	-1.3	<b>-1.5</b>
Gross margin	12.2%	11.3%	14.5%	14.9%	<b>13.4%</b>	13.8%	8.6%	12.2%	11.8%	<b>11.5%</b>
Operational EBITDA margin	4.1%	3.3%	6.5%	7.9%	<b>5.8%</b>	4.9%	-1.1%	3.4%	-2.4%	<b>0.8%</b>
EBITDA margin	-5.9%	4.8%	9.4%	5.9%	<b>4.0%</b>	-6.5%	10.0%	7.1%	-4.6%	<b>1.1%</b>
EBIT margin	-8.6%	2.4%	6.8%	4.1%	<b>1.7%</b>	-9.2%	7.5%	4.3%	-6.6%	<b>-1.3%</b>
EBT margin	-7.4%	2.9%	6.6%	4.3%	<b>2.1%</b>	-11.7%	7.0%	2.0%	-8.2%	<b>-3.0%</b>
Net margin	-5.2%	2.5%	6.1%	4.2%	<b>2.3%</b>	-9.2%	5.2%	1.2%	-8.9%	<b>-3.3%</b>
Operating expense ratio	11.3%	11.3%	11.9%	9.3%	<b>10.8%</b>	12.6%	12.7%	13.2%	14.7%	<b>13.4%</b>

EBITDA from operations = before one-offs and fair value adjustment

EBITDA = profit (-loss) before interest, tax, depreciation and amortisation

EBIT = operating profit (-loss)

EBT = Profit (-loss) before tax

Gross margin = Gross profit / Net sales

Operational EBITDA margin = EBITDA from operations/Net sales

EBITDA margin = EBITDA / Net sales

EBIT margin = EBIT / Net sales

EBT margin = EBT / Net sales

Net margin = Net earnings / Net sales

Operating expense ratio = Operating expenses / Net sales

## KEY RATIOS

Balance Sheet, EUR mln	31/03/2015	30/06/2015	30/09/2015	31/12/2015	31/03/2014	30/06/2014	30/09/2014	31/12/2014
Net debt	-3.3	-6.5	-5.2	<b>-0.6</b>	13.6	13.7	9.7	<b>-2.6</b>
Equity	33.1	33.3	34.0	<b>23.2</b>	36.1	37.9	40.5	<b>33.7</b>
Working capital	21.8	21.8	22.0	<b>11.5</b>	8.5	9.9	8.1	<b>22.8</b>
Assets	39.5	39.4	40.1	<b>29.5</b>	63.8	68.5	65.6	<b>40.4</b>
Liquidity ratio	5.7	6.2	6.2	<b>3.8</b>	1.5	1.5	2.1	<b>5.9</b>
Equity ratio	83.9%	84.6%	84.7%	<b>78.7%</b>	56.5%	55.3%	61.6%	<b>83.3%</b>
Gearing ratio	-11.0%	-24.1%	-18.2%	<b>-2.5%</b>	27.4%	26.6%	19.3%	<b>-8.3%</b>
Net debt-to-EBITDA	-11.2	-8.2	-4.4	<b>-0.2</b>	15.6	16.1	7.1	<b>-7.0</b>
ROE	-3.2%	-3.9%	-2.3%	<b>4.1%</b>	-3.6%	0.8%	0.3%	<b>-4.2%</b>
ROA	-2.1%	-2.6%	-1.6%	<b>3.4%</b>	-2.0%	0.4%	0.2%	<b>-2.9%</b>

Net debt = Short and Long term Loans and Borrowings - Cash

Working capital = Current Assets - Current Liabilities

Liquidity ratio = Current Assets / Current Liabilities

Equity ratio = Equity / Total Assets

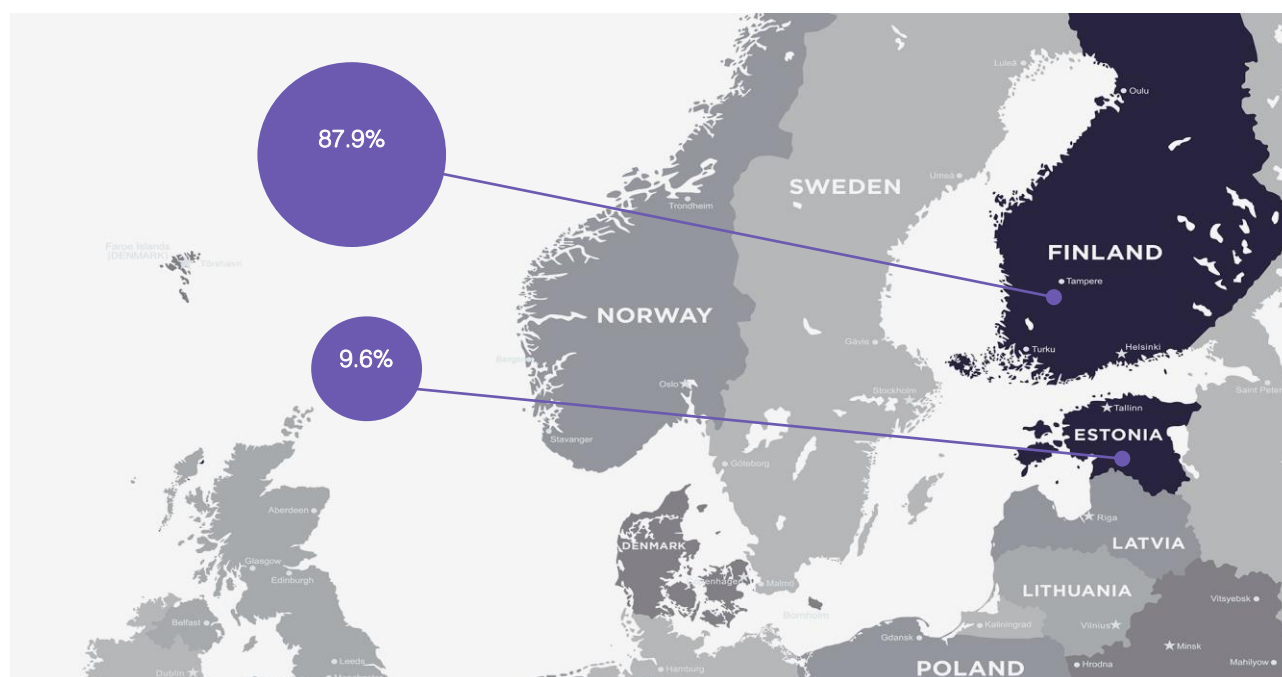
Gearing ratio = Net Debt / (Equity + Net Debt)

Net debt-to-EBITDA = Net Debt / EBITDA from operations for the trailing 12 months period

ROE = Net Earnings for the trailing 12 months period / Average Equity

ROA = Net Earnings for the trailing 12 months period / Average Assets

## REVENUE



THE SHARE OF REVENUE IN KEY GEOGRAPHIC AREAS 12 MONTHS 2015

## PR FOODS

Consolidated Unaudited Interim Report for 4<sup>th</sup> quarter and 12 months of 2015

AS PRFoods unaudited consolidated revenue for Q4 2015 increased +19.7% i.e. 2.8 million euros compared to the same period in 2014, reaching to 17.2 million euros. The unaudited consolidated revenue for 12 months 2015 was 50.3 million euros, increasing +9.6% i.e. 4.4 million euros during the year.

In 12 months 2015 the revenue in Finnish market increased +11.8% i.e. 4.7 million euros. The proportion of Finnish revenue in AS PRFoods total revenue for 2015 accounted for 87.9%, increasing +1.7 percentage points compared to the same period in 2014.

Estonian revenue, although -7.7% lower compared to 2014, has come mostly from the sales of products with higher margin, such as fish roe, in which AS PRFoods is one of the Estonian market leaders.

## 2015 12 MONTHS SALES ANALYSIS

GEOGRAPHIC REGIONS	YOY GROWTH	YOY INCREASE (EUR '000)
Finland	_____ / — 11.8%	_____ / — 4,656
Estonia	-7.7% _____	-404 _____
Other	_____ / — 14.7%	_____ 158
Total	_____ 9.6%	_____ / — 4,410

PRODUCT SEGMENTS	YOY GROWTH	YOY INCREASE (EUR '000)
Cold and hot smoked products	_____ / — 12.2%	_____ / — 2,050
Other fish products	_____ 6.0%	_____ 603
Fish and fishfilet	_____ / — 10.5%	_____ / — 1,981
Other	-84.0% — / _____	-224 — _____
Total	_____ 9.6%	_____ / — 4,410

The largest increase in revenue came from smoked products and raw fish and fillets product groups, increasing 2.0 million euros i.e. +12.2% and 2.0 million euros i.e. +10.5% respectfully. The revenue from other product groups increased 0.6 million euros i.e. +6.0%. Other sales in 2014, 0.2 million euros, were related to income from discontinued operations.

CLIENT SEGMENTS	YOY GROWTH	YOY INCREASE (EUR '000)
HoReCa	-3.5% _____	-507 _____
Retail chains	_____ 8.9%	_____ / — 2,162
Wholesale	_____ / — 38.5%	_____ / — 2,742
Other	_____ 7.5%	_____ 13
Total	_____ 9.6%	_____ / — 4,410

According to the client segments the revenue in wholesale sector increased 2.7 million euros and 2.2 million euros in retail sector. The increase in wholesale sector was +38.5% and +8.9% in retail sector. In HoReCa sector the revenue decreased 0.5 million euros i.e. -3.5% due to the loss of two main products from the product portfolio.

## COST ANALYSIS

In 2015, the revenue increased by 4.41 million euros, i.e. 9.6%. At the same time, the operating costs decreased by -0.73 million euros, altogether -11.9%. The operating expense ratio decreased during 12 months of 2015 by -2.64 percentage points, if compared to the previous year.

	12m 2015	12m 2014	change		12m 2015	12m 2014	change
	EUR mln	EUR mln	EUR mln	12m	as % of sales	as % of sales	as % of sales
<b>Sales</b>	<b>50.27</b>	<b>45.86</b>	<b>4.41</b>	<b>▲</b>	<b>100.00%</b>	<b>100.00%</b>	
<b>Cost of goods sold</b>	<b>- 43.52</b>	<b>- 40.58</b>	<b>2.94</b>	<b>▼</b>	<b>86.57%</b>	<b>88.48%</b>	<b>-1.91%</b>
including one-off expenses	0.00	- 0.03	- 0.03	▲	0.00%	0.06%	-0.06%
materials in production & cost of goods purchased for resale	- 35.44	- 32.84	2.60	▼	70.50%	71.60%	-1.10%
labour costs	- 3.38	- 3.35	0.03	▼	6.73%	7.31%	-0.58%
depreciation	- 0.96	- 0.94	0.02	▼	1.91%	2.05%	-0.14%
other cost of goods sold	- 3.74	- 3.45	0.29	▼	7.43%	7.52%	-0.09%
<b>Operating expenses</b>	<b>- 5.42</b>	<b>- 6.15</b>	<b>- 0.73</b>	<b>▲</b>	<b>10.78%</b>	<b>13.42%</b>	<b>-2.64%</b>
labour costs	- 1.51	- 1.74	- 0.23	▲	3.01%	3.80%	-0.79%
transport & logistics services	- 1.97	- 1.69	0.28	▼	3.92%	3.68%	0.24%
depreciation	- 0.20	- 0.19	0.01	▼	0.40%	0.42%	-0.02%
advertising, merchandising, marketing and product development	- 0.83	- 0.70	0.13	▼	1.65%	1.54%	0.11%
other operating expenses	- 0.91	- 1.83	- 0.92	▲	1.80%	3.98%	-2.18%
<b>Other income/expenses</b>	<b>0.41</b>	<b>0.83</b>	<b>- 0.42</b>	<b>▼</b>	<b>0.81%</b>	<b>-1.81%</b>	<b>2.62%</b>
including one-off income	0.00	0.75	- 0.75	▼	0.00%	1.64%	-1.64%

Cost of goods sold increased 2.94 million euros and its percentage from the revenue decreased -1.91 percentage points for 12 months of 2015 compared to the same time in 2014. Gross profit increased 1.5 million euros, i.e. 27.8%. Gross profitability in 12 months of 2015 was 13.4%, showing an improvement of 1.9% year on year.

EBITDA from business operations (operating profit before revaluation of biological assets issued from market price, one-time incomes and costs and amortization) for 12 months of 2015 was 2.9 million euros, which has increased by 2.5 million euros compared to the same period of time in 2014.

The loss from revaluation of fish inventory for 12 months of 2015 was -0.9 million euros (12 months 2014: -0.6 million euros). PRFoods has partially hedged the risk of the world market price fluctuations through vertical integration; therefore, to evaluate the profitability of the sector, the EBTDA of the segment has to be compared together with the fish stock. If the world market price of raw fish decreases, the value of the fish breed in PRFoods's fish farms decreases as well, and that results in a negative impact of revaluation of livestock in the company's financial results. The negative impact of the livestock revaluation on EBITDA of and the operating profit of the company in 2015 was -0.3 million euro, if compared to 2014.

EBITDA for the reporting period was 2.0 million euros which is 3.9 times higher than during the previous year while at the same time negative effect for the comparison of EBITDA with the same period in 2014 is caused by the reimbursement of the claim in the amount of 751 thousand euros received in Q2 2014 from the Swedish Board of Agriculture.

Operating profit for 12 months of 2015 was 0.9 million euros, increasing 1.5 million euros compared to the same period in 2014. Financial expenses decreased -0.7 million euros, i.e. -87.8% during the reporting period compared to the same period in 2014. Main reason for the decrease was the interest expense from the service of loans in 2014.

Net profit for 12 months of 2015 was 1.2 million euros, an improvement of 2.7 million euros (2014: loss -1.5 million euros from continuing operations) in comparison with the same period in 2014.

## BIOLOGICAL ASSETS

Biological assets are fish stocks, including the following species:

- rainbow trout (*Oncorhynchus mykiss*)
- whitefish (*Coregonus lavaretus*)

The Group is a producer of primarily rainbow trout in its fish farms located in Finland and Sweden. To a lesser extent it also produces whitefish, which accounts for between 3% and 5% of the total volumes.

The Group uses the Norwegian export statistics for evaluation of the fish stocks of rainbow trout ( Source: [akvafakta.no](http://akvafakta.no) ). For evaluation of the fish stocks of whitefish, the monthly market price survey of the Finnish Fish Farmers' Association is used.

			Change	Change
Change in biological assets in tons	12m 2015	12m 2014	12m 15/ 12m 14	%
Biomass at beginning of the period	1,563	1,538	25	1.6%
Biomass at end of the period	1,215	1,563	-348	-22.2%
Harvested (in live weight)	-2,185	-1,686	499	29.6%

PRFoods's biological assets, as of 31/12/2015, comprise in the volume 99.0% (31/12/2014: 97.2%) of biomass of the rainbow trout farmed in the Finnish and Swedish fish farms and 1.0% (31/12/2014: 2.8%) of biomass is whitefish. Compared to the same period in 2014, biological assets decreased -348 tons, i.e. -22.2% in quantity and decreased 1,161 thousand euros in monetary value, i.e. -20.8% (fair value of biological assets as of 31/12/2015 constituted 4,422 thousand euros and as of 31/12/2014 5,583 thousand euros). It is caused by the decreased price of raw fish and strategic changes in production.

Biological assets are classified based on their stage of completion, which is relevant for the determination of market prices.

Accounting policies for each class of biological assets have been determined as follows:

### Fries (fertilised roe and up to 250 g fry)

Fries are measured at fair value. Fair value is determined on the basis of the biomass volume of fry and its weighted average market price at the balance sheet date.

### Juveniles (250 g fry up to fish suitable for harvesting)

The fair value of juveniles cannot be determined reliably due to the absence of an active market, and they are measured in the statement of financial position at cost. Subsequent expenditure directly related to bringing the juveniles up to the point they are suitable for harvesting are capitalised in the cost of biological assets.

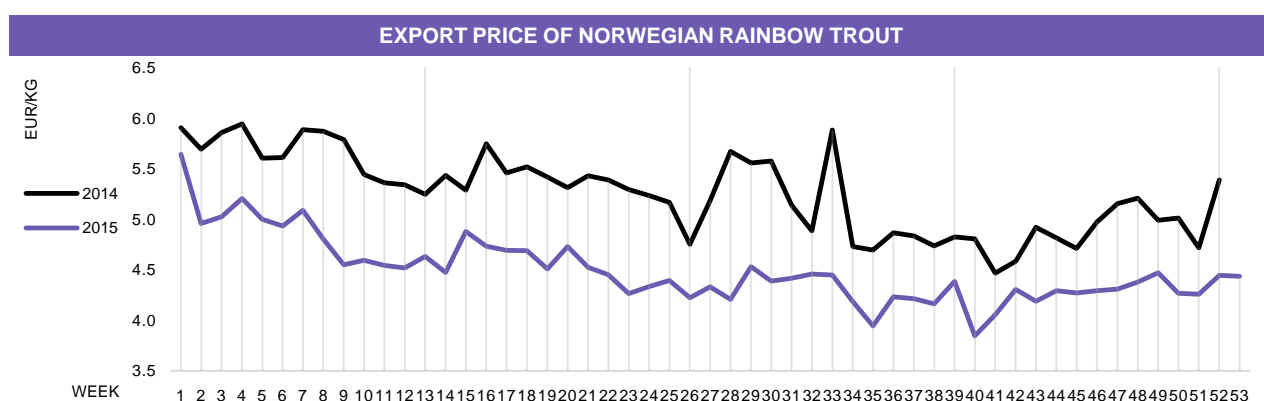
At each balance sheet date, the cost is compared to the net realisable value of the juveniles. The net realisable value is the estimated fair value of fish suitable for harvesting at the time the juveniles are expected to become suitable for harvesting, less estimated costs on breeding the juveniles to make them suitable for harvesting, and on subsequent sale. When it is probable that the cash flows from future sales cover both the cost as well as the additional expenditure related to breeding and sale, juveniles are measured at cost. Otherwise, juveniles are

written down to their estimated net realisable value. Impairment losses are recognised as expenses of the reporting period.

### Fish suitable for harvesting

On initial recognition (on acquisition or reclassification from juveniles) and at each balance sheet date thereafter, the fish ready for harvesting are measured at their fair value less estimated costs to sell. The basis for determination of fair value is the estimated biomass of fish ready for harvesting, less the weight loss occurring at disposal, and the weighted average market price at the balance sheet date, which is the most recent market price for similar assets sold by independent parties, adjusted for the effect of existing differences, assuming no major changes have occurred in the economic environment between the transaction date and the balance sheet date. In areas where external market prices are unavailable, the estimate is based on domestic market prices. The quality class (higher or regular) is also considered in the determination of prices.

Gains and losses arising from fair value adjustments of biological assets are recognised in the separate line "Revaluation of biological assets" in the statement of comprehensive income. Produce from biological assets is recognised at fair value less estimated costs to sell (Note 3).



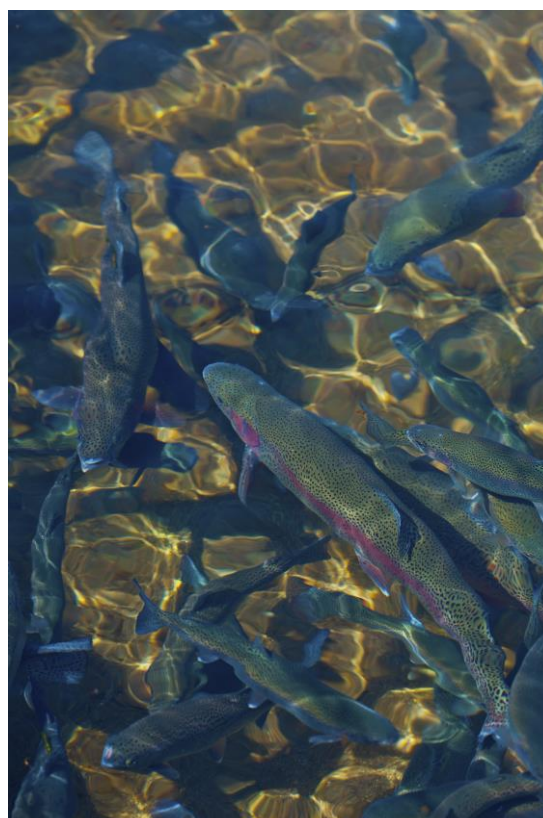
Source: [akvafakta.no](http://akvafakta.no)

			Change
Average price	Q4 2015	Q4 2014	Q4 15/Q4 14
Salmon	4.81	4.58	5.1%
Rainbow trout	4.29	4.88	-12.1%

The average price level of the 4<sup>th</sup> quarter of 2015 compared to the same period from the previous year for salmon has increased 5.1% and for rainbow trout has decreased -12.1%.

			Change
Market price	31/12/2015	31/12/2014	31/12/15 / 31/12/14
Salmon	5.90	4.80	22.9%
Rainbow trout	4.44	5.39	-17.6%

Compared to the position as of 31/12/2014, the market price for salmon increased by 22.9% and the market price for rainbow trout declined by -17.6%.



## FINANCIAL POSITION

### LIQUIDITY AND SOLVENCY RATIOS

Ratio	31/03/2015	30/06/2015	30/09/2015	31/12/2015	31/03/2014	30/06/2014	30/09/2014	31/12/2014
Liquidity ratio	5.7	6.2	6.2	3.8	1.5	1.5	2.1	5.9
Net debt-to-EBITDA	-11.2	-8.2	-4.4	-0.2	15.6	16.1	7.1	-7.0
Debt to total assets	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.2
Equity ratio	84%	85%	85%	79%	56%	55%	62%	83%
Gearing ratio	-11%	-24%	-18%	-3%	27%	27%	19%	-8%

Liquidity ratio = Current Assets / Current Liabilities

Net debt-to-EBITDA = Net Debt / EBITDA from operations for the trailing 12 months period

Debt to total assets = Debt / Total Assets

Equity ratio = Equity / Total Assets

Gearing ratio = Net Debt / (Equity + Net Debt)

The financial position of the company is continuously solid and the financial risk is low. Cash flow for 12 months of 2015 was 3.7 million euros (12 months of 2014: 0.4 million euros from continuing operations).

Cash flow from operations was positively affected by the decrease in inventory. Change compared to the previous period was total of 2.6 million euros. The decrease in inventories is attributable to reduced volume of purchases of raw materials. The livestock decreased in 2015 by 348 tons compared to the previous year, which resulted in an increase of the cash flow from operations by 0.5 million euros.

On 31 December 2015, PRFoods made the monetary payment to the bank account of Estonian Central Register of Securities in amount of 11.5 million euros for payments to the shareholders. The share capital decrease payments to the shareholders, i.e. 0.30 euro per share, were made by Estonian Central Register of Securities on 4 January 2016.

As of closing date the net debt constituted of -0.6 million euros (31/12/2014: -2.6 million euros). Financial gearing, i.e. net debt percentage from total capital was -3% (31/12/2014: -8%).

As of 31/12/2015 net debt to EBITDA ratio was -0.2 (31/12/2014: -7.0). Liquidity ratio showing short time paying capacity was 3.8 (31/12/2014: 5.9). Share capital aggregated to 79% of total assets (31/12/2014: 83%) and the working capital of the company was 11.5 million euros (31/12/2014: 22.8 million euros).

### BALANCE SHEET ANALYSIS

As of 31/12/2015, PRFoods AS consolidated balance was 29.5 million euros, decreasing by -10.9 million euros as compared to 31/12/2014, i.e. -27.0%. The decrease is caused by the capital reduction payments by 11.5 million euros (Note 15). The volume of working capital of the company as of 31/12/2014 was 15.6 million euros and the balance of cash and bank accounts was 1.9 million euros.

Amounts receivable and prepayments have decreased -8.3 million euros, compared to the same period on previous year. The decrease is influenced by the outstanding instalment from the sales of subsidiaries in the amount of 8 million euros



as at 31/12/2014 (for additional information please refer to note 14). Inventories have decreased by -0.9 million euros year-on-year bases because the company assessed market trends and developments for their potential impact on the business and decided to reduce the fish stock reserve.

Biological assets decreased -1.2 million euros compared to the same period in 2014. The reason is that the market price which was effective as of 31/12/2015 was -17.6% lower than as of 31/12/2014 and due to strategic changes in production.

Accounts payables and prepayments as of 31/12/2015 aggregated to 3.8 million euros (31/12/2014: 4.5 million euros). As of 31/12/2015, AS PRFoods owner's equity aggregated to 23.2 million euros (31/12/2014: 33.7 million euros).

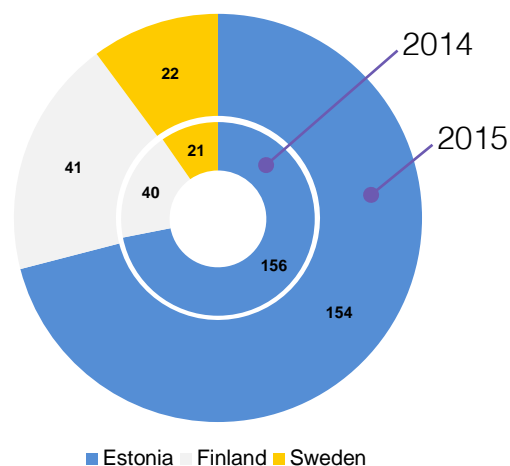
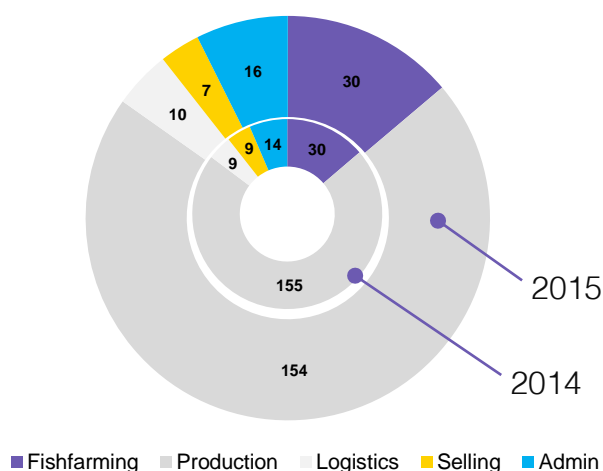
## INVESTMENTS

AS PRFoods investments during the reporting period aggregated to 2.0 million euros (12 months of 2014: 1.4 million euros from continuing operations), including investments in production machines aggregated 1.6 million euros and in enlargements of facilities amounted to 0.3 million euros. Under the financial lease terms, property, plant and equipment purchases were made in the amount of 1.0 million during the financial year of 2015 (2014: 0.4 million euros).

## TEAM

The average number of employees during 12 months of 2015 was 217. Compared to the same period of 2014 the average number of employees did not change. The average number of employees during Q4 of 2015 increased by 1 people, i.e. 0.4%, which remained at the same level. The labour costs in production during 12 months in 2015 was 3.4 million euros which also did not change compared to the same period in 2014.

Support staff labour costs decreased -0,3%. Administration labour costs decreased by 0.2 million euros, i.e. -21.5% which is driven due to the significant changes in the management of the mother company. During the first 12 months of 2015, labour costs decreased altogether -3.9% as compared to the same period in 2014.





## PERSONNEL ANALYSIS 2015

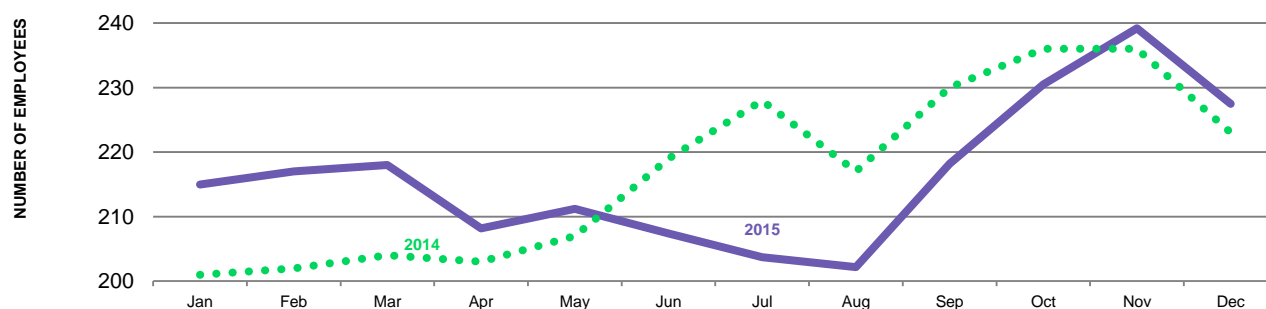
Continuing operations	Q1 2015	Q2 2015	Q3 2015	Q4 2015	12m 2015	12m 15 / 12m 14	12m
Average number of employees	217	209	208	232	217	0.0%	
Finland	37	39	39	47	41	2.5%	▼
Estonia	159	147	149	161	154	-1.3%	▲
Sweden	21	23	20	24	22	4.8%	▼
Payroll expenses (EUR '000)	1,138	1,111	1,150	1,497	4,896	-3.9%	▲
Monthly average payroll expenses per employee (EUR '000)	1.75	1.77	1.84	2.15	1.88	-3.9%	▲

## PERSONNEL ANALYSIS 2014

Continuing operations	Q1 2014	Q2 2014	Q3 2014	Q4 2014	12m 2014	Q4 15 / Q4 14	Q4
Average number of employees	202	210	225	231	217	0.4%	▼
Finland	38	39	40	42	40	11.9%	▼
Estonia	145	150	164	164	156	-1.8%	▲
Sweden	19	21	21	25	21	-4.0%	▲
Payroll expenses (EUR '000)	1,158	1,277	1,227	1,434	5,096	4.4%	▼
Monthly average payroll expenses per employee (EUR '000)	1.91	2.03	1.82	2.07	1.96	3.9%	▼



The labour need of the Group varies according to month as follows:



The graph shows that the labour need grows from August until Christmas, due to the seasonal character of business operations. During this period, production volume increased significantly in fish production and the Group uses additional seasonal employees.

# Description of main risks of the Group

The Group's risk management policy is based on the requirements established by regulatory bodies, generally accepted practices and the Group's internal rules. The Group is guided by the principle to manage risks in a manner that ensures an optimal risk to reward ratio. As part of the Group's risk management, all potential risks, their measurement and control are defined, and an action plan is prepared to reduce risks while ensuring the attainment of the Company's financial and other strategic objectives.

The Management Board of the Parent Company has the main role in management of risks. The Supervisory Board of the Parent Company exercises supervision over the measures taken by the Management Board to manage risks. The Group assesses and limits risks through systematic risk management. For managing financial risks, the Group has involved its financial unit that finances the Parent Company as well as its subsidiaries and, directly as a result of that, also manages liquidity risk and interest rate risk.

## CREDIT RISK

Credit risk expresses a potential loss that arises in the event of clients failing to perform their contractual obligations. To reduce credit risk, the payment discipline of clients is consistently monitored.

To minimize credit risk, solvency of a potential future contractual partner is assessed based on the information received from the Commercial Register, Tax Board or other public sources. Contracts for purchase and sale of products are concluded with all contractual partners, and a payment term is granted only to reliable partners. If possible, the Group uses factoring without recourse as an additional measure to manage credit risk.

## LIQUIDITY RISK

Liquidity risk represents a threat to solvency of the company. Liquidity risk means that the Group might not have available resources to settle its financial liabilities in a timely manner.

The Group aims at keeping the financing need and financing possibilities of the Group in balance. Cash flow planning is used as a tool to manage liquidity risks. For efficient management of the Group's cash flows, the bank accounts of the Parent Company and Estonian subsidiaries make up a cash pool account that enables the members of the cash pool account to use the Group's financial resources within the limit established by the Parent Company.

To manage liquidity risks, the Group uses different financing sources, including bank loans, overdraft facilities, continuous monitoring of trade receivables and delivery contracts.

Overdraft facilities are used to finance working capital, long-term bank loans or finance lease agreements are used to purchase non-current assets.

As at 31/12/2015, the Group's working capital was 11,547 thousand euros (31/12/2014: 22,799 thousand euros).

The management considers it important to monitor liquidity risks; the additional need for capital can be covered by overdraft facilities or by refinancing the loan portfolio. The overdraft facility was not drawn down as at the balance sheet date. As at 31/12/2014, the balance of the unused overdraft facility was 0 thousand euros.

## CURRENCY RISK

Currency risk arises when business transactions, assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group tries to avoid large foreign currency exposures. The main currencies used are SEK and EUR. The Group is exposed to fluctuations of the exchange rate of SEK. The Group has not used any financial instruments to secure itself against currency risks that may arise from business transactions and assets and liabilities in the future. Any income and expenses arising from foreign currency transactions are included in other operating income/expenses or financial income/cost under "Foreign exchange gains/losses".

## INTEREST RATE RISK

In case of short and long-term loans, the Group uses interest rates based on EURIBOR base interest. In managing interest rate risks, possible losses arising from changes in interest rates are regularly compared to the expenses incurred for hedging them.

## CAPITAL MANAGEMENT

With regard to capital management, the Group's objective is to ensure sustainability of the Group in order to ensure returns for shareholders while preserving an optimal capital structure for reducing capital expenditure. For preserving or improving the capital structure, the Group may regulate the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the debt.

EUR '000	31/12/2015	31/12/2014
Total borrowings	1,347	753
Less: Cash and cash equivalents	1,921	3,330
Net debt	-574	-2,577
Total equity	23,212	33,672
Total capital (net debt + equity)	22,638	31,095
Debt to equity ratio	-3%	-8%

## FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group divides financial instruments into three levels depending on their revaluation:

- Level 1: Financial instruments that are valued using unadjusted price from the stock exchange or some other active regulated market.
- Level 2: Financial instruments that are evaluated by assessment methods based on monitored inputs. This level includes, for instance, financial instruments that are assessed by using prices of similar instruments in an active regulated market or financial instruments that are re-assessed by using the price on the regulated market, which have low market liquidity.
- Level 3: Financial instruments that are valued by assessment methods based on non-monitored inputs.

The Group's management estimates that the carrying amounts of financial assets and liabilities carried at amortised cost are not significantly different from their fair values at 30 September 2015 and 30 September 2014. Cash and bank balances, trade receivables, other receivables, trade payables and other payables are expected to be settled within 12 months or are recognised immediately before the balance sheet date and therefore their fair value is not significantly different from their carrying amount. The Group's long-term borrowings have a floating interest rate that changes according to fluctuations in the market interest rates. The Group's management estimates that the Group's risk level has not significantly changed since the assumption of borrowings. Thus, the fair value of non-current financial liabilities is approximately equal to their carrying amount.

# Management and Supervisory Board

The Management Board of AS PRFoods is comprised of one member. Indrek Kasela serves as the sole member of Management Board since 02/02/2015 pursuant to the Supervisory Board's decision. The Management Board of the company is independent in its day-to-day management of the business, protects the best interests of all shareholders and thereby ensures the company's sustainable development in accordance with set objectives and strategy. The Management Board of the company is also responsible for the functioning of internal control and risk management processes in the company.

The Supervisory Board of AS PRFoods elects Management Board members for a three-year term. The Management Board must be comprised of one to four members pursuant to the articles of association of the company.

**Indrek Kasela** (born 1971), who holds LL.M (master of laws) degree from New York University (1996), BA degree in law from the University of Tartu (1994) and serves as a member of Supervisory Board of several group entities, such as Saaremere Kala AS and Vettel OÜ. He serves as Supervisory Board member of AS Toode, ELKE Grupi AS, EPhaG AS, Salva Kindlustuse AS, AS Ridge Capital, AS Premia Tallinna Külmoone, Ekspress Grupi AS and a Management Board member of OÜ Transtech Service, OÜ Fine, Wood and Company OÜ, Lindermann, Birnbaum & Kasela OÜ, Managetrade OÜ and Noblessneri Jahtklubi OÜ as well as board member of several companies domiciled in the Baltic States and Russian Federation.



The Supervisory Board of AS PRFoods is currently comprised of six members. The Supervisory Board is chaired by the Chairman of the Supervisory Board Lauri Kustaa Äimä, members of the Supervisory Board are Aavo Kokk, Harvey Sawikin, Vesa Jaakko Karo, Arko Kadajane and Kuldar Leis.

The highest governing body of a public limited company is the General Meeting of shareholders. According to law, the General Meetings of shareholders are either ordinary or extraordinary.

Pursuant to law, a Supervisory Board of a public limited company is a supervisory body responsible for planning the activities of a company, organising its management and supervising the activities of Management Board. According to the Articles of Association of AS PRFoods, the Supervisory Board has three to seven members elected by the General Meeting of shareholders for the term of five years.

## PROFILES OF MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AS AT THE DATE OF PREPARATION OF THIS REPORT

**Lauri Kustaa Äimä** (born 1971) holds a Master's degree in Economics from the University of Helsinki. He has been a member of the Supervisory Board of the company since its foundation. Lauri Kustaa Äimä is the managing director and founding shareholder of Kaima Capital Oy. He serves as a management or Supervisory Board member of AS Tallink Group, Salva Kindlustuse AS, AS Baltika and Managetrade OÜ as well as the Lithuanian companies AB Baltic Mill, UAB Malsena Plius and BAN Insurance, JSC Rigas Dzirnavnieks in Latvia, in addition to several investment companies and funds domiciled in Finland, England, Netherlands, Slovenia and Luxembourg.

**Aavo Kokk** (born 1964) graduated from Tartu University in 1990, having specialized in journalism, and Stockholm University in 1992, having specialized in banking and finance and has been a member of the Supervisory Board of the company since May 2009. Mr Aavo Kokk is currently the manager and partner of the investment company Catella Corporate Finance (Estonia) and the member of the Supervisory Board of AS Audentes and a member of the Management Board OÜ Synd&Katts.

**Harvey Sawikin** (born 1960) holds degrees from the Columbia University and Harvard Law School and has been a member of the Supervisory Board of the company since May 2009. Harvey Sawikin is currently a lead manager of Firebird Fund, Firebird New Russia Fund, Firebird Republics Fund and Firebird Aurora Fund. He is a member of the New York State Bar.

**Vesa Jaakko Karo** (born 1962) graduated from the Helsinki School of Economics in 1986 with M.Sc. in finance and international marketing and received a licentiate (Econ) degree in economics in 1996. He has been a member of the Supervisory Board of the company since August 2009. Currently he is the partner of Cumulant Capital Fund Management, being the fund manager of Cumulant Capital Northern Europe Fund.

**Arko Kadajane** (born 1981) graduated from the Estonian Business School, specializing in international business management and he is a member of the Supervisory Board of the company since May 2012. Currently he is the portfolio manager of Ambient Sound Investments OÜ, a member of the Supervisory Board of AS Saho and a member of the Management Board of OÜ Juniper and OÜ Portfellihaldus.

**Kuldar Leis** (born 1968) graduated from the University of Tartu in 1993, specializing in credit and finance. He also holds a diploma in dairy technology. Kuldar Leis was the Chairman of the Management Board of the company since its foundation until 15 May 2013. Since 29 May 2013 he is a member of the Supervisory Board of PRFoods. He is currently a member of Supervisory Board of AS Linda Nektar and Food and Competence Center of Food and Fermentation Technology. He is also a member of supervisory board of Association of the Estonian Food Industry and member of the Management Board of Rododendron OU and Solarhouse OÜ.

**As at 31/12/2015, the members of Management and Supervisory Board and persons/companies related to them hold the shares in the company as indicated below:**

Shareholder	31/12/2015 number of shares	ownership interest
Chairman of the Supervisory Board, Chairman of the Management Board from 02/02/2015 – Indrek Kasela	41,823	0.11%
Member of the Supervisory Board – Kuldar Leis	1,302,166	3.37%
Member of the Supervisory Board, Chairman of the Supervisory Board from 02/02/2015 – Lauri Kustaa Äimä	125,000	0.32%
Member of the Supervisory Board – Vesa Jaakko Karo	90,000	0.23%
Member of the Supervisory Board – Arko Kadajane	8,928	0.02%
Member of the Supervisory Board – Harvey Sawikin	no shares	
Member of the Supervisory Board – Aavo Kokk	no shares	
Total number of shares owned by the members of the Supervisory and Management Board	1,567,917	4.05%

## PRFoods Share

AS PRFoods shares are listed in the main list of NASDAQ OMX Tallinn Stock Exchange since 5 May 2010. The company has issued 38.7 million ordinary shares with the nominal value of 0.20 euro (nominal value was 10 EEK until 13 April 2011, 0.60 euro until 3 September 2012 and 0.50 euro until 2 October 2015). All shares have equal voting and dividend rights. PRFoods shares do not have an official market maker.

ISIN	EE3100101031	Issued shares	38,682,860
Symbol of share	PRF1T	Listed shares	38,682,860
Market	BALTIC MAIN LIST	Listing date	05/05/2010
Nominal value	0.20 EUR	Minimum quantity of tradable securities	1 share

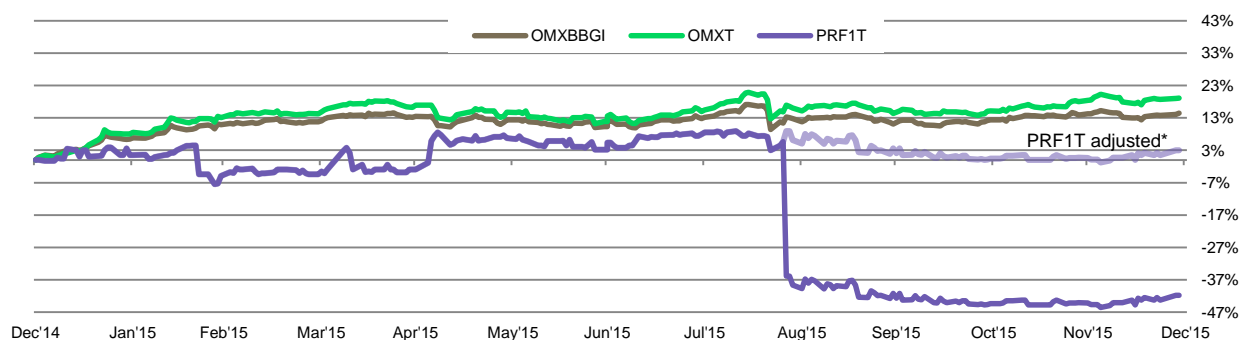
AS OF DECEMBER 2015, THE PRFOODS SHARE WAS PART OF THE FOLLOWING INDICES:

Index	Description	Type	Short name
OMX Tallinn GI	OMX Tallinn all share index	Gross index	OMXT
OMX Baltic Benchmark GI	Baltic all share index	Gross index	OMXBGI

OMX uses a common classification of indices for the Nordic and Baltic markets. The OMX Baltic index family includes all share, tradable, benchmark and sector indices. The indices are calculated in euros and gross (GI) indices. All indices are chain-linked, meaning that they are calculated based on the price level of the previous trading day. All OMX Baltic indices, except sector indices have base values of 100 and the base date is 31/12/1999. The base date of the OMX Tallinn index is 03/06/1996. The composition of the tradable and benchmark indices is revised twice a year based on the trading activity of the shares.

## THE YEARLY CHANGE OF PRFOODS SHARE AND PROFITABILITY INDEXES BETWEEN 31/12/2014 AND 31/12/2015:

Index / Equity	31/12/2014	31/12/2015	change %
OMX Baltic Benchmark GI	566.56 EUR	648.32 EUR	14.43%
OMX Tallinn	755.05 EUR	898.99 EUR	19.06%
PRF1T	0.670 EUR	0.390 EUR	-41.79%



Baltic comparison index increased 14.43% during the given period, Tallinn Stock Exchange general index increased 19.06% and PRFoods share price decreased -41.79%, due to the decrease of the share nominal value by 30 euro cents.

\*The increase of PRFoods's share, adjusted by the capital reduction payments during the named period was 2.99%.

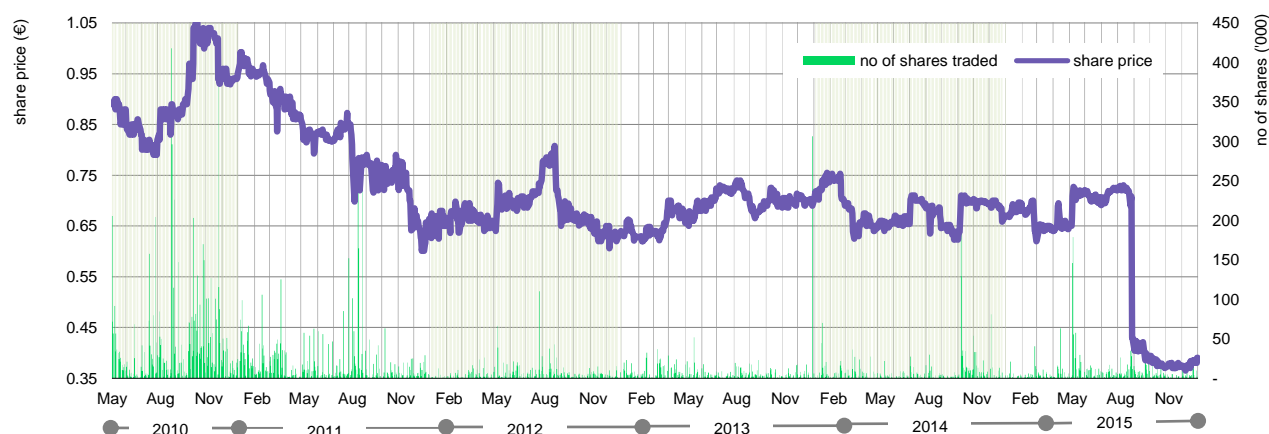
### TRADING HISTORY

Price (EUR)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	12m 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	12m 2014
Open	0.670	0.638	0.692	0.384	0.670	0.710	0.658	0.668	0.635	0.710
High	0.700	0.740	0.731	0.394	0.740	0.760	0.675	0.718	0.765	0.765
Low	0.620	0.634	0.382	0.363	0.363	0.611	0.629	0.618	0.634	0.611
Last	0.640	0.691	0.394	0.390	0.390	0.655	0.654	0.623	0.670	0.670
Traded volume, thousand	221	853	585	238	1,896	469	191	256	974	1,891
Revenue, million	0.15	0.60	0.33	0.09	1.17	0.33	0.12	0.17	0.69	1.32
Market capitalization, million	24.76	26.73	15.24	15.09	15.09	25.34	25.30	24.10	25.92	25.92

## MARKET RATIOS

Ratios	formula	31/12/2015	31/12/2014
EV/Sales	(Market Cap + Net Debt) / Sales	0.289	0.509
EV/EBITDA from operations	(Market Cap + Net Debt) / EBITDA from operations	5.003	63.308
EV/EBITDA	(Market Cap + Net Debt) / EBITDA	7.209	44.972
Price/EBITDA from operations	Market Cap / EBITDA from operations	5.200	70.298
Price/EBITDA	Market Cap / EBITDA	8.099	49.937
Price-to-Earnings	Market Cap / Net Earnings	12.872	neg
Price-to-Book	Market Cap / Equity	0.650	0.770

## THE DYNAMICS OF THE SHARE PRICE OF PRFOODS (EUR) AND THE VOLUME OF TRANSACTIONS (NUMBER OF SHARES TRADED) DURING THE PERIOD FROM 5 MAY 2010 UP TO 31 DECEMBER 2015:



According to decision of the shareholders meeting held on 28 May 2015, company's share capital was decreased by decreasing the nominal value of the share with making payments to the shareholders. As a result, the nominal value of PRFoods share as of 28 August 2015 at 23.59 was decreased by 30 euro cents, from the earlier 50 euro cents to 20 euro cents. The nominal value of PRFoods share is currently 20 euro cents. The share capital decrease payments to the shareholders were made on 04 January 2016 (Note 15). PRFoods has distributed to its shareholders a total amount of 16.9 million euros in dividends and share capital reduction since its shares were publicly listed.

The reason for the reduction of share capital is to balance the adjustment of the capital structure of AS PRFoods, enabling to balance the company's debt to equity ratio. It also helps to restore the return on equity and other ratios of AS PRFoods to a more satisfactory level.



## SHAREHOLDER STRUCTURE

MAJOR SHAREHOLDERS OF AS PRFOODS	31/12/2015	SHAREHOLDER STRUCTURE BY INVESTOR TYPE	
ING Luxembourg S.A. (Nominee account)	62.71%	<p>Financial institutions (including client accounts), 72.0%</p> <p>Companies, 11.2%</p> <p>Insurance companies &amp; pension funds, 8.4%</p> <p>Private persons, 8.4%</p>	
LHV Pensionifond L	4.56%		
OÜ Rododendron	3.36%		
Firebird Republics Fund Ltd.	3.09%		
Ambient Sound Investments OÜ	2.82%		
Firebird Aurora Fund, Ltd.	1.68%		
LHV Pensionifond XL	1.52%		
Compensa Life Vienna Insurance Group SE	1.45%		
OÜ Footsteps Management	1.30%		
OÜ Freespirit	0.94%		

## THE DIVISION OF SHAREHOLDERS ACCORDING TO NUMBER OF ACQUIRED SHARES

number of shares	number of shareholders	% of shareholders	total number of shares	% of share
1 ... 1,000	588	45.6%	272,582	0.7%
1,001 ... 10,000	599	46.5%	1,973,319	5.1%
10,001 ... 50,000	70	5.4%	1,462,551	3.8%
50,001 ... 100,000	9	0.7%	659,987	1.7%
More than 100,000	23	1.8%	34,314,421	88.7%
Total	1,289	100.0%	38,682,860	100.0%

P R F O O D S

# Interim Accounting Report

# Consolidated statement of financial position

EUR '000	Note	31/12/2015	31/12/2014
<b>ASSETS</b>			
Cash and cash equivalents		1,921	3,330
Receivables and prepayments		3,691	12,014
Inventories	(Note 2)	5,616	6,563
Biological assets	(Note 3)	4,422	5,583
<b>Total current assets</b>		<b>15,650</b>	<b>27,490</b>
Deferred income tax		137	103
Long-term financial investments	(Note 4)	161	134
Tangible fixed assets	(Note 5)	7,427	6,484
Intangible assets	(Note 6)	6,128	6,218
<b>Total non-current assets</b>		<b>13,853</b>	<b>12,939</b>
<b>TOTAL ASSETS</b>		<b>29,503</b>	<b>40,429</b>
<b>EQUITY AND LIABILITIES</b>			
Loans and borrowings	(Note 7, 8)	286	198
Payables		3,817	4,493
<b>Total current liabilities</b>		<b>4,103</b>	<b>4,691</b>
Loans and borrowings	(Note 7, 8)	1,061	555
Deferred tax liabilities		244	457
Government grants	(Note 9)	883	1,054
<b>Total non-current liabilities</b>		<b>2,188</b>	<b>2,066</b>
<b>TOTAL LIABILITIES</b>		<b>6,291</b>	<b>6,757</b>
Share capital		7,737	19,342
Share premium		16,026	16,026
Treasury shares		-172	-117
Statutory capital reserve		6	6
Currency translation reserve		469	441
Retained profit (-loss)		-854	-2,026
<b>TOTAL EQUITY</b>	(Note 10)	<b>23,212</b>	<b>33,672</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>29,503</b>	<b>40,429</b>

# Consolidated statement of profit or loss and other comprehensive income

EUR '000	Note	Q4 2015	Q4 2014	12m 2015	12m 2014
Sales	(Note 11)	17,178	14,348	50,273	45,863
Cost of goods sold		-14,611	-12,661	-43,521	-40,581
<b>Gross profit</b>		<b>2,567</b>	<b>1,687</b>	<b>6,752</b>	<b>5,282</b>
<b>Operating expenses</b>		<b>-1,606</b>	<b>-2,107</b>	<b>-5,418</b>	<b>-6,153</b>
Selling and distribution expenses		-1,228	-912	-4,012	-3,598
Administrative expenses		-378	-1,195	-1,406	-2,555
Other income/expenses		96	-201	406	831
Fair value adjustment on biological assets	(Note 3)	-359	-323	-888	-571
<b>Operating profit (-loss)</b>		<b>698</b>	<b>-944</b>	<b>852</b>	<b>-611</b>
Financial income		65	75	303	87
Financial expenses		-23	-305	-103	-844
<b>Profit (-loss) before tax</b>		<b>740</b>	<b>-1,174</b>	<b>1,052</b>	<b>-1,368</b>
Income tax		-10	-106	120	-136
<b>Net profit (-loss) for the year from continuing operations</b>		<b>730</b>	<b>-1,280</b>	<b>1,172</b>	<b>-1,504</b>
Net loss for the year from discontinuing operations (attributable to equity holders of the company)	(Note 14)	0	-5,206	0	-1,310
<b>Net profit (loss)</b>		<b>730</b>	<b>-6,486</b>	<b>1,172</b>	<b>-2,814</b>
Other comprehensive income (-expense) that might subsequently be classified to profit or loss:					
Foreign currency translation differences		30	-256	28	-308
including continued operations		30	-33	28	-98
including discontinued operations		0	-223	0	-210
<b>Total comprehensive income (-expense)</b>		<b>760</b>	<b>-6,742</b>	<b>1,200</b>	<b>-3,122</b>
<b>Profit (-loss) per share (€)</b>	(Note 10)	<b>0.02</b>	<b>-0.17</b>	<b>0.03</b>	<b>-0.07</b>
including continued operations		0.02	-0.03	0.03	-0.04
including discontinued operations		0.00	-0.13	0.00	-0.03
<b>Diluted profit (-loss) per share (€)</b>	(Note 10)	<b>0.02</b>	<b>-0.17</b>	<b>0.03</b>	<b>-0.07</b>
including continued operations		0.02	-0.03	0.03	-0.04
including discontinued operations		0.00	-0.13	0.00	-0.03

# Consolidated cash flow statement

EUR '000	Note	12m 2015	12m 2014
<b>Continuing operations</b>			
Net profit (-loss)		1,172	-1,504
Adjustments:			
Depreciation	(Note 5, 6)	1,161	1,130
Profit from sale and write off of fixed assets		-65	0
Other non-cash items		-247	2,371
Changes in receivables and prepayments		507	-142
Changes in inventories	(Note 2)	947	-1,631
Changes in biological assets	(Note 3)	1,161	687
Changes in payables and prepayments		-918	-237
Corporate income tax paid		-55	-231
Discontinued operations		0	2,445
<b>Total cash flow from operations</b>		<b>3,663</b>	<b>2,888</b>
<b>Continuing operations</b>			
Sale of tangible and intangible fixed assets	(Note 5, 6)	95	232
Purchase of tangible and intangible fixed assets	(Note 5, 6)	-1,041	-1,004
Sales of subsidiaries	(Note 14)	8,000	5,928
Repayments of loans granted		4	4
Interests received		5	1
Profit from long-term investments		1	3
Discontinued operations		0	-707
<b>Total cash flow from investments</b>		<b>7,064</b>	<b>4,457</b>
<b>Continuing operations</b>			
Reduction of share capital	(Note 10)	-11,504	0
Own shares buy-back	(Note 10)	-156	-117
Change in overdraft		0	-1,835
Repayments of loans		0	-1,244
Capital lease repayments	(Note 7)	-383	-245
Dividends paid		0	-387
Interests paid		-93	-413
Discontinued operations		0	-1,088
<b>Total cash flow from financing</b>		<b>-12,136</b>	<b>-5,329</b>
<b>Total cash flow</b>		<b>-1,409</b>	<b>2,016</b>
Cash and cash equivalents at beginning of year		3,330	1,314
Change in cash and cash equivalents		-1,409	2,016
Cash and cash equivalents at the end of the period		1,921	3,330

## Consolidated statement of changes in equity

EUR '000	Share capital	Share premium	Own shares	Statutory capital reserve	Other reserve	Translation reserve	Retained earnings	Total equity
<b>Balance at 31/12/2013</b>	<b>19,342</b>	<b>16,026</b>	<b>0</b>	<b>6</b>	<b>62</b>	<b>748</b>	<b>1,113</b>	<b>37,297</b>
The own shares repurchase program	0	0	-117	0	0	0	0	-117
Share option programme	0	0	0	0	-62	0	62	0
Dividends	0	0	0	0	0	0	-387	-387
Transactions with equity holders of the company	0	0	-117	0	-62	0	-325	-504
Net loss for the year	0	0	0	0	0	0	-2,814	-2,814
Other comprehensive expense	0	0	0	0	0	-308	0	-308
Total comprehensive expense for the period	0	0	0	0	0	-308	-2,814	-3,122
<b>Balance at 31/12/2014</b>	<b>19,342</b>	<b>16,026</b>	<b>-117</b>	<b>6</b>	<b>0</b>	<b>441</b>	<b>-2,026</b>	<b>33,672</b>
<b>Balance at 31/12/2014</b>	<b>19,342</b>	<b>16,026</b>	<b>-117</b>	<b>6</b>	<b>0</b>	<b>441</b>	<b>-2,026</b>	<b>33,672</b>
Reduction of share capital	-11,605	0	0	0	0	0	0	-11,605
The own shares repurchase program	0	0	-55	0	0	0	0	-55
Transactions with equity holders of the company	-11,605	0	-55	0	0	0	0	-11,660
Net loss for the year	0	0	0	0	0	0	1,172	1,172
Other comprehensive income	0	0	0	0	0	28	0	28
Total comprehensive expense for the period	0	0	0	0	0	28	1,172	1,200
<b>Balance at 31/12/2015</b>	<b>7,737</b>	<b>16,026</b>	<b>-172</b>	<b>6</b>	<b>0</b>	<b>469</b>	<b>-854</b>	<b>23,212</b>

Additional information about equity is disclosed in Note 10.

# Notes to the Interim Report

## NOTE 1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

AS PRFoods is a company incorporated in Estonia. The interim financial statements dated 31/12/2015 encompass AS PRFoods (hereinafter Parent Company) together with its subsidiaries Saaremere Kala AS in Estonia and the group companies OÜ Vettel, OÜ Gourmet House in Estonia and Heimon Kala Oy in Finland and Överumans Fisk Ab in Sweden (hereinafter also referred to as Group). The Group has a stake in an associate, the Competence Center of Food and Fermentation Technologies (CCFFT). AS PRFoods shares are listed on NASDAQ OMX Tallinn Stock Exchange since 5 May 2010.

In order to be able to evaluate the performance of continuing operations, in the interest of comparability the data from the 4<sup>th</sup> quarter ended 31 December 2014 have been restated, classifying the ice cream and frozen goods business segment (AB Premia KPC, AS Premia Tallinna Külmoone, AS Premia FFL, OOO Hladokombinat No 1), including the Russian trademarks that were previously owned by AS PRFoods, as discontinued operations.

The Group's consolidated audited annual report for the financial year that ended on 31 December 2014 is available at the Parent Company's location at Viru 19, Tallinn and on the Parent Company's website [www.prfoods.ee](http://www.prfoods.ee).

## CONFIRMATION OF COMPLIANCE

The current unaudited consolidated interim report complies with the requirements of international accounting standards IAS 34 "Interim Financial Reporting" on condensed interim financial statements.

While preparing the interim report at hand the same accounting principles as in the annual report for the financial year ended on 31/12/2014 have been applied. The report does not hold all the information that must be presented in a complete annual report so it should be read together with the Parent Company's audited consolidated annual report for the financial year that ended on 31 December 2014, which is in compliance with international finance reporting standards (IFRS) as adopted by the European Union.

New and revised standards and interpretations effective from 1 January 2015 do not have a significant impact on the Group's financial statements as of preparing the interim financial report.

The Management Board approved the publication of this condensed unaudited consolidated interim report on 18 February 2016.

In the opinion of the management, this interim report for 4<sup>th</sup> quarter and 12 months 2015 of AS PRFoods presents correctly and fairly the financial results of the Group as a going concern. Current interim report is neither audited nor reviewed by auditors in any other way and contains only the consolidated reports of the Group.

## BASIS OF PREPARATION

The functional currency is euro. The consolidated interim report is presented in thousands of euro and all numerical indicators have been rounded to thousand, if not indicated otherwise. In the report, thousand euro is indicated as an abbreviation EUR '000.

## DISCONTINUED OPERATIONS AND NONCURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of selling.

Intra-Group transactions between discontinued and continuing operations are eliminated based on whether the arrangement between the continuing and discontinued operations will continue subsequent to the disposal. The results of the discontinued operation include only those costs and revenues that will be eliminated from the Group on disposal (Note 14).

## USE OF ASSESSMENTS

In preparing the interim report, the Management Board must form opinions, give assessments and make decisions that affect the application of accounting principles and the values of assets and liabilities, incomes and expenses. Actual results may differ from the assessments.

The same assessments of the management that were used to prepare the consolidated annual report for the financial year that ended on 31 December 2014 were used to prepare this condensed consolidated interim report.

## NOTE 2. INVENTORIES

EUR '000	31/12/2105	31/12/2014
Raw materials and materials	2,488	3,860
Work-in-progress	1,158	169
Finished goods	1,302	1,947
Goods purchased for sale	648	513
Prepayments for inventories and goods in transit	20	74
<b>Total inventories</b>	<b>5,616</b>	<b>6,563</b>

During 12 months of 2015, inventories were written off in the amount of 195 thousand euros. In 2014 inventories in the amount of 282 thousand euros were written off in continuing operations.

The commercial pledge for the loan also covers inventory (see also Note 8).



### NOTE 3. BIOLOGICAL ASSETS

<b>Biological assets</b>		
EUR '000	31/12/2015	31/12/2014
Fry	245	282
Juveniles	1,742	2,089
Fish suitable for harvesting	2,435	3,212
<b>Total biological assets</b>	<b>4,422</b>	<b>5,583</b>

As of 31/12/2015, biological assets aggregated 1,215 tons (31/12/2014: 1,563 tons). During the reporting period, 2,185 tons of production was registered in accounting (2014: 1,686 tons).

The Group farms primarily rainbow trout (*Oncorhynchus mykiss*) in its fish farms located in Finland and Sweden, to a lesser extent it also farms whitefish (*Coregonus lavaretus*).

<b>Change in biological assets</b>		
EUR '000	12m 2015	12m 2014
Biological assets at beginning of the period	5,583	6,270
Purchased	746	482
Additions	3,979	4,963
Fair value adjustments	-888	-571
Harvested	-4,913	-5,087
Written off	-78	-369
Exchange rate differences	-7	-105
<b>Biological assets at end of the period</b>	<b>4,422</b>	<b>5,583</b>

The aggregate gain attributable to the growth of biological assets and the changes in fair value less costs to sell of biological assets amounted to 3,091 thousand euros (12 months 2014: 4,392 thousand euros), comprising of amounts presented under "Additions" and "Fair value adjustments".

In the amount of "Additions", the Group has capitalised subsequent expenditures incurred on development of immature biological assets, therefore in the income statement, only the gain/loss from fair value adjustments is presented as a separate line.

The Group measures biological assets at fair value or acquisition cost.

The Group classifies such assets measured at fair value as Level 3.

**NOTE 4. LONG-TERM FINANCIAL INVESTMENTS**

EUR '000	Investment in associate	Other long-term investments	Total
Balance at 31/12/2014	62	72	134
Profit from equity participation	27	0	27
Balance at 31/12/2015	89	72	161

AS PRFoods has a 20% ownership interest in its associate, AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technologies or CCFFT). CCFFT is engaged in leading edge scientific research in the field of food biotechnology. AS PRFoods partners with CCFFT in the development of new technologies and innovative products.

**NOTE 5. TANGIBLE FIXED ASSETS**

EUR '000	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress, prepayments	Total
Residual value as of 31/12/2014	2,654	3,364	253	213	6,484
Unrealised currency effect	12	23	3	0	38
Acquired during the period	266	1,630	93	0	1,989
Re-classification	77	0	0	-77	0
Depreciation	-251	-747	-56	0	-1,054
Assets sold and written off	0	-28	-2	0	-30
Balance at 31/12/2015	2,758	4,242	291	136	7,427

Under the financial lease terms, property, plant and equipment purchases were made in the amount of 1.0 million during the financial year of 2015 (2014: 0.4 million euros).

Additional information on assets acquired under finance lease is provided in Note 7.

**NOTE 6. INTANGIBLE ASSETS**

EUR '000	Goodwill	Trademarks and patents	Immaterial rights	Software licenses	Pre-payments	Total
Balance as of 31/12/2014	4,730	659	533	17	279	6,218
Unrealised currency effect	0	-1	0	0	10	9
Acquired during the period	0	0	0	13	0	13
Re-classification	0	0	51	71	-122	0
Depreciation	0	-55	-25	-27	0	-107
Divestment of subsidiaries	0	-5	0	0	0	-5
Balance at 31/12/2015	4,730	598	559	74	167	6,128

## NOTE 7. FINANCIAL LEASE

EUR '000	Machinery, equipment	Means of transport	Total
Fixed assets acquired under finance lease			
Acquisition cost as of 31/12/2014	814	351	1,165
Accumulated depreciation as of 31/12/2014	-161	-85	-246
Residual value as of 31/12/2014	653	266	919
Acquisition cost as of 31/12/2015	1,708	388	2,096
Accumulated depreciation as of 31/12/2015	-298	-90	-388
Residual value as of 31/12/2015	1,410	298	1,708
Payable under finance lease as of 31/12/2015	1,165	182	1,347
incl. payable within 1 year	220	66	286
incl. payable within 1-5 year	945	116	1,061
incl. payable after 5 years	0	0	0
Principal payments of the period	303	80	383
Interest expenses of the period	16	4	20
Average interest rate per annum	2.25%	2.94%	2.40%

## NOTE 8. DEBT OBLIGATIONS

EUR '000	31/12/2015	31/12/2014
Finance lease liabilities (Note 7)	286	198
Total short-term loans	216	198
Finance lease liabilities (Note 7)	1,061	555
Total long-term loans	1,061	555
incl. payable within 1-5 years	1,061	555

At 29/12/2014, AS PRFoods and AS SEB Pank entered into a bank overdraft facility agreement, according to which a credit limit of 5,000,000 euros for AS PRFoods was agreed. The term of the overdraft facility is 30/04/2016 and the interest rate is 3 month EURIBOR + 1.7%. The bank overdraft facility is secured by a mortgage of 10.1 million euros and a commercial pledge of 4.0 million euros.

As at 31/12/2015, the Group has not drawn down its overdraft facility.

## NOTE 9. GOVERNMENT GRANTS

EUR '000	12m 2015	12m 2014
Deferred income from government grants at the beginning of period	1,054	1,264
Change in value due to the exchange rates	6	-18
Recognition as income during the period	-177	-192
Deferred income from government grants at the end of period	883	1,054
incl. income within 1 year	177	190
incl. income within 2-17 years	706	864

## NOTE 10. EQUITY

As at 31/12/2015, the company had 38,682,860 shares (31/12/2014: 38,682,860), including 429,555 treasury shares (31/12/2014: 167,441 treasury shares).

From 01/07/2014, the company initiated a repurchasing programme of its own shares in accordance with the resolution of the general meeting held at 29/05/2014 and pursuant to the Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

At the ordinary general meeting of shareholders held on 29 May 2014, it was resolved to repurchase up to 500,000 of the company's own shares and established the conditions of the share repurchase programme. On 30/06/2014, the Management Board of AS PRFoods entered into a service contract with AS SEB Pank to conduct the share repurchase programme.

As at 31/12/2015, AS SEB Pank in the name and on the account of AS PRFoods has acquired 429,555 shares at an average price of 0.6354 euros per share.

Basic earnings per share are calculated by dividing the net profit for the reporting period attributable to shareholders of the parent company by the weighted average number of shares of common stock outstanding.

### Decreasing share capital

At 31 December 2015, the Company's registered share capital was EUR 7,737 thousand. As at 31 December 2014 the Company's registered share capital was EUR 19,342 thousand.

The reduction of the share capital of AS PRFoods and the related changes in the Commercial Register were entered in the Commercial Register at 2 October 2015. The share capital was reduced in accordance with the decision of the General Meeting held at 28 May 2015 through reducing the nominal value of a share by EUR 0.3 (30 cents), as a result of which the new nominal value of the share of AS PRFoods is EUR 0.2 (20 cents). The total reduction of the share capital of AS PRFoods was EUR 11,604,858. The new amount of the share capital is EUR 7,736,572. The list of shareholders who participated in the reduction of the share capital was fixed as at 28 August 2015 at 23.59 and the distributions related to the reduction of the share capital in the amount of EUR 0.3 (30 cents) per share were made to the shareholders at 4 January 2016 (Note 15). The reduction of the share capital was related to the adjustment of the Group's capital structure with the goal of bringing the return on equity and other ratios to a more adequate level.

In conjunction with the reduction of the share capital, the articles of association were amended to the extent necessary for the recognition of the lower nominal value of the share. The amount of the minimum share capital as stipulated in the articles of association is EUR 7,000,000 and the maximum share capital is EUR 28,000,000 after the reduction of the share

capital occurred at 2 October 2015. The new version of the Articles of Association of the company is available on the web-page of AS PRFoods [www.prfoods.ee](http://www.prfoods.ee).

## NOTE 11. SEGMENT REPORTING

The Group's segments are determined based on the reports monitored and analysed by the Management Board of the parent company. The Management Board of the parent company monitors financial performance by business segment and geographical segment. Reports by business areas include information of more significant importance for the management of the Group for monitoring financial performance and allocating resources. Therefore, this division is used to define business segments.

Two business segments, the fish segment and other segment, are presented together because the proportion of the other segment in the business is marginal.

## SALES BY GEOGRAPHIC REGIONS

EUR '000	Q1 2015	Q2 2015	Q3 2015	Q4 2015	12m 2015	Q1 2014	Q2 2014	Q3 2014	Q4 2014	12m 2014
Finland	9,275	10,012	10,208	14,703	44,198	8,725	9,846	8,846	12,125	39,542
Estonia	891	1,224	994	1,732	4,841	1,131	1,182	1,036	1,896	5,245
Other	133	202	156	743	1,234	317	272	160	327	1,076
<b>Total</b>	<b>10,299</b>	<b>11,438</b>	<b>11,358</b>	<b>17,178</b>	<b>50,273</b>	<b>10,173</b>	<b>11,300</b>	<b>10,042</b>	<b>14,348</b>	<b>45,863</b>

## NOTE 12. RELATED PARTY TRANSACTIONS

The Company considers parties to be related when one party has control over the other party or has significant influence over the business decision of the other party.

Related parties include:

- shareholders with significant influence (the largest shareholder of PRFoods is the international investment fund Amber Trust II S.C.A)
- members of the Supervisory Board and members of all Management Board of group entities
- close family members of the persons mentioned above and the companies related to them

At the balance sheet date, there were no receivables from related parties. No write-downs on receivables from related parties have been recognised.

During the reporting period group entities have performed purchase and sales transactions with related parties as follows:

Party EUR '000	Type of transaction	12m 2015 Purchase	12m 2015 Sale	12m 2014 Purchase	12m 2014 Sale
Companies related to members of the Management and Supervisory Boards	services	49	2	525	2
	<b>Total</b>	<b>49</b>	<b>2</b>	<b>525</b>	<b>2</b>

Management estimates that all related party transactions have been concluded at market prices and at market conditions.

Benefits including employment taxes to members of the Management Boards and Supervisory Boards of AS PRFoods and its subsidiaries and other key members of management were as follows:

EUR '000	12m 2015	12m 2014
Short-term benefits	512	776
Total	512	776

Management benefits decreased -264 thousand euros, i.e. -34.0% compared to the same period in 2014 due to significant structure changes in the Group management.

The members of the Management and Supervisory Boards are not entitled to any pension-related rights from the company. The members of the Management Board are entitled to termination benefits. The maximum expense related to payment of termination benefits including taxes totals 167 thousand euros (31/12/2014: 121 thousand euros).

### NOTE 13. CONTINGENT LIABILITIES AND ASSETS

In Finland, a mortgage was set for the benefit of the Customs Board in the amount of 84 thousand euros. The purpose of the transaction was a more streamlined organisation of the day-to-day operations by reducing persistent prepayments to the Customs Board.

The management estimated that it is improbable that the Finnish Customs Board will liquidate the pledged asset.

### NOTE 14. DISCONTINUED OPERATIONS

The ice cream and frozen goods business segment and the Russian trademarks owned by AS PRFoods that were sold during the year 2014 are presented in these financial statements as discontinued operations.

The sale price of business segments amounts to a total of 27,109 thousand euros. All payments from the sale of ice-cream and frozen products segments have been received according to the previously publicly disclosed terms and conditions.

The receivable of 8,000 thousand euros was presented at discounted present value. The negative impact of discounting on the result of the sale transaction was 288 thousand euros in 2014. In summary of the 12 months of 2015 the income from interest in discounts was in the amount of 222 thousand euros (the 12 months of 2014 the amount was 66 thousand euros).

# AN EXTRACT OF THE REVENUE AND EXPENSES OF DISCONTINUED OPERATION

EUR '000	12m 2015	12m 2014
Sales	0	50,633
Cost of goods sold	0	-32,326
Gross profit	0	18,307
Operating expenses	0	-14,375
Selling and distribution expenses	0	-12,516
Administrative expenses	0	-1,859
Other income/expenses	0	-293
Operating profit	0	3,639
Financial income	0	205
Financial expenses	0	-140
Profit before tax	0	3,704
Income tax	0	8
Profit from discontinued operations	0	3,713
Loss on disposal of subsidiaries	0	-5,023
Net profit for the period from discontinuing operations	0	-1,310

## NOTE 15. EVENTS AFTER THE BALANCE SHEET DATE

### REGISTRATION OF SHARE CAPITAL REDUCTION IN THE COMMERCIAL REGISTER AND DISBURSEMENTS

On 2 October 2015, the decrease of the share capital of AS PRFoods and related amendments to the Articles of Association were registered in the Commercial Register based on the resolutions adopted by the General Meeting of Shareholders of the Company held on 28 May 2015. The new registered share capital of the Company is EUR 7,736,572, which is divided into 38,682,860 ordinary shares with nominal value of EUR 0.20 (20 euro cents) per share.

According to the Commercial Code, upon reduction of the share capital, payments to shareholders may be made no earlier than after 3 months as from the registration of the share capital decrease in the Commercial Register. On 31 December 2015, PRFoods made the monetary payment to the bank account of Estonian Central Register of Securities in the amount of 11,503,722.30 euros for payments to the shareholders. The share capital decrease payments to the shareholders, i.e. 0.30 euro per share, were made by Estonian Central Register of Securities on 4 January 2016.

### CONCLUSION OF AGREEMENT FOR THE TRANSFER OF SHARES OF OOO HLADOMAGIJA OR TO THE LIQUIDATION OF THE SUBSIDIARY

AS PRFoods signed on 30 December 2015 an agreement for the transfer of the Company's subsidiary OOO Hladomagija share(s) or to the liquidation of company registered in Russia.

OOO Hladomagija is a wholly-owned subsidiary of AS PRFoods. Considering that the subsidiary is currently not engaged in any business activity and no business activity is planned for the future, the Company has decided to transfer the share(s) of OOO Hladomagija or to liquidate the company.

The transaction does not have material economical effect on the activities of AS PRFoods and does not qualify as a transfer of significant holding nor a related party transaction within the meaning of "Requirements for Issuers" of the NASDAQ OMX Tallinn Stock Exchange Rules. The members of the supervisory board and management board of AS PRFoods do not have any personal interests in the incorporation of the company.



## Management Board's confirmation to the Consolidated Interim Report for the 4<sup>th</sup> quarter and 12 months of 2015

**The Management Board confirms the correctness and completeness of the consolidated interim report for the 4<sup>th</sup> quarter and 12 months of 2015 of AS Premia Foods and its subsidiaries (together the Group) presented in the pages 6 – 40 hereof and confirms to the best of its knowledge that:**

- The activities report of the consolidated interim report presents adequate and fair overview of the development and results of business activities of the Group and the financial position thereof and includes the description of the main risk factors and uncertainties;
- the accounting principles applied in the preparation of the consolidated interim report are in compliance with the International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by the European Union;
- the consolidated interim report provides a true and fair overview of the assets, liabilities and financial position of the Group and of the results of its operations and its cash flows.

Member of Management Board

Indrek Kasela

digitally signed

18 February 2016