

# P R F O O D S

AS PRFoods

Consolidated Unaudited Interim Report

2nd quarter and 6 months of 2018/2019  
(translation from the Estonian original)

24.02.2019

2018/2019

2<sup>ND</sup> QUARTER & 6 MONTHS

# PRFOODS

Business name	<b>AS PRFoods</b>
Commercial register number	<b>1150713</b>
Address	<b>Pärnu mnt 141, Tallinn, Estonia</b>
Phone	<b>+372 452 1470</b>
Website	<b>prfoods.ee</b>
Main activities	<b>Production and sale of fish products Fish farming</b>
Reporting period	<b>1 July 2018 – 31 December 2018</b>
Auditor	<b>AS PricewaterhouseCoopers</b>

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# CORPORATE PROFILE

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

AS PRFoods' key market is Finland, where we are amongst the three largest fish production companies. Since the acquisition of John Ross Jr. and Coln Valley Smokery in the summer of 2017, the Group has expanded its sales to 37 countries in Europe, North and South America, and Asia.

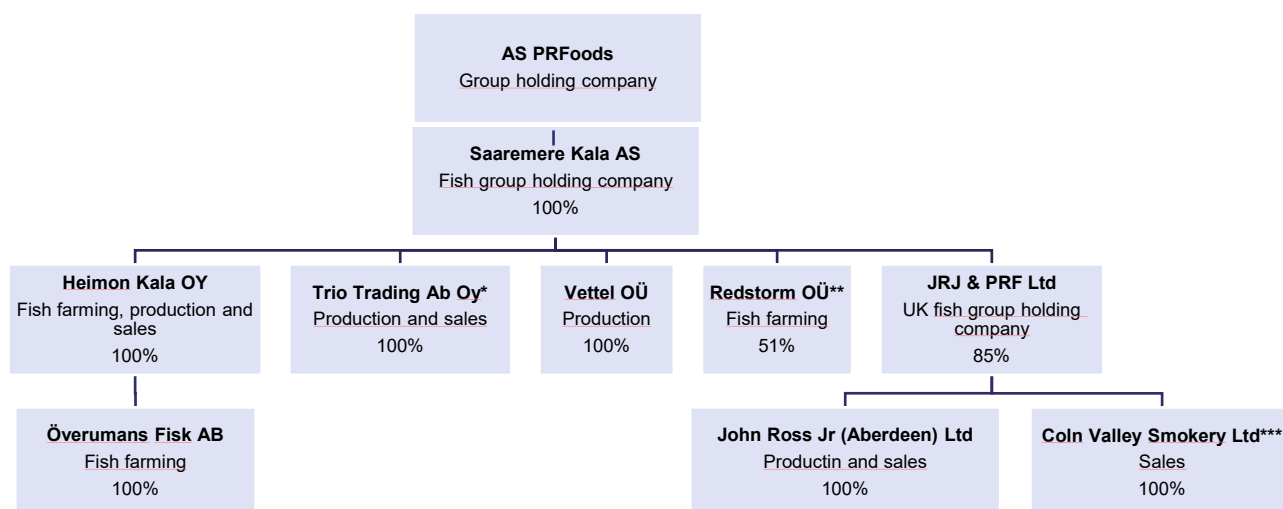
Main activity of the Group is fish manufacturing in four contemporary production buildings in Renko and Kokkola (Finland), in Saaremaa (Estonia), and in Aberdeen (Great Britain).

Our main products are salmon and rainbow trout products. Approximately 2/3 of the raw fish used in the Group's rainbow trout production comes from the Group's own fish farms in Swedish lakes and Turku Archipelago area in Finland, assuring the highest quality and reliable deliveries.

Salmon is purchased mainly from Norway, Denmark, Sweden and Scotland. On a smaller scale European whitefish and Baltic herring are used in production. In addition, a notable volume of red caviar is made from fish harvested in the Group's own fish farms.

Products of the Group are sold as leading brands in their respective operating market and the primary focus is on higher value-added premium products.

## GROUP STRUCTURE AS AT 31.12.2018



\* Consolidated from 01.09.2017; the merger with Heimon Kala Oy planned by 31.01.2019 postponed due to technical reasons. The companies operate as subsidiaries with overlapping management.

\*\* Consolidated from 01.09.2018

\*\*\* 64% of Coln Valley Smokery Ltd shares owned by JRJ & PRF Ltd and 36% by John Ross Jr (Aberdeen) Ltd

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. Other notable brands of the recently acquired companies are „John Ross Aberdeen“, „Coln Valley Smokery“ and “Fishk”.

*John Ross Jr (Aberdeen) Ltd.*  
TRULY TRADITIONAL SCOTTISH SMOKED SALMON

COLN VALLEY

Fishk

*Heimon*  
GOURMET

ÖVERUMANS FISK

VETTEL

gurmé

Saaristomeren  
Purssu kalapöytä

POLAR  
FISH

## MISSION

PRFoods is the producer of delicious, healthy and innovative fish products. We are a trustworthy partner to both the end consumer and retailers. We take pride in being modern, innovative and responsible – both socially and environmentally. Conserving nature and being kind to the environment is very important to us – we minimize our ecological footprint by using modern packaging lines and materials, and implementing the latest solutions in renewable energy.

## VISION

We strive towards being the best and most well-known dealer of eco-friendly raw fish and producer and seller of tasty fish products on the Scandinavian, British and Baltic markets and high added-value premium products on the global market.

## STRATEGIC OBJECTIVES

- To be among the three leading brands in our operating markets and a recognized premium seafood brand globally;
- Our financial target is to achieve operating EBITDA margin at least 7%;
- To distribute up to 30% of the annual net profit as dividends.

## STRENGTHS

- A clear focus – targeted development of the organization and competent employees;
- A well-known company – leading brands on the Scandinavian and Baltic markets and in the UK;
- History and experience – our products have been on the Finnish and UK markets for over 30 years;
- Sustainability – geographically suitable scope and a diverse and constantly evolving product portfolio;
- Solid financial stability of the company.

## RISKS

- High volatility of raw material prices;
- Significant increase of private label products on the Finnish market;
- High dependence on the two large retail chains dominating the Finnish retail market;
- Risks related to biological assets.



## FUTURE PLANS AND INTENTIONS

The objective of PRFoods is to increase production capacity and to boost sales volumes of fish products. The Group is actively involved in developing new products for expanding to new export markets. As a clear leader in its business area, the objective of PRFoods is to increase the Group's profitability and to renew the focus on products with higher added value. As introducing the Group's own brands is in its early stage in Scandinavia and elsewhere in the world, the management expects the Group's growth period is yet to come.

Information about the Group's various risks and assessments and their possible impact on estimated future events is provided in the chapter "Main risks of the group". In addition, it includes risk factors that are related to the price volatility of raw fish, impact of re-valuation of biological assets on the company's financial results, diseases that are putting live fish at risk, risks related to weather conditions, environmental risks, risks involved in trade restrictions, risks related to taxation and accounting, reputation risks and legislation risks as well as the political events that are influencing the whole world.

Legislative risks are related to various changes and amendments in provisions and articles in the legislation regulating and governing the fish industry, including strict regulations imposed on food safety, laws governing water harvesting production and processing, competition and anti-corruption rules as well as other directives not listed above that must be obeyed by the Group in its production and marketing operations in various jurisdictions.

In drawing up future plans and intentions, the management of PRFoods is taking into account the information it is aware of at the time, based on available information and its best intentions. Actual results may differ significantly from plans because there are many different factors, variables, risks and insecurity which impact their realization.

## THE GEOGRAPHY OF PRODUCTION AND SALES

<b>Fish farming</b>	Finland Sweden Estonia
<b>Purchase of raw fish</b>	Finland Sweden Norway Denmark
<b>Production</b>	Estonia Finland England Scotland
<b>Sales</b>	Finland England Estonia Scotland



# MANAGEMENT REPORT

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# MANAGEMENT REPORT

## OVERVIEW OF ECONOMIC ACTIVITIES

### MANAGEMENT COMMENTARY

We remind you that since we changed our financial year, the last financial year was extended to 18 months. The financial year that began on 01.07.2018 is of standard length and ends 30.06.2019. In the report, the comparable data from the 4<sup>th</sup> quarter of 2017 and H2 of 2017 is used. Q2 is calendar year Q4, Q3 is calendar year Q1 and Q4 is calendar year Q2.

Q2 results were disappointing due to loss of several private label contracts in Finland. Increased competition in Finland for large volume private label contracts has increased significantly and profitability of these contracts is under pressure. Traditionally this has given us in Q4 both volume and profitability. The management has taken action by starting a cost-cutting program in our Estonian and Finnish operations, where most significant decrease of profitability occurred. We expect annualized savings to amount to over 300,000 euros in Estonia alone once put in effect at the end of Q3. Management will publish more detailed program in our Q3 report.

Q2 results weighted down H1 results for the group. In total, EBITDA from Estonian and Finnish operations was lower by 2.3 million euros. Trio Trading lower results were planned due to change of fresh fish strategy – stopping trading of fish to other fish processing companies. Heimon Kala and Vettel results require a new approach in the management actions. We will be more aggressive in private label sales in H2 while we prepare to compensate these sales with own label sales directly to retail at higher margins, process that is already underway in Estonia. Unfortunately, this process is taking longer than anticipated due to both internal and external reasons. Externally, the retailers are slow to adapt to changing customer requirements. Internally, the speed of change needs improving. We are happy to announce that first retailers have accepted our shop-in-shop concept and we hope our new retail approach to be scaled up significantly in 2019/2020. We have also completed our John Ross Jr brand overhaul and will launch it in Q3.

Our subsidiary in the UK, John Ross Jr sales grew by 5%, but more importantly EBITDA improved by 35% during first 6 months. It is clear that John Ross Jr is on a path of growing sales and substantially increased profitability after we consolidated operations of John Ross Jr and Coln Valley in Aberdeen.

We expect our UK operations to outperform. We have taken necessary steps to continue supply of raw material to our UK factory as Brexit will clearly add some uncertainty. Management will publish additional information regarding our UK operations.

Biomass revaluation was significantly lower compared to the same period last year. There are two main reasons. We started the season with lower biomass volume and the biomass growth in the beginning of the season was slower, but at the same time better weather in Q3 allowed an additional growth and we delayed most of harvesting until November.

We are actively pursuing new farming licenses in Estonia, and 2 of our applications are already under process. We hope to add some farming capacity already for 2019 season in Estonia and believe that more significant amount of new farming capacity will already be allocated for 2020.

6 months consolidated results are as follows:

- Unaudited consolidated revenue 46.12 million euros, a decrease by -3.86 million euros, i.e. -7.7%.
- Gross margin 16.6%, a decrease by -1.4 percentage points i.e. -7.8%.
- Negative impact from revaluation of biological assets -1.56 million euros (2HY 2017: negative impact -1.66 million euros).
- Negative effect of one-offs on the result -0.02 million euros (2HY 2017: negative impact -0.28 million euros).
- EBITDA from operations +3.48 million euros, a decrease by -2.03 million euros.
- EBITDA +1.90 million euros, a decrease by -1.67 million euros (without one-off effects EBITDA +1.92 million euros, a decrease by -1.93 million euros).



- Operating profit +0.80 million euros, a decrease by -1.71 million euros (without one-off effects operating profit +0.83 million euros, a decrease by -1.97 million euros).
- Net profit +0.36 million euros, a decrease by -1.98 million euros (without one-off effects net profit +0.39 million euros, a decrease by -2.24 million euros).

Sincerely,

Indrek Kasela

## UNAUDITED FINANCIAL RESULTS OF AS PRFOODS, THE 2<sup>ND</sup> QUARTER OF THE FINANCIAL YEAR 2018/2019 (I.E., HEREINAFTER 4<sup>TH</sup> QUARTER OF 2018) COMPARED TO THE 4<sup>TH</sup> QUARTER OF 2017

- Unaudited consolidated revenue 26.73 million euros, a decrease by -5.26 million euros, i.e. -16.5%.
- Gross margin 17.7%, a decrease by -2.9 percentage points i.e. -14.0%.
- Negative impact from revaluation of biological assets -1.63 million euros (4Q 2017: negative impact -2.73 million euros).
- Negative effect of one-offs on the result -0.01 million euros (4Q 2017: negative impact -0.01 million euros).
- EBITDA from operations +2.42 million euros, a decrease by -1.88 million euros.
- EBITDA +0.78 million euros, a decrease by -0.79 million euros.
- Operating profit +0.23 million euros, a decrease by -0.76 million euros.
- Net profit +0.22 million euros, a decrease by -1.01 million euros.

### SUMMARY OF FINANCIAL RESULTS: THE 4<sup>TH</sup> QUARTER OF 2018 COMPARED TO THE 4<sup>TH</sup> QUARTER OF 2017

mIn EUR	4Q 2018	4Q 2017	Change, mIn EUR	4Q 18 vs 4Q 17	
Sales	26.73	31.99	-5.26	-16.5%	▼
Gross profit	4.72	6.56	-1.85	-28.1%	▼
EBITDA from operations*	2.42	4.30	-1.88	-43.7%	▼
EBITDA	0.78	1.57	-0.79	-50.3%	▼
EBIT	0.23	0.99	-0.76	-76.8%	▼
Net profit (-loss)	0.22	1.24	-1.01	-82.0%	▼

\*before one-offs and fair value adjustment of fish stock



## UNAUDITED FINANCIAL RESULTS OF AS PRFOODS, THE 1<sup>ST</sup> HALF YEAR OF THE FINANCIAL YEAR 2018/2019 (I.E., HEREINAFTER THE 2<sup>ND</sup> HALF OF 2018) COMPARED TO THE 2<sup>ND</sup> HALF OF 2017

- Unaudited consolidated revenue 46.12 million euros, a decrease by -3.86 million euros, i.e. -7.7%.
- Gross margin 16.6%, a decrease by -1.4 percentage points i.e. -7.8%.
- Negative impact from revaluation of biological assets -1.56 million euros (2HY 2017: negative impact -1.66 million euros).
- Negative effect of one-offs on the result -0.02 million euros (2HY 2017: negative impact -0.28 million euros).
- EBITDA from operations +3.48 million euros, a decrease by -2.03 million euros.
- EBITDA +1.90 million euros, a decrease by -1.67 million euros (without one-off effects EBITDA +1.92 million euros, a decrease by -1.93 million euros).
- Operating profit +0.80 million euros, a decrease by -1.71 million euros (without one-off effects operating profit +0.83 million euros, a decrease by -1.97 million euros).
- Net profit +0.36 million euros, a decrease by -1.98 million euros (without one-off effects net profit +0.39 million euros, a decrease by -2.24 million euros).

### SUMMARY OF FINANCIAL RESULTS: THE 2ND HALF YEAR OF 2018 COMPARED TO THE 2ND HALF YEAR OF 2017

mln EUR	2HY 2018	2HY 2017	Change, mln EUR	2HY 18 vs 2HY 17	
Sales	46.12	49.98	-3.86	-7.7%	▼
Gross profit	7.67	9.02	-1.34	-14.9%	▼
EBITDA from operations*	3.48	5.50	-2.03	-36.9%	▼
EBITDA	1.90	3.57	-1.67	-46.8%	▼
EBIT	0.80	2.51	-1.71	-68.0%	▼
Net profit (-loss)	0.36	2.34	-1.98	-84.5%	▼

\*before one-offs and fair value adjustment of fish stock





## KEY RATIOS – INCOME STATEMENT

mIn EUR, unless indicated otherwise	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017
Sales	26.7	19.4	22.1	22.7	32.0	18.0
Gross profit	4.7	3.0	1.8	2.4	6.6	2.5
EBITDA from operations	2.4	1.1	-0.2	0.7	4.3	1.2
EBITDA	0.8	1.1	0.3	0.6	1.6	2.0
EBIT	0.2	0.6	-0.2	0.1	1.0	1.5
EBT	0.0	0.4	-0.5	-0.2	0.8	1.3
Net profit (-loss)	0.2	0.1	-1.1	-0.2	1.2	1.1
Gross margin	17.7%	15.2%	7.9%	10.6%	20.5%	13.6%
Operational EBITDA margin	9.1%	5.4%	-1.1%	3.1%	13.4%	6.7%
EBITDA margin	2.9%	5.8%	1.2%	2.5%	4.9%	11.1%
EBIT margin	0.9%	3.0%	-1.1%	0.2%	3.1%	8.5%
EBT margin	0.1%	1.8%	-2.3%	-0.9%	2.5%	7.3%
Net margin	0.8%	0.7%	-5.1%	-1.0%	3.9%	6.2%
Operating expense ratio	11.2%	13.5%	12.0%	10.5%	9.3%	11.1%

EBITDA from operations = Profit (Loss) before one-offs and fair value adjustment of fish stock

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

mIn EUR, unless indicated otherwise	31.12.2018	30.09.2018	30.06.2018	31.03.2018	31.12.2017
Net debt	20.0	21.9	18.1	16.7	16.6
Equity	24.2	24.1	23.3	24.3	24.7
Working capital	1.0	2.0	2.8	4.6	5.3
Assets	65.5	64.5	65.5	66.4	68.6
Liquidity ratio	1.0x	1.1x	1.1x	1.2x	1.2x
Equity ratio	37.0%	37.4%	35.6%	36.6%	36.0%
Gearing ratio	45.2%	47.6%	43.7%	40.7%	40.1%
Debt to total assets	0.6x	0.6x	0.6x	0.6x	0.6x
Net debt to EBITDA	5.1x	3.8x	3.1x	2.6x	3.1x
ROE	-4.0%	0.1%	0.2%	8.6%	5.8%
ROA	-1.5%	0.0%	0.1%	4.1%	2.7%

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)

Debt to total assets = Debt / Total assets

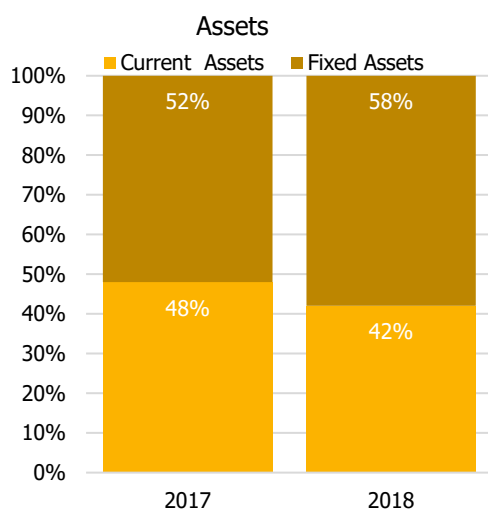
Net debt to EBITDA = Net debt / EBITDA from operations for the trailing 12 months

ROE = Net earnings for the trailing 12 months / Average equity

ROA = Net earnings for the trailing 12 months / Average assets

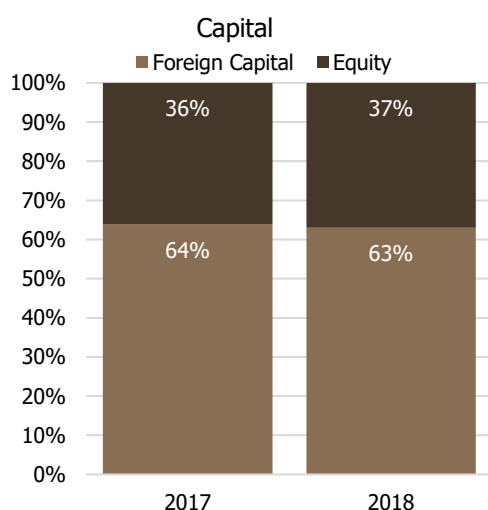
## BALANCE SHEET

As of 31.12.2018 consolidated total assets of PRFoods stood at 65.5 million euros. The year before as at the end of the same period, the balance sheet totalled 68.6 million euros.



The Company's current assets were 27,7 million euros as at 31.12.2018 (31.12.2017: 32,8 million euros). The largest line item of current assets was inventories amounting to 11.6 million euros (31.12.2017: 11.7 million euros). Biological assets amounted to 4.7 million euros (31.12.2017: 5.6 million euros), accounts receivable and prepayments totalled 6.5 million euros (31.12.2017: 9.0 million euros), and the balance of cash and bank accounts was 4.9 million euros (31.12.2017: 6.5 million euros).

Fixed assets totalled 37.8 million euros (31.12.2017: 35.8 million euros) comprising mainly of tangible and intangible fixed assets. Intangible assets amounted to 23.0 million euros (31.12.2017: 22.3 million euros) and tangible assets amounted to 14.6 million euros (31.12.2017: 13.2 million euros).



Short-term accounts payable and prepayments were 26.6 million euros as at 31.12.2018 (31.12.2017: 27.5 million euros).

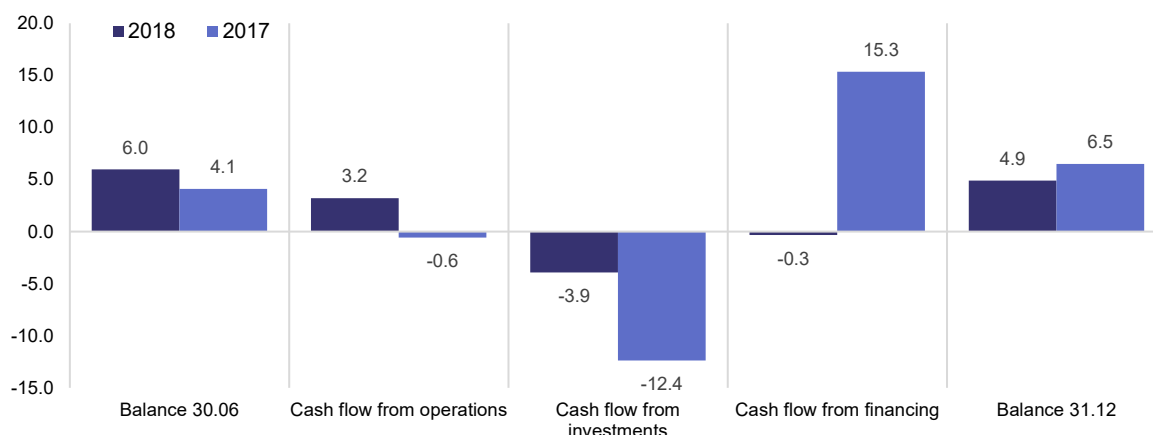
Short-term loans and borrowings were 14.6 million euros as at 31.12.2018 (31.12.2017: 16.4 million euros).

Equity of PRFoods was 24.2 million euros as at 31.12.2018 (37.0% of the balance sheet total). Comparative data as at 31.12.2017 were 24.7 million euros (36.0% of the balance sheet total).

As at 31.12.2018, the Company's registered share capital was 7.7 million euros (31.12.2017: 7.7 million euros). The shareholders adopted a resolution at the general meeting of shareholders held on 30 November 2018 to transfer 2,850 euros from the net profit earned in 2017/2018 to the reserve capital, pay dividends from the retained earnings in the total amount of 386,829 euros, i.e. 0.01 euros per share, and not to distribute the rest of the profit.

## CASH FLOWS

### CHANGE IN CASH FLOWS 2<sup>ND</sup> HALF OF 2018 VS 2<sup>ND</sup> HALF OF 2017



PRFoods' cash and cash equivalents totalled 6.0 million euros at the beginning of the reporting period and 4.9 million euros at the end of the period, the period's cash flow amounted to -1.1 million euros.

Cash flow from operations was +3.2 million euros in the second half of 2018 and -0.6 million euros in the same period a year ago. The largest effect on operational cash flow stemmed from changes in biological assets (effect on cash flow: +1.8 million euros), changes in receivables and prepayments (-1.7 million euros) and changes in inventories (+1.1 million euros).

Cash flow from investment activities was -3.9 million euros during the reporting period and -12.4 million euros a year ago. The largest effect on cash flow from investments in the current reporting period was related to acquisitions of subsidiaries (-2.5 million euros) and purchases of tangible and intangible fixed assets (-1.5 million euros). During the previous reporting period the largest influence on investment cash flow was related to the acquisitions of subsidiaries (-12.1 million euros).

Cash flow from financing activities totalled -0.3 million euros in the reporting period and +15.3 million euros during the same period last year. The largest effect on the financing cash flow was the change in overdraft (+1.5 million euros). The cash flow of the same period last year was most influenced by loans received for acquisitions of subsidiaries (+14.0 million euros) and change in overdraft (+1.6 million euros).

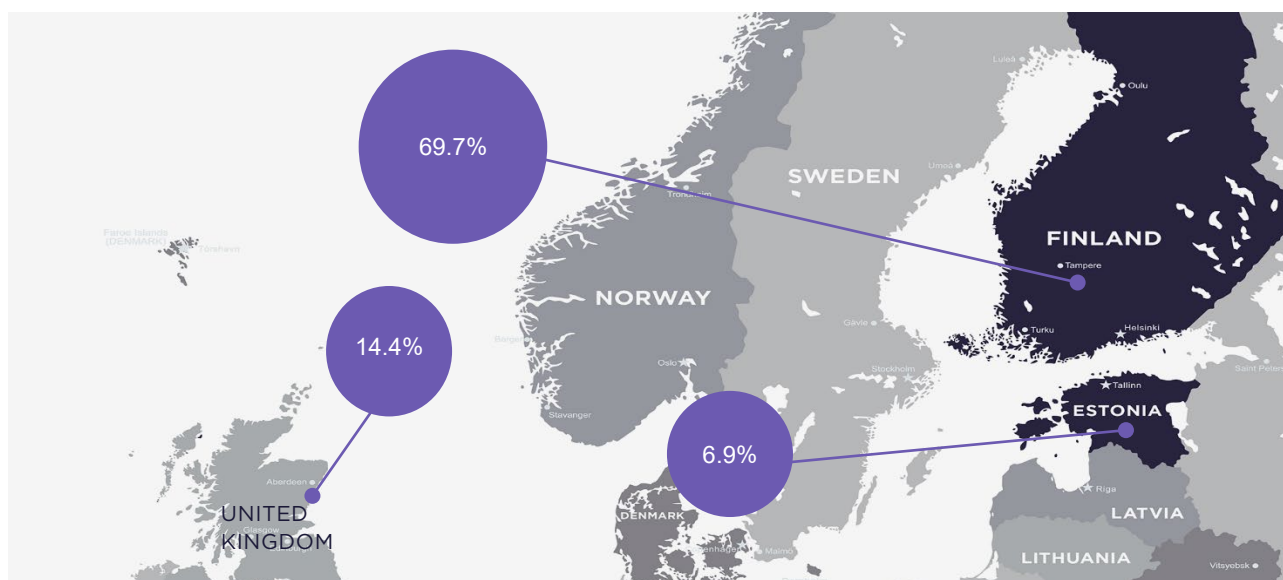
## INVESTMENTS

In the 2<sup>nd</sup> half of 2018 investments into tangible and intangible assets totalled 1.2 million euros (previous financial year: 1.6 million euros).

## REVENUE

The main products of the Group are salmon and rainbow trout goods. The Group is mainly known as a seller of fresh fish and fish products in Finland, a seller of quality smoked fish products in the UK and a seller of raw fish in Estonia as well as the biggest supplier of caviar to Estonian stores. Acquiring new subsidiaries has opened new markets and the Group has sales experience to 37 countries.

The Group's revenue in the second half of 2018 totalled 46.1 million euros, down by 3.9 million euros, i.e. 7.7% compared to the second half of 2017.



## GEOGRAPHIC SEGMENTS

mIn EUR	2HY 2018	Share, %	2HY 2017	Share, %	Change, mIn EUR	2HY 18 vs 2HY 17	
Finland	32.1	69.7%	35.1	70.3%	-3.0	-8.6%	▼
United Kingdom	6.6	14.4%	7.5	15.1%	-0.9	-11.8%	▼
Estonia	3.2	6.9%	2.5	5.0%	0.7	27.6%	▲
Other	4.2	9.0%	4.8	9.6%	-0.6	-13.5%	▼
<b>Total</b>	<b>46.1</b>	<b>100.0%</b>	<b>50.0</b>	<b>100.0%</b>	<b>-3.9</b>	<b>-7.7%</b>	▼

In the 2<sup>nd</sup> half-year of 2018, Finland with sales revenue of 32.1 million euros and ca 70% of total sales maintained its leading position as the largest market of the Group. Revenue of the second largest market, UK, amounted to 6.6 million euros, i.e. 14.4% of total sales. Revenue of the Estonian market totalled 3.2 million euros, i.e. 6.9% of the total.

Sales revenue of Finland and Great Britain decreased by 8.6% and 11.8%, respectively, whereas sales in Estonia increased by 27.6%.

## PRODUCT SEGMENTS

mIn EUR	2HY 2018	Share, %	2HY 2017	Share, %	Change, mIn EUR	2HY 18 vs 2HY 17	
Hot & cold smoked fish	20.1	43.6%	21.9	43.8%	-1.8	-8.1%	▼
Raw fish and fillets	19.8	42.9%	20.9	41.8%	-1.1	-5.3%	▼
Other fish products	6.1	13.2%	6.7	13.3%	-0.6	-8.3%	▼
Other	0.2	0.3%	0.6	1.1%	-0.4	-73.5%	▼
<b>Total</b>	<b>46.1</b>	<b>100.0%</b>	<b>50.0</b>	<b>100.0%</b>	<b>-3.9</b>	<b>-7.7%</b>	▼

Hot and cold smoked fish product continue to account for the largest share of sales. A total of 20.1 million euros was generated by the product group and it accounted for 43.6% of total revenue during the second half of 2018. In the same period last year, the sales of the product group totalled 21.9 million euros accounting for 43.8% of the total. Raw fish and fillets product group generated sales of 19.8 million euros accounting for 42.9%. During the same period last year, the sales amounted to 20.8 million euros accounting for 41.8% of the total. Sales of other fish products during the second half of 2018 amounted to 6.1 million euros, i.e. down by 0.6 million euros compared to previous comparable period.

## CLIENT SEGMENTS

mIn EUR	2HY 2018	Share, %	2HY 2017	Share, %	Change, mIn EUR	2HY 18 vs 2HY 17	
Retail chains	20.2	43.7%	21.0	42.0%	-0.9	-4.1%	▼
Wholesale	14.9	32.3%	17.9	35.9%	-3.1	-17.0%	▼
HoReCa	10.4	22.5%	10.9	21.7%	-0.5	-4.4%	▼
Other retail	0.7	1.5%	0.2	0.3%	0.5	311.7%	▲
<b>Total</b>	<b>46.1</b>	<b>100.0%</b>	<b>50.0</b>	<b>100.0%</b>	<b>-3.9</b>	<b>-7.7%</b>	<b>▼</b>

The largest client group is retail chains' group, the sales revenue of which amounted to 20.2 million euros and accounted for 43.7% of the total sales in 2<sup>nd</sup> half of 2018. About a third of sales with 14.9 million euros was generated by wholesale sector. HoReCa sales amounted to 10.4 million euros and it accounted for 22.5% of the total.

## COSTS

Cost of goods sold accounted for 83.4% of total sales and operating expenses for 12.2%.

	2HY 2018 mIn EUR	2HY 2017 mIn EUR	Change mIn EUR		2HY 2018 as % of sales	2HY 2017 as % of sales	Change %-point	
<b>Sales</b>	<b>46.12</b>	<b>49.98</b>	<b>- 3.86</b>	▼	<b>100.00%</b>	<b>100.00%</b>		
<b>Cost of goods sold</b>	<b>- 38.45</b>	<b>- 40.97</b>	<b>2.52</b>	▲	<b>83.36%</b>	<b>81.96%</b>	<b>1.40%</b>	▼
materials in production & cost of goods purchased for resale	- 30.67	- 33.31	2.63	▲	66.51%	66.64%	-0.13%	▲
labour costs	- 3.84	- 3.74	- 0.10	▼	8.33%	7.48%	0.85%	▼
depreciation	- 0.87	- 0.75	- 0.12	▼	1.88%	1.49%	0.39%	▼
other cost of goods sold	- 3.08	- 3.18	0.10	▲	6.67%	6.35%	0.32%	▼
<b>Operating expenses</b>	<b>- 5.62</b>	<b>- 4.96</b>	<b>- 0.66</b>	▼	<b>12.18%</b>	<b>9.93%</b>	<b>2.26%</b>	▼
labour costs	- 1.90	- 1.50	- 0.40	▼	4.11%	2.99%	1.12%	▼
transport & logistics services	- 1.82	- 1.76	- 0.06	▼	3.94%	3.52%	0.42%	▼
depreciation	- 0.23	- 0.31	0.08	▲	0.49%	0.61%	-0.12%	▲
advertising, marketing and product development	- 0.23	- 0.24	0.01	▲	0.50%	0.49%	0.01%	▼
other operating expenses	- 1.45	- 1.16	- 0.29	▼	3.14%	2.31%	0.83%	▼
<b>Other income/expenses</b>	<b>0.30</b>	<b>0.11</b>	<b>0.19</b>	▲	<b>-0.66%</b>	<b>-0.23%</b>	<b>-0.43%</b>	▲
incl. one-offs	- 0.02	- 0.28	0.26	▲	0.05%	0.57%	-0.52%	▲
<b>Financial income/expense</b>	<b>- 0.44</b>	<b>- 0.41</b>	<b>- 0.03</b>	▼	<b>0.94%</b>	<b>0.82%</b>	<b>0.12%</b>	▼



## COST OF GOODS SOLD (COGS)

COGS decreased over the period by 2.5 million euros and its share of sales increased 1.4 percentage points, respectively compared to the previous comparable period. Costs on raw fish makes up the majority, ca 80%, of the largest COGS item “materials in production and cost of goods purchase for resale”. The remaining share of the cost are attributable to packaging materials and fish feed.

Labour cost of personnel employed in production and fish farms totalled 3.8 million euros and formed 8.3% of total sales.

Other cost of goods sold formed 6.7% of sales, up by 0.3 percentage points. The cost item includes costs on heating, electricity, rent and utilities, and costs incurred in relation to fish farming and auxiliary activities in production.

## OPERATING EXPENSES

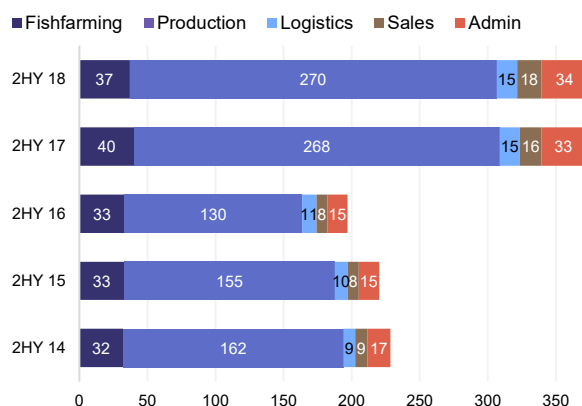
Operating costs of the second half of 2018 – 5.6 million euros – increased by 0.7 million euros compared to the same period last year and accounted for 12.2% of total sales. The majority of operating costs are costs on labour and transport & logistics services, amounting to 1.9 million euros and 1.8 million euros, respectively, in the 2nd half-year of 2018, up by 0.4 million euros and 0.06 million euros, respectively, from the same period previous year. The share of both cost items of total sales has increased: labour costs increased from 3.0% in the 2nd half of 2017 to 4.1% in the 2nd half of 2018, transport and logistics services increased from 3.5% to 3.9%.

## TEAM

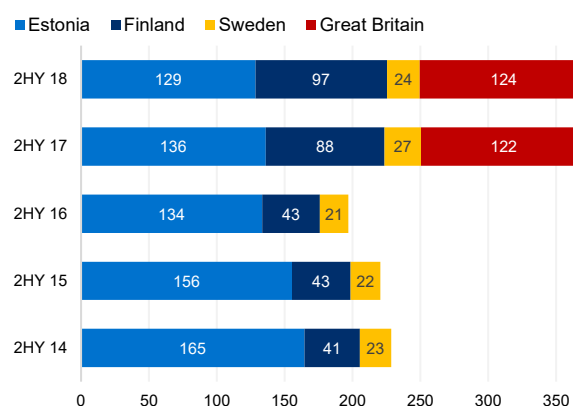
The average number of employees in PRFoods in the 4th quarter of 2018 was 379. The Group's labour costs totalled 2.9 million euros in the 4th quarter of 2018 and 5.7 million euros in the 2nd half of 2018.

	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017
Average number of employees	379	368	367	362	408	337
Finland	103	91	96	96	114	61
Estonia	132	125	130	136	141	131
UK	123	125	117	107	127	117
Sweden	21	27	24	23	26	28
Payroll expense, th EUR	2,949	2,649	2,613	2,517	2,949	2,286
Monthly average payroll expense per employee, th EUR	2.59	2.40	2.37	2.32	2.41	2.26

Employees per area of activity



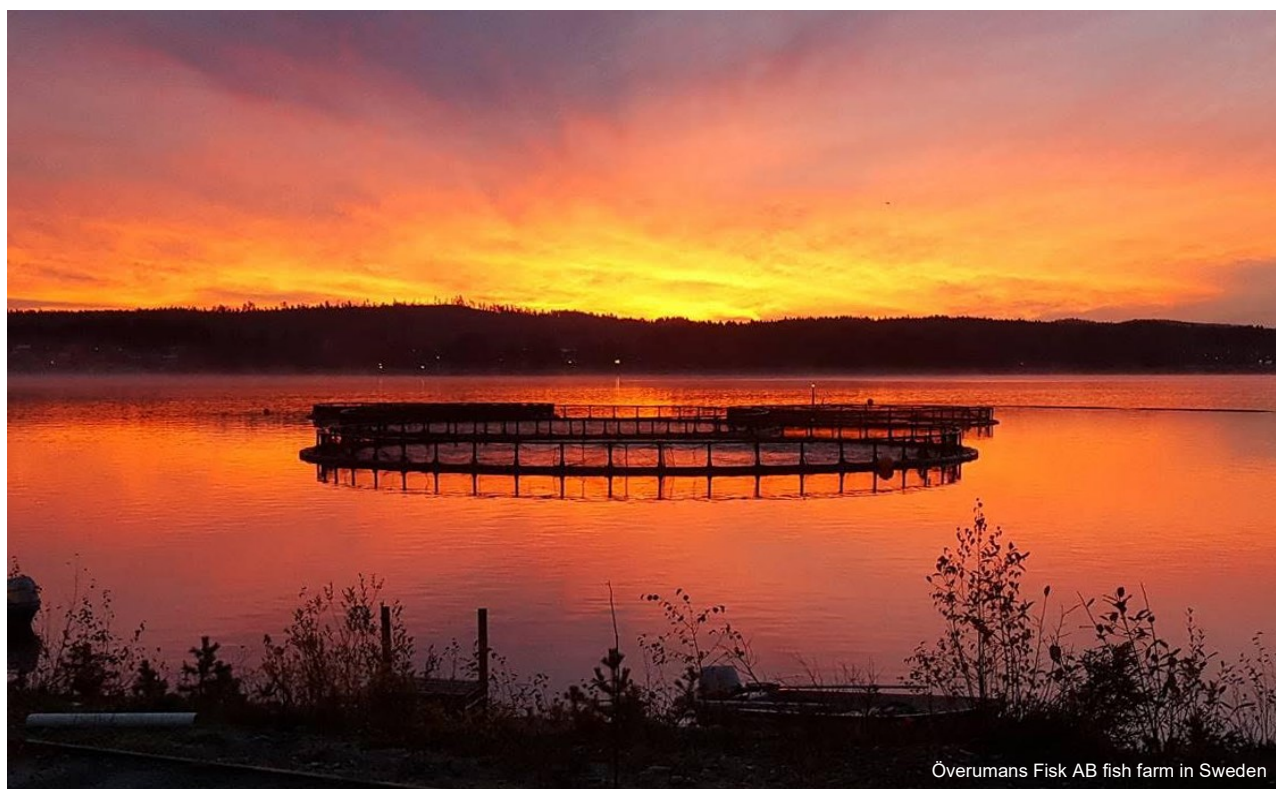
Employees per country



## FISH FARMING

The competitive advantage of the Group is its vertical integration – fish farming, production and sales. About two thirds of the raw trout used in the Group's production is harvested from the Group's own fish farms in the lakes in Sweden and in the archipelago in Turku area in Finland, ensuring that customers receive fast and high-quality deliveries. The Group mainly harvests rainbow trout and to a lesser extent also European whitefish (*Coregonus lavaretus*).

Vertical integration i.e. integration up- and downwards in the technological chain enables the Group to reduce costs in certain phases of fish farming. Also, the vertical integration in the value chain of fish business allows the Group to benefit from enhanced control foremost over fish processing and marketing functions. In the fish business, as fish are livestock, the quality assurance in the technological process has keenly to be maintained throughout the entire product lifecycle. In addition to improved cost control, the vertical integration enables to reduce risks in fish farming, for instance due to poor quality of feed or base materials, and to secure the volume of required for processing as well as price stability of raw material.



Överumans Fisk AB fish farm in Sweden

## PRICE OF FISH

The fish industry is extremely dependent on availability and the price of raw fish. Large producers make their production plans for three years in advance as it is difficult and expensive in shorter perspective to adapt a fish farms' production cycle to market needs. Therefore, the world market fish supply is relatively rigid in the short-term, while demand is somewhat shifting depending on the season. This imbalance in the supply and demand of fish results in constantly fluctuating price of raw fish. The Group compensates the impact of external environment and volatility of salmon price through the changes of the Group's production and sales strategy.

### FISH PRICE

EUR/kg	31.12.2018	31.12.2017	31.12.18 vs 31.12.17	31.12.2016	31.12.18 vs 31.12.16	31.12.2015	31.12.18 vs 31.12.15
Salmon	6.59	5.30	24.3%	8.72	-24.4%	5.90	11.7%
Rainbow trout	5.88	5.95	-1.2%	7.39	-20.4%	4.44	32.6%

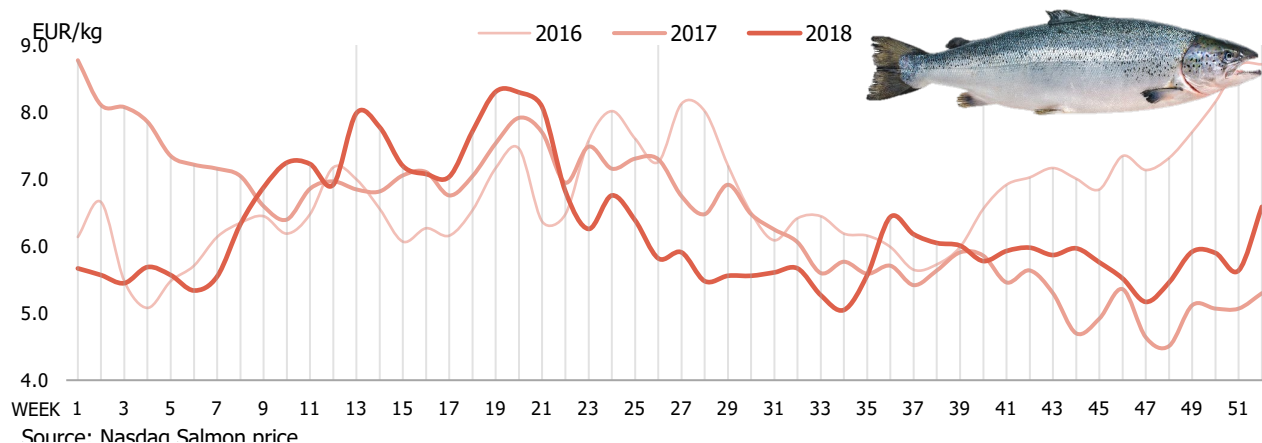
As at 31.12.2018, the price of salmon has increased by 24.3% and the price of rainbow trout decreased by 1.2% compared to the prices as at the end of 2017. The price of salmon was notably influenced by the few working days over the Christmas

season in 2018. The fewer working days and considerably lower catch volumes in the last week of December 2018 brought along the price of salmon to soar by 16.8% over the last week alone.

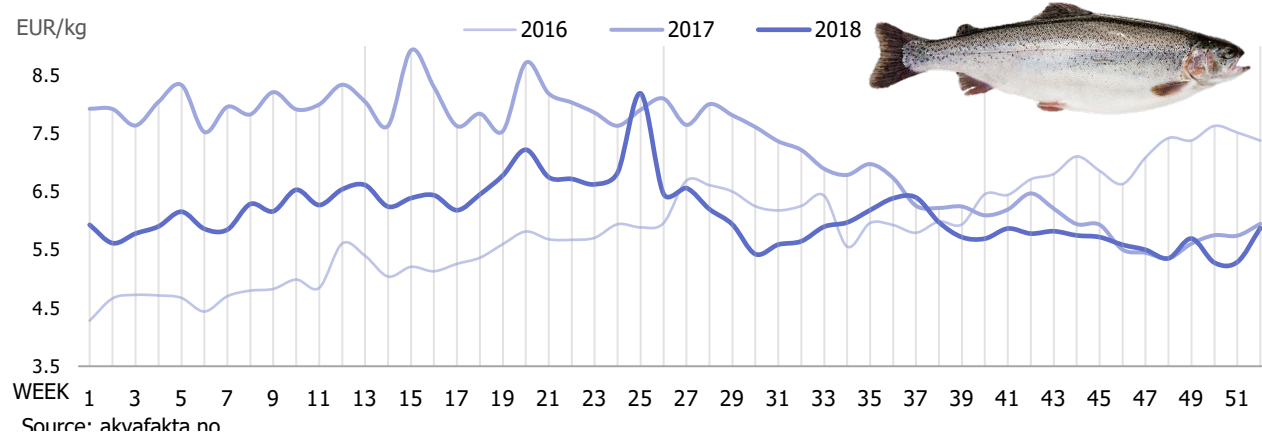
Over the two-year period, the price of salmon has decreased by 24.4% and the trout by 20.4%. When comparing prices from three years ago: the price of salmon has increased by 11.7% and the price of rainbow trout by 32.6%.

The graphs below illustrate weekly average prices of salmon and rainbow trout since 2016.

#### EXPORT PRICE OF NORWEGIAN SALMON



#### EXPORT PRICE OF NORWEGIAN RAINBOW TROUT



#### AVERAGE FISH PRICE

EUR/kg	2HY 18	2HY 17	2HY 18 vs 2HY 17	2HY 16	2HY 18 vs 2HY 16	2HY 15	2HY 18 vs 2HY 15
Salmon	5.74	5.55	3.4%	6.87	-16.4%	4.64	23.9%
Rainbow trout	5.75	6.23	-7.8%	6.47	-11.2%	4.29	34.1%

The average market price of salmon in the second half of 2018 has increased by 3.4% compared to the second half of 2017, and the price of rainbow trout has decreased by 7.8% during the same period. Compared to the average prices of second half of 2016 the average prices of salmon and trout have decreased by 16.4% and 11.2%, respectively. The average fish prices have increased notably compared to the second half of 2015: the average price of salmon has increased by 23.9% and the price of rainbow trout by 34.1%.

## BIOLOGICAL ASSETS

Biological assets are fish stock accounted for in PRFoods' fish farms in live weight, including the following species:

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

The Group uses the Norwegian export statistics (source: [akvafakta.no](http://akvafakta.no)) to assess the value of rainbow trout's stock. For assessing the value of whitefish stock, the monthly market price survey of the Finnish Fish Farmers' Association is used. When the price of raw fish increases or decreases, so does the value of fish harvested in fish farms of PRFoods, having either a positive or a negative impact on the Group's financial results.

### BIOLOGICAL ASSETS, TONNES

	2HY 2018	2HY 2017	Change, tonnes 2HY 18 vs 2HY 17	Change, % 2HY 18 vs 2HY 17
Biomass at the beginning of the period	1,184	1,414	-230	-16.3%
Biomass at the end of the period	1,103	1,438	-334	-23.3%
Harvested fish (in live weight)	1,325	1,721	-396	-23.0%

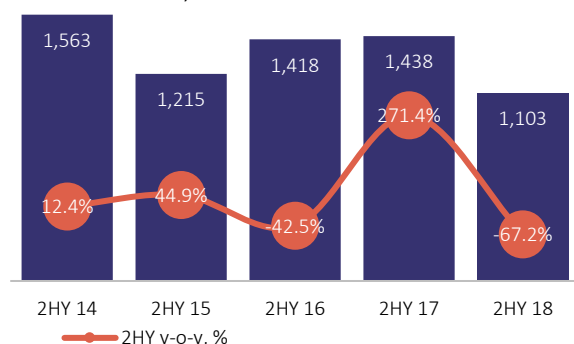
Biological assets totalled 1,103 tonnes as at the end of the second half-year of 2018, a decrease by 334 tonnes, i.e. 23.3% compared to the same period last year. As at 31.12.2018, the fair value of biological assets was 4.7 million euros compared to 5.6 million euros a year ago. The decrease in monetary terms amounted to 0.9 million euros i.e. 15.2%. A total of 1,325 tonnes fish was harvested during the second half-year of 2018, which is 396 tonnes or 23.0% less compared to the same period in 2017.

Average price of biomass was 4.28 euros per kg in the second half-year of 2018 compared to 3.87 euros per kg in the second half-year of 2017.

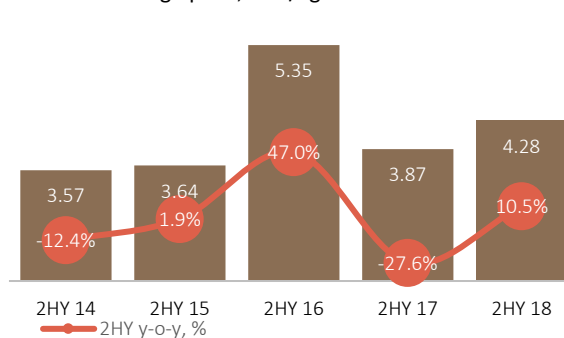
### BIOMASS VOLUME AND AVERAGE PRICE, EUR/KG

	2HY 2018	2HY 2017	Change, tonnes 2HY 18 vs 2HY 17	Change, % 2HY 18 vs 2HY 17
Biological assets, mln EUR	4.72	5.57	-0.85	-15.2%
Biomass volume, tonnes	1,103	1,438	-334	-23.3%
Average price, EUR/kg	4.28	3.87	0.41	10.5%
Fair value adjustment of biological assets, mln EUR	-1.55	-1.66	0.10	-6.1%

Biomass volume, tonnes



Biomass average price, EUR/kg



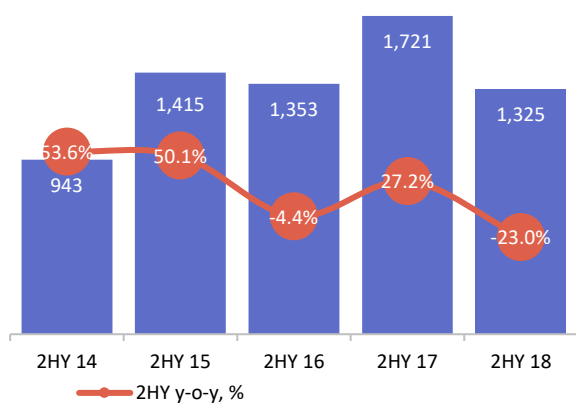
Fish is processed in production buildings of Heimon Kala Oy, Finland and Vettel OÜ, Estonia.

## HARVESTED VOLUME

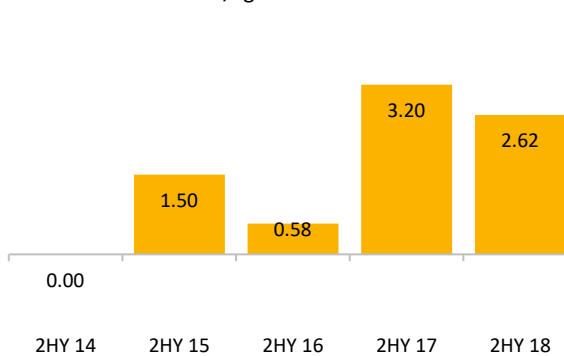
	2HY 2018	2HY 2017	Change, tonnes 2HY 18 vs 2HY 17	Change, % 2HY 18 vs 2HY 17
Revenue, mln EUR	46.1	50.0	-3.9	-7.7%
EBITDA from operations*, mln EUR	3.5	5.5	-2.0	-36.9%
Harvested volume, tonnes	1,325	1,721	-396	-23.0%
EBITDA from operations* / harvested volume, EUR/kg	2.62	3.20	-0.57	-18.0%

\* before one-offs and fair value adjustment of fish stock

Harvested volume, tonnes



EBITDA from operations / harvested fish, EUR/kg



# 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.

Management of financial risks is a significant and integral part in managing the Group's business processes. The ability of the management to identify, measure and control different risks have a significant effect on the Group's profitability. Risk is defined by the Group's management as a possible negative deviation from the expected financial result.

The activities of the Group are accompanied by several financial risks, of which the credit risk, liquidity risk and market risk, including currency risk and interest rate risk, have the most significant influence.

## 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 31.12.2018 the Group's working capital was 1,003 thousand euros, as at 31.12.2017 5,260 thousand euros and as at 30.06.2018 2 810 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 taken into use in amount of 9,586 thousand euros. As at 31.12.2017 overdraft was used in amount of 5,601 thousand euros and as at 30.06.2018 overdraft was used in amount of 8,074 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 is operating in Estonia (currency EUR), Finland (EUR), Great Britain (GBP) and Sweden (SEK). For hedging the currency risk, all substantial agreements with foreign parties are signed in euros. The Group has

no substantial receivables and liabilities in foreign currency, which is not bound to the euro. Majority of existing long-term capital rent contracts are signed in euros, therefore they are treated as liabilities free from currency risk.

## 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

The Group's capital consists of borrowings and total equity. As at 31.12.2018 the equity totalled 24,225 thousand euros (31.12.2017: 24,735 thousand euros, 30.06.2018: 23,311 thousand euros). The Group's principle is to maintain strong equity base with the purpose of maintaining credibility for shareholders, creditors and the market as well as for ensuring sustainable development of the Group. In the long term, the Group's objective is to increase shareholder income and to ensure the capacity to pay dividends.

For preserving or improving the capital structure, the Group may regulate the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the debt.

The Group considers it important to ensure that its equity structure is at the optimum level. Therefore, it is monitored that the Group's equity-to-assets ratio is at least 35% (31.12.2018: 37.0%, 31.12.2017: 36.0%, 30.06.2018: 35.6%) and that the ratio of interest-bearing liabilities to assets does not exceed 25% (31.12.2018: 38.1%, 31.12.2017: 33.6%, 30.06.2018: 36.7%). According to the overdraft contract signed with AS SEB Pank, the Group's overdraft usage cannot exceed 60% of required working capital level and the Group has met this requirement. Working capital level is calculated using following formula: Trade receivables + Inventories + Prepayment of taxes – Trade payables.

According to the practice prevailing in the industry, the Group uses the debt to equity ratio to monitor capital. That ratio is arrived at by dividing net debt by total capital. Net debt equals total debt (total amount of short-term and long-term borrowings recognised in the consolidated statement of financial position) less cash and cash equivalents.

th EUR	31.12.2018	31.12.2017	30.06.2018
Total borrowings	24,930	23,062	24,049
Less: Cash and cash equivalents	4,910	6,491	5,960
Net debt	20,020	16,571	18,089
Total equity	24,225	24,735	23,311
Total capital (net debt + equity)	44,245	41,306	41,400
Debt to equity ratio	45%	40%	43%

The net debt of the Group as at 31.12.2018 was 20.0 million euros, as at 30.06.2018 was 18.1 million euros, and as at 31.12.2017 was 16.6 million euros



## MANAGEMENT AND SUPERVISORY BOARDS

The Management Board of AS PRFoods is comprised of one member – Indrek Kasela – who as per the supervisory board's decision serves as the sole member of the management board since 02.02.2015. The management board 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 the set objectives and strategy. It is also responsible for the internal control and risk management processes in the company.

The Supervisory Board of AS PRFoods appoints management board members for a three-year term. The articles of association prescribe the management board to consist of one to four members. On the meeting held on 15<sup>th</sup> November 2017 the supervisory board decided to extend the current management board member Indrek Kasela's term of office by 3 years, until 15<sup>th</sup> November 2020.

Indrek Kasela (born 1971), 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 management board of several Group entities, such as Saaremere Kala AS and Vettel OÜ. He serves also as supervisory board member of AS Toode, ELKE Grupi AS, ELKO Grupa AS, Salva Kindlustuse AS, AS Ridge Capital, AS Ekspress Grupp, Elering AS, Tulundusühistu Tuleva and a management board member of OÜ Transtech Service, Lindermann, Birnbaum & Kasela OÜ, ManageTrade OÜ, Noblessneri Jahtklubi OÜ, KellyBar OÜ, Gridio OÜ and Fine, Wood and Company OÜ, as well as board member of several companies and NPOs domiciled in the Baltic States and Russian Federation.

The Supervisory Board of AS PRFoods is currently comprised of six members. The board is chaired by 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 a 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 its 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 three years.

Information on the education and careers of the members of the supervisory board as well as their management positions in other companies is available on PRFoods' website [www.prfoods.ee](http://www.prfoods.ee).

### PRFOODS' SHARES HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THE PERSONS/COMPANIES RELATED TO THEM AS AT 31.12.2018:

Shareholder	number of shares	ownership interest
Member of the management board from 02.02.2015 – Indrek Kasela	1,579,153	4.08%
Member of the supervisory board – Kuldar Leis	1,287,566	3.33%
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 boards	3,090,647	7.99%



## SHARE AND SHAREHOLDERS

The registered share capital of the company is 7,736,572 euros which is divided to 38,682,860 ordinary shares without nominal value. All shares are freely transferable and of the same kind, i.e. have equal voting and dividend rights.

ISIN	EE3100101031	Total number of shares	38,682,860
Ticker	PRF1T	Number of listed shares	38,682,860
List	BALTIC MAIN LIST	Listing date	05.05.2010
Accountable value	0.20 EUR	Minimum quantity of tradable securities	1 share

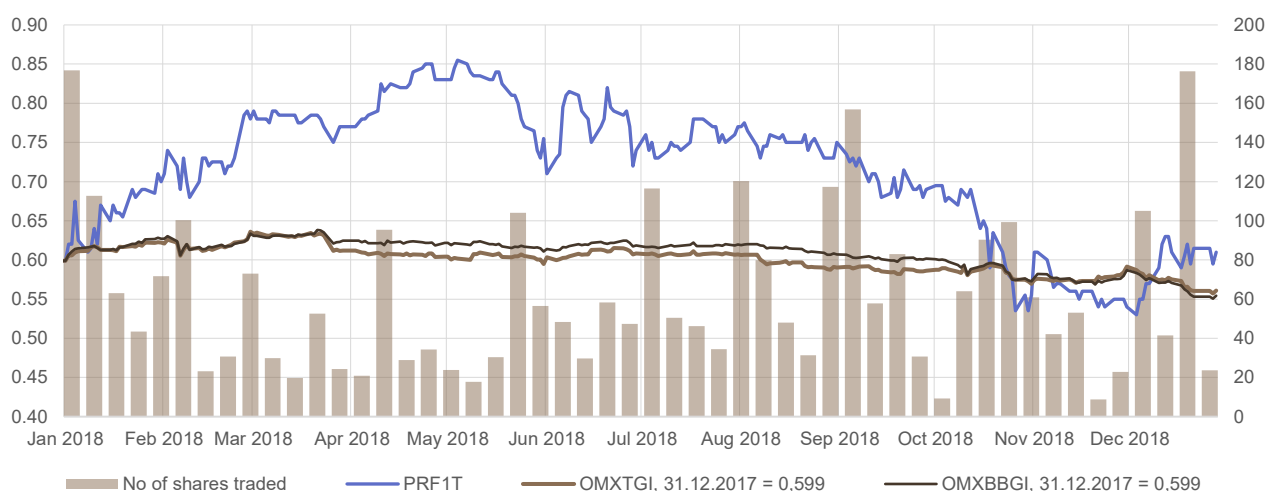
PRFoods shares are listed in the main list of Nasdaq Tallinn Stock Exchange since 5 May 2010. PRFoods shares do not have an official market maker. PRFoods share is part of OMX Tallinn General Index and OMX Baltic General Index.

PRFoods has twice reduced the nominal value of shares with making payments to shareholders: in 2012 by 10 euro cents and in 2015 by 30 euro cents. The general meeting of shareholders from 26 May 2016 resolved to adopt shares without nominal value and on 30 June 2016 the commercial registry registered the shares without nominal value. The accountable nominal value of a share is 0.20 euro (nominal value of a share was 10.0 Estonian kroons until 13 April 2011, 0.60 euro till 3 September 2012, and 0.50 euro till 2 October 2015).

### PRFOODS SHARE PRICE, INDICES AND TRADING ACTIVITY

Baltic comparison index decreased 7.44% over 2018, Tallinn Stock Exchange All-Share index decreased 6.38% and PRFoods share price increased 1.84%.

	Index / Share	Ticker	31.12.2018	31.12.2017	change %
●	PRF1T	PRF1T	0.610	0.599	1.84%
●	OMX Baltic Benchmark GI	OMXBGGI	873.81	944.09	-7.44%
●	OMX Tallinn GI	OMXTGI	1,162.86	1,242.12	-6.38%



Source: Nasdaq Tallinn, PRFoods

## TRADING HISTORY

Price (EUR)	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017
Open	0.695	0.740	0.770	0.600	0.530	0.390
High	0.695	0.780	0.855	0.795	0.600	0.600
Low	0.530	0.675	0.710	0.600	0.520	0.366
Last	0.610	0.690	0.740	0.770	0.599	0.522
Traded volume, thousand	798	973	595	821	734	1.766
Turnover, mln	0.47	0.71	0.47	0.57	0.42	0.84
Market capitalisation, mln	23.60	26.69	28.63	29.79	23.17	20.19

A total of 587 trades were conducted with PRFoods' shares during the fourth quarter of 2018, i.e. 128 trades less compared to 715 trades during the third quarter of 2018. During the fourth quarter of 2018 a total of 797,807 shares changed hands (3Q 2018: 972,872) forming 2.1% of the company's shares (3Q 2018: 2.5%). The average trade volume was 1,359 shares (3Q 2018: 1,361 shares). In the fourth quarter of previous year 426 trades were conducted, 734,401 shares changed hands, i.e. 1.9% of the company's shares and the average trade volume was 1,724 shares.

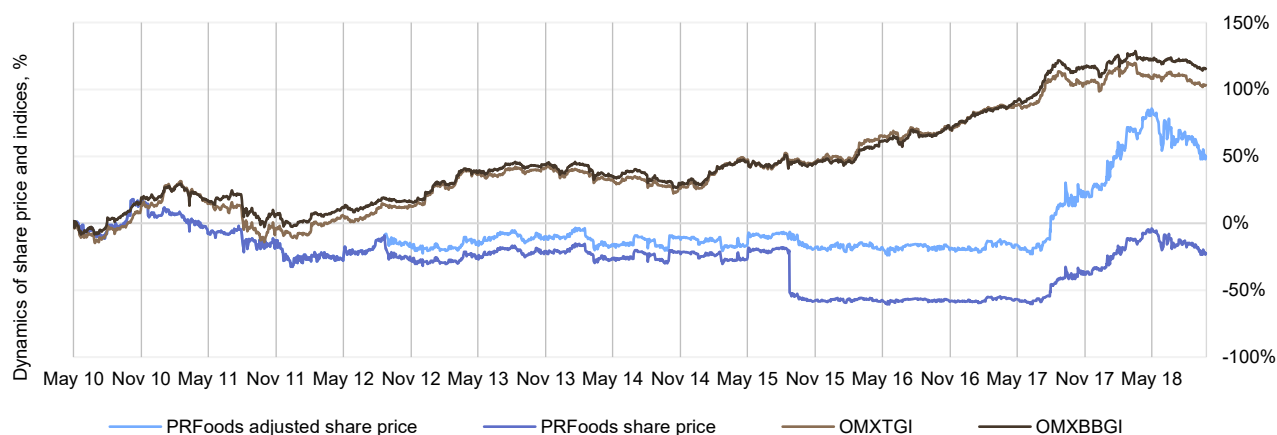
Turnover of share trading amounted to 0.5 million euros in 4Q 2018 compared to 0.7 million euros in 3Q 2018 and 0.4 million euros in 4Q 2017. The highest share price in 4Q 2018 was 0.695 euro and the lowest was 0.530 euro. In the previous quarter the prices were 0.780 euro and 0.675 euro, respectively. In the fourth quarter of 2017 the highest price was 0.600 euro and the lowest was 0.520 euro.

The closing price of the share was 0.610 euro as at 31.12.2018 (30.06.2018: 0.740 euro; 31.12.2017: 0.599 euro) and the company's market capitalisation was 23.60 million euros as at 31.12.2018 (30.06.2018: 28.63 million euros; 31.12.2017: 23.17 million euros).

## MARKET RATIOS

Ratios	Formula	31.12.2018	31.12.2017	30.06.2018
EV/Sales	(Market Cap + Net Debt) / Sales	0.479	0.540	0.492
EV/EBITDA from operations	(Market Cap + Net Debt) / EBITDA from operations	11.093	7.441	7.838
EV/EBITDA	(Market Cap + Net Debt) / EBITDA	15.895	11.885	10.588
Price/EBITDA from operations	Market Cap / EBITDA from operations	6.001	4.338	4.803
Price/EBITDA	Market Cap / EBITDA	8.599	6.929	6.488
Price-to-Earnings	Market Cap / Net Earnings	neg	16.539	28,654
Price-to-Book	Market Cap / Equity	0.974	0.937	1.228
Market Capitalisation (Market Cap), Net Debt and Equity as at 31.12.2018				
Sales, EBITDA and Net Profit/Loss for the trailing 12 months				

## THE DYNAMICS OF THE SHARE PRICE AND INDICES FROM 5<sup>TH</sup> MAY 2010 TO 31<sup>ST</sup> DECEMBER 2018:



The increase of PRFoods' share price since its listing in 2010, adjusted with the capital reduction payments, is 32.52%.

The Baltic Benchmark index has increased by 98.63% during this period, Tallinn Stock Exchange index by 94.35% and PRFoods share price has decreased by 31.46% as a result of the reductions of the share's nominal value in August of 2012 and 2015 by 40 euro cents in total.

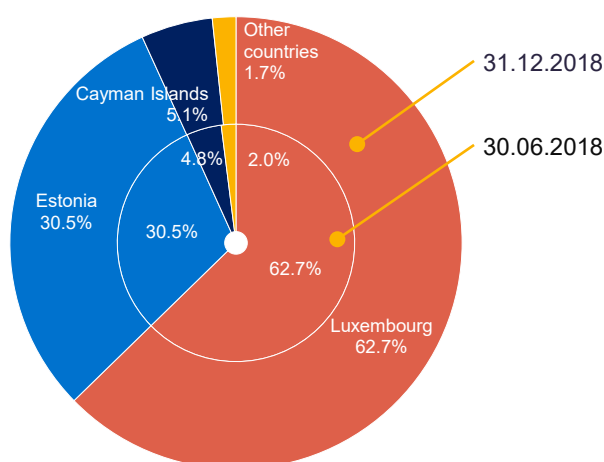
PRFoods has since the listing of its shares on the stock exchange paid to shareholders a total of 16.9 million euros in the form of dividends and in connection with share capital reductions.

## SHAREHOLDER STRUCTURE

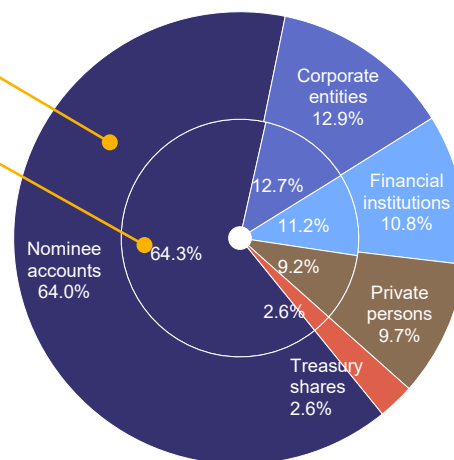
### SHAREHOLDERS OF AS PRFOODS

	Number of shares 31.12.2018	% of total 31.12.2018	Number of shares 30.06.2018	% of total 30.06.2018	Change
ING Luxembourg S.A. (Nominee account)	24,258,366	62.71%	24,258,366	62.71%	-
Lindermann, Birnbaum & Kasela OÜ	1,579,153	4.08%	1,564,553	4.04%	14,600
Ambient Sound Investments OÜ	1,318,751	3.41%	1,239,116	3.20%	79,635
OÜ Rododendron	1,284,105	3.32%	1,298,705	3.36%	-14,600
Firebird Republics Fund Ltd	1,264,396	3.27%	1,195,270	3.09%	69,126
Compensa Life Vienna Insurance Group SE	750,470	1.94%	750,470	1.94%	-
Firebird Avrora Fund, Ltd.	717,345	1.85%	648,220	1.68%	69,125
OÜ Iskra Investeeringud	386,874	1.00%	386,874	1.00%	-
<b>Total largest shareholders</b>	<b>31,550,460</b>	<b>81.59%</b>	<b>31,341,574</b>	<b>81.02%</b>	<b>217,886</b>
Other minority shareholders	6,123,400	15.83%	6,341,286	16.39%	-217,886
Treasury shares	1,000,000	2.59%	1,000,000	2.59%	-
<b>Total</b>	<b>38,682,860</b>	<b>100.00%</b>	<b>38,682,860</b>	<b>100.00%</b>	<b>-</b>

STRUCTURE OF SHAREHOLDERS BY RESIDENCE



STRUCTURE OF SHAREHOLDERS BY INVESTOR TYPE



### STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES, 31.12.2018

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 ... 1 000	767	48.7%	364,373	0.9%
1 001 ... 10 000	683	43.4%	2,196,854	5.7%
10 001 ... 50 000	99	6.3%	2,013,415	5.2%
50 001 ... 100 000	9	0.6%	635,530	1.6%
> 100 000	16	1.0%	33,472,688	86.5%
<b>Total</b>	<b>1,574</b>	<b>100.0%</b>	<b>38,682,860</b>	<b>100.0%</b>

# INTERIM ACCOUNTING REPORT

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# INTERIM ACCOUNTING REPORT

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2018	31.12.2017	30.06.2018
<b>ASSETS</b>				
Cash and cash equivalents	(Note 2)	4,910	6,491	5,960
Receivables and prepayments	(Note 3)	6,470	8,982	4,706
Inventories	(Note 4)	11,553	11,747	12,678
Biological assets	(Note 5)	4,719	5,566	6,498
<b>Total current assets</b>		<b>27,652</b>	<b>32,786</b>	<b>29,842</b>
Deferred income tax		49	222	153
Long-term financial investments		134	102	134
Tangible fixed assets	(Note 6)	14,569	13,225	12,764
Intangible assets	(Note 7)	23,046	22,294	22,604
<b>Total non-current assets</b>		<b>37,798</b>	<b>35,843</b>	<b>35,655</b>
<b>TOTAL ASSETS</b>		<b>65,450</b>	<b>68,629</b>	<b>65,497</b>
<b>EQUITY AND LIABILITIES</b>				
Loans and borrowings	(Note 8, 9)	14,224	10,105	12,562
Payables	(Note 10)	12,184	17,115	14,254
Government grants	(Note 11)	241	306	216
<b>Total current liabilities</b>		<b>26,649</b>	<b>27,526</b>	<b>27,032</b>
Loans and borrowings	(Note 8, 9)	10,706	12,957	11,487
Payables	(Note 10)	519	0	0
Deferred tax liabilities		2,094	2,267	2,441
Government grants	(Note 11)	1,257	1,144	1,226
<b>Total non-current liabilities</b>		<b>14,576</b>	<b>16,368</b>	<b>15,154</b>
<b>TOTAL LIABILITIES</b>		<b>41,225</b>	<b>43,894</b>	<b>42,186</b>
Share capital		7,737	7,737	7,737
Share premium		14,007	14,007	14,007
Treasury shares		-390	-390	-390
Statutory capital reserve		51	48	48
Currency translation reserve		-70	173	7
Retained profit (-loss)		2,130	3,096	1,904
<b>Equity attributable to parent</b>		<b>23,465</b>	<b>24,671</b>	<b>23,313</b>
Non-controlling interest		760	64	-2
<b>TOTAL EQUITY</b>	(Note 12)	<b>24,225</b>	<b>24,735</b>	<b>23,311</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,450</b>	<b>68,629</b>	<b>65,497</b>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Note	4Q 2018	4Q 2017	2HY 2018	2HY 2017
Sales	(Note 13)	26,729	31,992	46,122	49,982
Cost of goods sold	(Note 14)	-22,011	-25,428	-38,448	-40,967
<b>Gross profit</b>		<b>4,718</b>	<b>6,564</b>	<b>7,674</b>	<b>9,015</b>
Operating expenses		-2,996	-2,970	-5,619	-4,962
Selling and distribution expenses		-2,084	-2,131	-3,927	-3,506
Administrative expenses		-912	-839	-1,692	-1,456
Other income / expense		136	124	303	114
Fair value adjustment on biological assets	(Note 5)	-1,628	-2,727	-1,555	-1,655
<b>Operating profit (-loss)</b>		<b>230</b>	<b>991</b>	<b>803</b>	<b>2,512</b>
Financial income		15	2	19	3
Financial expenses		-228	-204	-454	-413
<b>Profit (-loss) before tax</b>		<b>17</b>	<b>789</b>	<b>368</b>	<b>2,102</b>
Income tax		205	446	-4	241
<b>Net profit (-loss) for the period</b>		<b>222</b>	<b>1,235</b>	<b>364</b>	<b>2,343</b>
Net profit (-loss) attributable to:					
Owners of the company		130	1,166	229	2,279
Non-controlling interests		92	69	135	64
<b>Total net profit (-loss)</b>		<b>222</b>	<b>1,235</b>	<b>364</b>	<b>2,343</b>
Other comprehensive income (-loss) that may subsequently be classified to profit or loss:					
Foreign currency translation differences		-101	-229	-77	-305
<b>Total comprehensive income (-expense)</b>		<b>121</b>	<b>1,006</b>	<b>287</b>	<b>2,038</b>
Total comprehensive income (-expense) attributable to:					
Owners of the Company		29	937	152	1,974
Non-controlling interests		92	69	135	64
<b>Total comprehensive income (-expense) for the period</b>		<b>121</b>	<b>1,006</b>	<b>287</b>	<b>2,038</b>
Profit (-loss) per share (EUR)	(Note 12)	0,00	0,02	0,00	0,05
Diluted profit (-loss) per share (EUR)	(Note 12)	0,00	0,02	0,00	0,05

# CONSOLIDATED CASH FLOW STATEMENT

EUR '000	Note	2HY 2018	2HY 2017
<b>Total cash flow from operations</b>			
Net profit (-loss)		222	2,343
Adjustments:			
Depreciation	(Note 6, 7)	549	1,031
Profit from sale and write off of fixed assets		-8	-2
Other non-cash items		832	-5,613
Changes in receivables and prepayments		-1,660	-6,284
Changes in inventories	(Note 4)	1,125	-6,642
Changes in biological assets	(Note 5)	1,779	2,685
incl fair value adjustment on biological assets		73	-1,655
Changes in payables and prepayments		418	11,943
Corporate income tax paid		-64	-25
<b>Total cash flow from / (used in) operating activities</b>		<b>3,193</b>	<b>-564</b>
<b>Total cash flow from investments</b>			
Sale of tangible and intangible fixed assets	(Note 6, 7)	42	224
Purchase of tangible and intangible fixed assets	(Note 6, 7)	-1,507	-675
Government grants for acquisition of assets	(Note 7)	42	184
Acquisition of subsidiaries, net cash received	(Note 16)	-2,506	-12,117
Interest received		15	3
<b>Total cash flow used in investing activities</b>		<b>-3,914</b>	<b>-12,381</b>
<b>Total cash flow from financing</b>			
Change in overdraft		1,512	1,648
Repayments of loans		-1,039	-110
Loans raised	(Note 9)	0	14,000
Change in factored receivables	(Note 9)	20	431
Capital lease repayments	(Note 8)	-340	-193
Dividends paid		0	-134
Interest paid		-482	-294
<b>Total cash flow (used in)/from financing activities</b>		<b>-329</b>	<b>15,348</b>
<b>Total cash flow</b>		<b>-1,050</b>	<b>2,403</b>
Cash and cash equivalents at beginning of year	(Note 2)	5,960	4,088
Change in cash and cash equivalents		-1,050	2,403
Cash and cash equivalents at the end of the period	(Note 2)	4,910	6,491



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Share premium	Own shares	Statutory capital reserve	Translation reserve	Retained earnings (-loss)	Total	Non-controlling interests	Total equity
<b>Balance at 31.12.2016</b>	<b>7,737</b>	<b>14,007</b>	<b>-256</b>	<b>12</b>	<b>428</b>	<b>1,881</b>	<b>23,809</b>	<b>0</b>	<b>23,809</b>
Covering the loss from previous year	0	0	0	36	0	-36	0	0	0
The own shares repurchase program	0	0	-134	0	0	0	-134	0	-134
Transactions with equity holders of the company	0	0	-134	36	0	-36	-134	0	-134
Net loss for the year	0	0	0	0	0	59	59	-2	57
Other comprehensive expense	0	0	0	0	-421	0	-421	0	-421
Total comprehensive expense for the period	0	0	0	0	-421	59	-362	-2	-364
<b>Balance at 30.06.2018</b>	<b>7,737</b>	<b>14,007</b>	<b>-390</b>	<b>48</b>	<b>7</b>	<b>1,904</b>	<b>23,313</b>	<b>-2</b>	<b>23,311</b>
<b>Balance at 30.06.2018</b>	<b>7,737</b>	<b>14,007</b>	<b>-390</b>	<b>48</b>	<b>7</b>	<b>1,904</b>	<b>23,313</b>	<b>-2</b>	<b>23,311</b>
Formation of statutory reserve capital	0	0	0	3	0	-3	0	0	0
Transactions with equity holders of the company	0	0	0	3	0	-3	0	0	0
Net loss for the year	0	0	0	0	0	229	229	135	364
Non-controlling interests on acquisition of subsidiary	0	0	0	0	0	0	0	625	625
Other comprehensive expense	0	0	0	0	-77	0	-81	0	-81
Total comprehensive expense for the period	0	0	0	0	-77	229	148	760	908
<b>Balance at 31.12.2018</b>	<b>7,737</b>	<b>14,007</b>	<b>-390</b>	<b>51</b>	<b>-70</b>	<b>2,130</b>	<b>23,465</b>	<b>760</b>	<b>24,225</b>

Additional information about equity is disclosed in Note 12.

# 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 31.12.2018 incorporate results of AS PRFoods (hereinafter Parent Company) and companies directly and indirectly held by it: Saaremere Kala AS, Redstorm OÜ and Vettel OÜ in Estonia, Heimon Kala Oy and Trio Trading Ab Oy in Finland, Överumans Fisk AB in Sweden, and JRJ & PRF Ltd, John Ross Jr (Aberdeen) Ltd, Coln Valley Smokery Ltd in the United Kingdom (hereinafter also referred to as the Group). The Group has a stake in an associate company, the Competence Center of Food and Fermentation Technologies (CCFFT). JRJ & PRF Ltd, John Ross Jr (Aberdeen) Ltd, Coln Valley Smokery Ltd are consolidated from 01.07.2017, Trio Trading Ab Oy from 01.09.2017 ja Redstorm OÜ from 01.07.2018. AS PRFoods' shares are listed on Nasdaq Tallinn Stock Exchange since 5 May 2010.

The Group's consolidated audited annual report for the financial year that ended on 30.06.2018 is available on PRFoods' website [www.prfoods.ee](http://www.prfoods.ee).

On the general meeting of shareholders held on 11 December 2017 the financial year of the Group was amended. The current financial year began on 01.07.2018 and ends on 30.06.2019.

## 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 30.06.2018 were 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 Group's audited consolidated annual report for the financial year that ended on 30 June 2018, which is in compliance with international finance reporting standards (IFRS) as adopted by the European Union.

The Management Board approved the publication of this condensed unaudited consolidated interim report on 24<sup>th</sup> of February 2018.

In the opinion of the management, this interim report for the 2<sup>nd</sup> quarter and the 1<sup>st</sup> half-year of the financial year 2018/2019 of AS PRFoods presents correctly and fairly the financial results of the Group as a going concern. The 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 euros and all numerical indicators have been rounded to the nearest thousand, if not indicated otherwise. In the report, thousand euros is indicated as EUR '000.

## NOTE 2. CASH AND Cash Equivalents

EUR '000	31.12.2018	31.12.2017	30.06.2018
Cash on hand	29	11	16
Short-term deposits	0	0	2,296
Bank accounts	4,881	6,480	3,648
Total cash and cash equivalents	4,910	6,491	5,960

### NOTE 3. RECEIVABLES AND PREPAYMENTS

EUR '000	31.12.2018	31.12.2017	30.06.2018
Trade receivables	5,781	7,387	3,465
Allowance for doubtful receivables	-25	-27	-38
Other receivables	95	623	579
Prepaid expenses	174	523	282
Prepaid taxes	437	476	418
Other prepayments	8	0	0
Total receivables and prepayments	6,470	8,982	4,706

Write-down on receivables was not recognised.

A commercial pledge set as collateral for loans also covers receivables (see Note 9).

### NOTE 4. INVENTORIES

EUR '000	30.09.2018	31.12.2017	30.06.2018
Raw materials and materials	6,885	7,545	6,239
Work-in-progress	850	2,345	1,072
Finished goods	3,376	851	4,138
Goods purchased for sale	395	730	1,183
Prepayments for inventories and goods in transit	47	276	46
Total inventories	11,553	11,747	12,678

During the accounting period inventories were written off by 29 thousand euros. No write-offs and write-downs were made during the previous comparable period.

A commercial pledge set as collateral for loans covers also inventories (see Note 9).

### NOTE 5. BIOLOGICAL ASSETS

EUR '000	31.12.2018	31.12.2017	30.06.2018
Fry	275	399	817
Juveniles	1,586	1,639	802
Fish suitable for harvesting	2,858	3,528	4,879
Total biological assets	4,719	5,566	6,498

The Group produces in its fish farms located in Finland and Sweden mainly rainbow trout (*Oncorhynchus mykiss*), and, in a lesser degree, also whitefish (*Coregonus lavaretus*).

## CHANGE IN BIOLOGICAL ASSETS

EUR '000	2HY 2018	2HY 2017	18m 2017/2018
Biological assets at beginning of the period	6,498	8,251	7,584
Purchased	359	43	1,206
Additions	3,140	3,667	7,251
Harvested	-3,736	-4,631	-8,596
Written off	-33	-28	-124
Fry and live fish sold	-14	0	0
Total	6,214	7,302	7,321
Adjustments:			
Fair value adjustments	-1,555	-1,655	-524
Exchange rate differences	60	-81	-299
Total adjustments	-1,495	-1,736	-823
Biological assets at end of the period	4,719	5,566	6,498

The aggregate gain attributable to the growth of biological assets and the changes in fair value less costs to sell of biological assets in 1<sup>st</sup> half-year of 2018/2019 amounted to 1.6 million euros.

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.

Group measures biological assets in fair value or acquisition cost.

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

## NOTE 6. PROPERTY, PLANT AND EQUIPMENT

EUR '000	31.12.2018	31.12.2017	30.06.2018
<b>Land and buildings</b>			
Cost	13,029	11,568	11,430
Accumulated depreciation	-5,125	-4,462	-4,668
Land and buildings at carrying amount	7,904	7,106	6,762
<b>Machinery and equipment</b>			
Cost	16,506	14,614	15,132
Accumulated depreciation	-10,349	-8,892	-9,502
Machinery and equipment at carrying amount	6,157	5,722	5,630
<b>Other tangible assets</b>			
Cost	984	1,072	1,100
Accumulated depreciation	-706	-693	-754
Other tangible assets at carrying amount	278	379	346
<b>Construction in progress, prepayments</b>			
	230	18	26
<b>Total property, plant and equipment</b>	<b>14,569</b>	<b>13,225</b>	<b>12,764</b>

Property, plant and equipment acquired under the finance lease terms are disclosed in Note 8. Additional information about collateral for loans is disclosed in Note 9. Additional information about assets recognised in purchase analysis is disclosed in Note 16.

## NOTE 7. INTANGIBLE ASSETS

EUR '000	31.12.2018	31.12.2017	30.06.2018
<b>Goodwill</b>	<b>14,387</b>	<b>13,782</b>	<b>13,817</b>
<b>Trademarks and patents</b>			
Cost	8,713	8,697	8,784
Accumulated amortisation	-1,097	-895	-998
Trademarks and patents at carrying amount	7,616	7,802	7,786
<b>Immaterial rights</b>			
Cost	997	891	973
Accumulated amortisation	-396	-357	-378
Immaterial rights at carrying amount	601	534	595
<b>Software licenses</b>			
Cost	624	528	546
Accumulated amortisation	-510	-479	-488
Software licenses at carrying amount	114	49	58
<b>Prepayments for intangible assets</b>	<b>328</b>	<b>127</b>	<b>348</b>
<b>Total intangible assets</b>	<b>23,046</b>	<b>22,294</b>	<b>22,604</b>

Additional information about assets recognised in purchase analysis is disclosed in Note 16.

## NOTE 8. FINANCE LEASE

### FIXED ASSETS ACQUIRED UNDER FINANCE LEASE

EUR '000	31.12.2018	31.12.2017	30.06.2018
<b>Machinery and equipment</b>			
Cost	1,657	1,819	1,928
Accumulated depreciation	-518	-484	-591
<b>Machinery and equipment at carrying amount</b>	<b>1,139</b>	<b>1,335</b>	<b>1,337</b>
<b>Means of transport</b>			
Cost	339	617	617
Accumulated depreciation	-173	-227	-264
<b>Means of transport at carrying amount</b>	<b>166</b>	<b>390</b>	<b>353</b>
<b>Total property, plant and equipment</b>	<b>1,305</b>	<b>1,725</b>	<b>1,690</b>

The Group is leasing under financial lease terms fish industry production equipment, fish harvesting equipment, a workboat, a tractor, passenger cars and computers. During the reporting period a passenger car, a workboat and a telehandler were leased.

### FINANCE LEASE PAYABLES

EUR '000	31.12.2018	31.12.2017	30.06.2018
<b>Present value of finance lease liability</b>			
Due in less than 1 year	305	379	358
Due between 1-5 years	675	782	708
<b>Present value of lease payments</b>	<b>980</b>	<b>1,161</b>	<b>1,066</b>
Principal payments in the financial year	340	360	565
Interest expenses in the financial year	10	26	46
Average interest rate	2.11%	1.90%	.,79%

See also Note 6 and 9.

## NOTE 9. BORROWINGS

EUR '000	31.12.2018	31.12.2017	30.06.2018
Finance lease liabilities (Note 8)	305	379	358
Overdraft	9,586	5,601	8,074
Factoring	10	236	0
Investment loans	4,323	3,889	4,130
<b>Total short-term loans</b>	<b>14,224</b>	<b>10,105</b>	<b>12,562</b>
Finance lease liabilities (Note 8)	675	782	708
Loan notes to shareholders	443	446	447
Investment loans	9,588	11,729	10,332
<b>Total long-term loans</b>	<b>10,706</b>	<b>12,957</b>	<b>11,487</b>
incl. payable within 1-5 years	10,706	12,957	11,487

Investment loans as of 31.12.2018 carry term dates between 19.02.018 and 19.07.2022. Investment loans are in euros and pounds with interest rates tied to 6-months' EURIBOR or to the Bank Base rate of UK.

#### NOTE 10.PAYABLES AND PREPAYMENTS

EUR '000	31.12.2018	31.12.2017	30.06.2018
Trade payables	5,747	7,965	6,225
Payables to employees	1,077	975	977
Liabilities from business combinations	2,820	5,614	4,806
Interest payables	47	62	91
Prepayments from clients	2	0	29
Other payables	288	278	174
Tax liabilities, incl.:	2,203	2,221	1,952
Social security tax	206	248	167
VAT	1,363	1,339	1,182
Personal income tax	172	139	122
Corporate income tax	421	470	438
Other taxes	41	25	43
<b>Total short-term payables and prepayments</b>	<b>12,184</b>	<b>17,115</b>	<b>14,254</b>
Payables from acquisitions	519	0	0
<b>Total long-term payables</b>	<b>519</b>	<b>0</b>	<b>0</b>

Payables to shareholders include contingent provisions to non-controlling interests' buyout in the amount of 2,597 thousand euros.

#### NOTE 11.GOVERNMENT GRANTS

EUR '000	2HY 2018	2HY 2017	18m 2017/2018
Deferred income from government grants at the beginning of period	1,442	714	713
Government grants received during the period	42	112	310
Change in value due to the exchange rates	-2	-2	-12
Acquired through business combination	144	768	768
Recognition as income during the period	-128	-142	-337
<b>Deferred income from government grants at the end of period</b>	<b>1,498</b>	<b>1,450</b>	<b>1,442</b>
incl. income within 1 year	241	306	216
incl. income within 2-17 years	1,257	1,144	1,226

## NOTE 12. EQUITY

EUR '000	31.12.2018	31.12.2017	30.06.2018
Share capital	7,737	7,737	7,737
Share premium	14,007	14,007	14,007
Treasury shares	-390	-390	-390
Statutory capital reserve	51	48	48
Currency translation reserve	-70	173	7
Retained profit (-loss)	2,130	3,096	1,904
Equity attributable to parent	23,465	24,671	23,313
Non-controlling interest	760	64	-2
<b>TOTAL EQUITY</b>	<b>24,225</b>	<b>24,735</b>	<b>23,311</b>

### SHARE CAPITAL

As at 31.12.2018, the Company's registered share capital was 7,736,572 euros.

In accordance with the resolution adopted by the Company's general meeting of shareholders on 26 May 2016, the shares of AS PRFoods were registered in the Commercial Register as shares without a nominal value on 30 June 2016. The registered share capital of the Company is 7,736,572 euros, divided into 38,682,860 ordinary shares without nominal value with an accountable value of 0.20 euro per share. A new version of the Company's Articles of Association also came into force, stating that the minimal share capital is 7,000,000 euros and the maximum share capital is 28,000,000 euros. The Articles of Association are available on AS PRFoods website at [www.prfoods.ee](http://www.prfoods.ee).

### SHARE PREMIUM

The Company's share premium comprises mainly of the amount received above the nominal value upon an issue of shares less costs associated with the issue. According to the Commercial Code, a premium may be used to cover a loss of a company if such loss cannot be covered from retained profit of previous periods or from the capital reserve prescribed in the Articles of Association or from other reserves prescribed by the Articles of Association. The premium may also be used to increase share capital via a bonus issue. The share premium may not be distributed to shareholders.

### OWN SHARES

As at 31.12.2018 AS PRFoods has 1,000,000 own shares, acquired with an average price of 0.4915 euro per share.

### CAPITAL RESERVE

The Estonian Commercial Code requires companies to create a capital reserve. Each year at least 1/20 of profit for the year has to be transferred to the capital reserve until the reserve amounts to 1/10 of share capital. The capital reserve may be used for covering losses and increasing share capital but not for making distributions to shareholders.

The shareholders adopted a resolution at the general meeting held on 30<sup>th</sup> of November to transfer 2,850 euros from the net profit of the financial year of 2017/2018 to the capital reserve, to pay dividends in the amount of 386,829 euros from the retained earnings i.e. 0.01 euros per share, and not to distribute the remaining profit.

### EARNINGS PER SHARE

Earnings per share have been calculated by dividing the net profit attributable to the shareholders by the average number of shares for the period.

	2HY 2018	2HY 2017	18m 2017/2018
Net profit (loss) attributable to equity holders of the company EUR '000	229	2 279	59
Average number of shares (in thousands)	38,683	38,683	38,683
Earnings (-loss) per share (EUR)	0.01	0.06	0.00
Earnings (-loss) per share (EUR)	0.01	0.06	0.00
Diluted earnings (-loss) per share (EUR)	0.01	0.06	0.00



## NOTE 13.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 areas and geographical areas.

### SALES BY GEOGRAPHIC REGIONS

EUR '000	2HY 2018	2HY 2017	18m 2017/2018
Finland	32,125	35,138	86,440
United Kingdom	6,644	7,535	13,298
Estonia	3,203	2,511	7,492
Other	4,150	4,798	11,269
<b>Total</b>	<b>46,122</b>	<b>49,982</b>	<b>118,499</b>

The Group's two business segments – the fish segment and the other segments - are presented together since the proportion of other segments in business operations is marginal. The proportion of other segments was 0.33% (18m 2017/2018: 0.73%).

Starting from the previous financial year the Group monitors also two geographical segments – the Finland, Sweden and Estonia segment, and the Great Britain segment.

	2HY 2018			18m 2017/2018		
EUR '000	Finland, Sweden, Estonia	Great Britain	Total	Finland, Sweden, Estonia	Great Britain	Total
External revenue	36,689	9,439	46,128	100,336	18,513	118,849
Inter-segment revenue	0	-6	-6	-350	0	-350
<b>Total revenue</b>	<b>36,689</b>	<b>9,433</b>	<b>46,122</b>	<b>99,986</b>	<b>18,513</b>	<b>118,499</b>
Fair value adjustment on biological assets	-1,555	0	-1,555	-524	0	-524
<b>EBITDA</b>	<b>606</b>	<b>1,291</b>	<b>1,897</b>	<b>3,534</b>	<b>657</b>	<b>4,191</b>
<b>EBITDA from business operations before fair value adjustment on biological assets and one-offs</b>	<b>2,171</b>	<b>1,291</b>	<b>3,462</b>	<b>4,635</b>	<b>1,163</b>	<b>5,798</b>
Depreciation and amortisation	-874	-220	-1,094	-2,257	-443	-2,700
<b>Operating profit</b>	<b>-268</b>	<b>1,071</b>	<b>803</b>	<b>1,277</b>	<b>214</b>	<b>1,491</b>
Financial income and expenses	-363	-72	-435	-932	-92	-1,024
Income tax	198	-202	-4	-277	-133	-410
<b>Net profit (-loss)</b>	<b>-433</b>	<b>797</b>	<b>364</b>	<b>68</b>	<b>-11</b>	<b>57</b>
<b>Segment assets</b>	<b>43,482</b>	<b>21,968</b>	<b>65,450</b>	<b>44,588</b>	<b>20,909</b>	<b>65,497</b>
incl. current assets	22,577	5,075	27,652	26,123	3,719	29,842
incl. non-current assets	20,905	16,893	37,798	18,465	17,190	35,655
<b>Segment liabilities</b>	<b>35,962</b>	<b>5,263</b>	<b>41,225</b>	<b>35,187</b>	<b>6,999</b>	<b>42,186</b>
Segment investments in tangible and intangible assets	1,174	123	1,297	1,501	113	1,614
Assets acquired through business combinations*	2,296	0	2,296	5,406	17,728	23,134

\* The amount does not include financial instruments, deferred tax assets.

## NOTE 14.COST OF GOODS SOLD

EUR '000	2HY 2018	2HY 2017	18m 2017/2018
Cost of goods purchased for sale	-986	-2,351	-7,109
Materials used in production	-29,688	-30,956	-78,016
Staff costs	-3,840	-3,739	-8,773
Depreciation and amortisation	-866	-746	-2,032
Other costs of goods sold <sup>1</sup>	-3,068	-3,175	-7,881
<b>Total cost of goods sold</b>	<b>-38,448</b>	<b>-40,967</b>	<b>-103,811</b>

<sup>1</sup> Other costs of goods sold includes expenses related to production and fish farming assets (rent, maintenance, insurance, utilities, etc.), staff-related costs and other expenses and subcontracted services.

## NOTE 15.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 boards of group entities,
- close family members of the persons mentioned above and the companies related to them.

## GROUP COMPANIES

Subsidiary	Domicile	Ownership and voting rights %			Area of activity	Owner
		30.09.2018	31.12.2017	30.06.2018		
Saaremere Kala AS	Estonia	100%	100%	100%	Fish group holding company	PRFoods AS
Vettel OÜ	Estonia	100%	100%	100%	Production of fish products	Saaremere Kala AS
GourmetHouse OÜ*	Estonia	-	100%	100%	Sale of fish products	Saaremere Kala AS
Redstorm OÜ	Estonia	51%	0%	0%	Fish farming	Saaremere Kala AS
Heimon Kala Oy	Finland	100%	100%	100%	Fish farming, production and sales	Saaremere Kala AS
Överumans Fisk AB	Sweden	100%	100%	100%	Fish farming	Heimon Kala Oy
Trio Trading Ab Oy**	Finland	100%	100%	100%	Production and sale of fish products	Saaremere Kala AS
JRJ & PRF Ltd	Scotland	85%	85%	85%	Fish group holding company	Saaremere Kala AS
John Ross Jr. (Aberdeen) Ltd	Scotland	100%	100%	100%	Production and sale of fish products	JRJ & PRF Ltd
Coln Valley Smokery Ltd	UK	100%	100%	100%	Sale of fish products	JRJ & PRF Ltd

\*The merger of GourmetHouse OÜ and Vettel OÜ was completed at 10.09.2018.

\*\*A merger plan with Heimon Kala Oy signed on 01.10.2018 with the intention to improve the internal efficiency of the group.

The ownership percentage of subsidiaries' equity represents their voting rights. The shares of subsidiaries are not listed on a stock exchange.

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

Party	Creditor	Payables and prepayments	Payables as at 31.12.2018 EUR '000	Payables as at 31.12.2017 EUR '000	Payables as at 30.06.2018 EUR '000
Kuljetus Heikki Sarmallahti OY	Companies related to members of the Supervisory Boards	Trade payables	0	0	53
Fodiator OÜ	Shareholder Redstorm OÜ	Payable for shares	262	0	0
Amber Trust II S.C.A.	Shareholder AS PRFoods	Short term loan and interest	1,525	1,535	1,573
Christopher Leigh	Shareholder of JRJ & PRF Ltd	Loan note	290	286	287
Victoria Leigh-Pearson	Shareholder of JRJ & PRF Ltd	Loan note	162	160	160
Jennifer Leigh	Shareholder of John Ross Jr. (Aberdeen) Ltd	Payable for shares	0	2,124	2,126
Christopher Leigh	Contingent consideration	Payable for non-controlling interests	1,662	1,676	1,678
Victoria Leigh-Pearson	Contingent consideration	Payable for non-controlling interests	935	942	944
	<b>Total</b>		<b>4,836</b>	<b>6,723</b>	<b>6,821</b>

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

Party EUR '000	Type of transaction	2HY 2018 Sale	2HY 2017 Sale	18m 2017/2018 Sale
Companies related to members of the Management and Supervisory Boards	Services	1	0	1
	<b>Total</b>	<b>1</b>	<b>0</b>	<b>1</b>

Party EUR '000	Type of transaction	2HY 2018 Purchase	2HY 2017 Purchase	18m 2017/2018 Purchase
Companies related to members of the Management and Supervisory Boards	Services	95	573	1,078
	<b>Total</b>	<b>95</b>	<b>573</b>	<b>1,078</b>

Related party purchases include purchases of transport services from Norway to Kokkola in the amount of 0.05 million euros by a company related to the management team of Trio Trading Ab Oy (18 months 2018/2018: 1.1 million euros). From a company related to Redstorm OÜ management member various accessories and services are bought in the amount of 0.05 million euros. Management estimates that all related party transactions have been concluded at market prices and at market condition.

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	2HY 2018	2HY 2017	18m 2017/2018
Short-term benefits	631	492	1,363
<b>Total</b>	<b>631</b>	<b>492</b>	<b>1,363</b>

Management benefits increased by 139 thousand euros in the 2<sup>nd</sup> half-year of 2018 compared to same period in 2017.

The members of the management and supervisory boards are not entitled to any pension-related rights from the company. The members of the management boards are entitled to termination benefits. The maximum expense related to payment of termination benefits including taxes totals 217 thousand euros (30.06.2018: 205 thousand euros).

## NOTE 16.BUSINESS COMBINATION

### BUSINESS COMBINATION IN THE FIRST HALF-YEAR OF THE 2018/2019 FINANCIAL YEAR – REDSTORM OÜ

On 3 July 2018 Saaremere Kala AS concluded a contract for the acquisition of 51% of shares in OÜ Redstorm, a company operating in Saaremaa, Estonia in fish farming, processing and storage. Pursuant to the conclusion of the transaction Saaremere Kala AS, a subsidiary of PRFoods, owns 51% (the share of 2,040 euros) and OÜ Fodiator 49% (the share of 1,960 euros) of the share capital of OÜ Redstorm (share capital is 4,000 euros). The date of conclusion of the transaction was 6 July 2018. Purchase price of the acquired company was 0.65 million euros which is to be paid in 3 instalments. Saaremere Kala AS acquired the control over the target company on the date of concluding the transaction. Net assets of the acquired company were 0.56 million euros as at the date of transaction. The aim of the acquisition by Saaremere Kala AS is to establish a fish farm in Estonia to be expanded in the future and by doing so ensuring the availability of quality raw material for the group. OÜ Redstorm has earlier provided fish freezing and storage services to Vettel OÜ, a group company of AS PRFoods.

The acquisition of the offshore fish farming right is an important step in the development of AS PRFoods. The Group will be able to offer especially fresh local fish to its customers in Estonia and Finland, as the Saaremaa fish processing factory is located only one hour away from the new fish farm. In addition to improved quality, considerable savings on transport are also anticipated. Also, AS PRFoods plans to expand significantly its fish farming potential in Estonia, in addition to its current fish farms in Finland and Sweden. Fish farming is an environmentally efficient and a very high value-added food industry sector. AS PRFoods sees a great development potential both in regard to domestic consumption and export capacity.

Control and risks were fully transferred to Group upon completion of the transaction. Shareholding 49% by OÜ Fodiator is registered as a non-controlling interest.

#### Purchase consideration – cash outflow

EUR '000	Redstorm OÜ
Cash consideration	388
Less: cash acquired	0
Net outflow of cash	388

The assets and liabilities recognised in purchase analysis are as follows as at transaction date:

EUR '000	Redstorm OÜ		
	Book value	Estimated fair value	Difference
Tangible assets	1,650	1,650	0
Total non-current assets	1,650	1,650	0
Receivables and prepayments	6	6	0
Total non-current assets	6	6	0
TOTAL ASSETS	1,656	1,656	0
Loans and borrowings	492	492	0
Payables and prepayments	3	3	0
Accrued payables	144	144	0
Other liabilities	388	388	0
TOTAL LIABILITIES	1,027	1,027	0
Share capital	314	314	0
Retained earnings	315	315	0
TOTAL EQUITY	629	629	0
TOTAL EQUITY AND LIABILITIES	1,656	1,656	0
Net assets	629	629	0

Purchase analysis will be finalized during the financial year. In the preliminary purchase analysis significant differences in the balance sheet value and fair value were not recognised.

Synergy created from the acquisition complements the Group's business cycle from fish farming and procuring raw material to production and sales to end customer. As fish farm and factory are located geographically closely, it enables fish to be processed very quickly and it improves the quality of products.

EUR '000	Redstorm OÜ
Purchase price	1,275
Book value of net assets on transaction date	629
Total	629
Goodwill	646

## BUSINESS COMBINATION IN 2018/2019 FINANCIAL YEAR

On 19.07.2017 the extraordinary general meeting of AS PRFoods shareholders was held, where shareholders approved acquisition of a majority shareholding of John Ross Jr (Aberdeen) Limited (JRJ) and Coln Valley Smokery Limited (CVS). Additional information about the transaction can be found on PRFoods web site [www.prfoods.ee](http://www.prfoods.ee). The acquisition date was 21.07.2017.

On 29.08.2017 an extraordinary general meeting of AS PRFoods shareholders was held, where shareholders approved the acquisition of Trio Trading Ab Oy (Trio). The acquisition date was 30.08.2017. Additional information about the transaction can be found on PRFoods web site [www.prfoods.ee](http://www.prfoods.ee).

## NOTE 17. CONTINGENT LIABILITIES

### Contingent liabilities in connection with setting a mortgage for the benefit of the Customs Board of Finland

A mortgage in the amount of 234 thousand euros is set in favour of the Finnish Customs Board. The purpose of the transaction is more streamlined daily operations by reducing persistent prepayments to the Customs Board.

The management estimates the execution of the mortgage collateral in favour of the Finnish Customs Board unlikely.

## NOTE 18. EVENTS AFTER BALANCE SHEET DATE

### Merger of Heimon Kala Oy and Trio Trading Ab Oy

On 01.10.2018, the Management Boards of Heimon Kala Oy and Trio Trading Ab Oy (100% subsidiaries of Saaremere Kala AS, an AS PRFoods group company) signed a merger plan with the intention to improve the internal efficiency of the group. According to the merger plan, the acquiring company is Heimon Kala Oy. At the moment of the execution of the merger, Trio Trading Ab Oy will be dissolved without liquidation proceedings. The estimated time of the execution of the merger was 31.01.2019, after which all Trio Trading Ab Oy's transactions will be deemed to be made on the account of Heimon Kala Oy. The merger was postponed due to technical reasons. The companies operate today as subsidiaries with overlapping management representatives.

This transaction does not have any effect on AS PRFoods group consolidated profit, assets or liabilities.

### Establishment of Avamere Kalakasvatus OÜ

On 18.01.2019 Avamere Kalakasvatus OÜ was registered in the Estonian Commercial Registry. The company is an affiliate of AS PRFoods, and it submitted an application to the Technical Regulatory Authority for the building right of the establishment of an offshore fish farming complex in the Estonian waters off the coast of Paldiski. The building right is to allow establishing a rainbow trout farming complex in the offshore cages.

## MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT FOR THE 2<sup>ND</sup> QUARTER AND THE 1<sup>ST</sup> HALF-YEAR OF THE FINANCIAL YEAR 2018/2019

**The Management Board confirms the correctness and completeness of the consolidated interim report for the 1<sup>st</sup> quarter of the financial year 2018/2019 of AS PRFoods and its subsidiaries (together the Group) presented in the pages 8 – 45 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. Interim report does not reflect new and amended IFRS standards (incl. IFRS 9 "Financial instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases");
- 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 the Management Board

Indrek Kasela

digitally signed

24<sup>th</sup> of February 2019