

Company AS PRFoods  
Type Company Release  
Category Annual financial report  
Disclosure time 31 Oct 2019 19:30:00 +0200

Attachments:

- PRFoods-10002910361-en.pdf (<http://oam.fi.ee/en/download?id=4110>)
- PRFoods-10002910363-et.pdf (<http://oam.fi.ee/en/download?id=4111>)

Currency

Title PRFoods: Audited Consolidated Annual Report 2018/2019

Overview of Economic Activities

Management Commentary

We remind you that since we changed our financial year, the previous financial year was 18 months long. The current financial year that began on 1 July 2018 is of standard length and ends on 30 June 2019. The comparable data presented in the management report stems from comparable periods: the 12 months of the financial year i.e. the period from 01 July 2018 till 30 June 2019 is compared to the period from 01 July 2017 till 30 June 2018 since 2014/2015.

PRFoods' 2018/2019 full year sales were 85.7 million euros (last year 94.9 million euros). The reasons for decreased sales were mainly lower sales from our Estonian factory to Finland and a decrease in trading of fresh fish in Finland.

Full year gross profit was 11.9 million euros, last year 13.2 million euros. Full year gross margin stayed at the same level as last year - 13.9%. Hence, we managed to keep our efficiency, the decrease of gross profit comes simply from a decrease of sales.

The Group's EBITDA was 1.7 million euros, compared to 4.4 million euros last year. EBITDA was mainly affected by a very weak result in Q2 and partly also in Q3 in our Estonian unit. The main problem was over acquisition of raw material in Estonia and Finland and taking into account that trout prices decreased, the realization of inventory resulted in a loss. Today we have put our inventory management on a new footing and our stock is kept at an optimum level.

2018/2019 full year EBITDA from operations was 4.0 million euros, EBITDA including impacts of biomass revaluation and one-offs was 1.7 million euros. 2018/2019 net loss was 1.5 million euros, which was mainly triggered by decrease



of biomass fair value caused by lower volume of fish farming and trout price drop. Additionally, decrease of sales volumes and increase of labour costs had a negative impact on the result.

Poor results in winter period this financial year weighted down the entire year. From Q2 we have improved our efficiency and results in all units.

In order to summarize, main areas affecting loss in profits are:

- \* Raw material inventory at higher prices from last year (situation fixed by now).
- \* Increase in labour costs temporarily due to merger process and duplication of functions (labour cost optimization started in summer, full effect in place from October).
- \* Lower sales to Finland (due to restructuring of production management in Estonia-Finland).
- \* Coln Valley relocation costs to John Ross Jr factory (at the same time we got significant cost efficiencies, fully to be realized in 2019/2020 financial year).
- \* Change in price of fish affected the biological assets' i.e. fish farming profitability. The negative impact of revaluation of biological assets was 1.1 million euros higher compared to last year 12 months. The main reason was a drop in harvested volume by 437 tonnes. Also, price of trout decreased by 19.9% in a year. Taking into account that 100% our farmed fish is used in our factories, a change in fair value of biomass reflects an accounting principal. Due to decrease of biological assets the absent additional raw material is purchased from third parties at the same price level as intercompany sales from our own farms to factories.

From positive side, we can remark:

- \* Improvement in operational cash flow.
- \* Finishing of large-scale investment programme in production in Estonia, UK and in fish farms.
- \* Getting BRC-certificate for Saaremaa factory, allowing John Ross Jr products to be produced also in Estonia.
- \* Cost cutting programme from merger, resulting in savings of more than 0.5 million euros annually.
- \* Onboarding new managers and specialists. From July 2019, we have new CEO for companies in Finland and Estonia. The Group has new CFO.
- \* Investments were made to turn PRFoods into the region's most ecologically conscious fish processor (new packaging lines, solar power in Estonia and Finland)

In essence, 2018/2019 was one of the most challenging years in company's history. Several circumstances (high inventory levels, decreased trout price, overlapping functions in Estonia and Finland, production restructuring in Estonia, introduction of new products) and launch of several new projects simultaneously resulted in the Group ending the year in loss.



While the Group's speed of restructuring of production and sales units in Estonia and Finland last year was not satisfactory, the positive development in the Group's fish farming unit was achieved. The Group expects to receive new farming licences in Sweden and has launched environmental surveys in three areas in Estonia. Presumably these will be carried out in 2019, to begin new farming activities in 2020. In case of positive scenarios, the production volume within next years shall be increased by at least 5,000 tonnes. In addition, a feasibility study for a fish farm in Paldiski, Estonia is launched.

For 2019/2020 financial year the Group expects sales increase by at least 5% and EBITDA improvement of 25-30%. Also, the packaging and product development of Heimon Kala and John Ross Jr have been totally relaunched. Fish purchases in Finland and Estonia are made in consolidated basis, resulting in significant savings in raw material prices.

#### Key Ratios of the Group

For the sake of comparability, the previous financial years have been adjusted to 12-months long periods beginning on 1 July and ending on 30 June. Consequently, the figures of previous years are not reconcilable with the financial statements.

#### KEY RATIOS

INCOME STATEMENT	2018/ 2019	2017/2018	2016/2017	2015/2016	2014/2015
mln EUR (unless stated otherwise)					
Sales	85.7	94.9	51.1	48.5	46.1
Gross profit	11.9	13.2	3.9	5.8	5.5
EBITDA from operations	4.0	6.0	0.6	2.1	0.8
EBITDA	1.7	4.4	2.0	2.5	0.0
EBIT	-0.5	2.3	0.7	1.3	-1.1
EBT	-1.2	1.4	0.5	1.2	-1.4
Net profit (-loss)	-1.5	1.0	0.2	1.0	-1.4
Gross margin	13.9%	13.9%	7.7%	12.0%	11.8%
Operational EBITDA margin	4.7%	6.3%	1.2%	4.3%	1.7%



EBITDA margin	2.0%	4.7%	3.8%	5.2%	0.0%
EBIT margin	-0.5%	2.5%	1.4%	2.7%	-2.4%
EBT margin	-1.4%	1.5%	1.1%	2.4%	-3.1%
Net margin	-1.7%	1.1%	0.4%	2.1%	-3.1%
Operating expense ratio	12.5%	10.5%	9.6%	10.8%	12.8%
BALANCE SHEET	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
mln EUR (unless stated otherwise)					
Net debt	20.5	18.1	1.0	-1.4	-6.5
Equity	21.9	23.3	22.7	22.7	33.3
Working capital	-3.1	2.8	11.5	11.2	21.7
Assets	62.5	65.5	33.5	29.3	39.4
Liquidity ratio	0.9x	1.1x	2.3x	3.4x	5.9x
Equity ratio	35.0%	35.6%	67.8%	77.6%	84.6%
Gearing ratio	48.3%	43.7%	4.1%	-6.7%	-24.1%
Debt to Asset	0.7x	0.6x	0.3x	0.2x	0.2x
Net debt-to-EBITDA from operations	5.1x	3.0x	1.6x	-0.7x	-8.2x
ROE	-6.5%	4.3%	0.9%	3.6%	-3.9%
ROA	-2.3%	2.0%	0.6%	2.9%	-2.6%

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

Indrek Kasela  
AS PRFoods  
Member of the Management Board  
Phone: +372 452 1470  
investor@prfoods.ee  
www.prfoods.ee



