

Company AS PRFoods
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Attachments:

- PRF_interim_12m2020_2021.pdf (<http://oam.fi.ee/en/download?id=5712>)
- PRF_vahearuanne_12k2020_2021.pdf (<http://oam.fi.ee/en/download?id=5713>)

Currency

Title Consolidated Unaudited Interim Report of AS PRFoods for the 4nd quarter and 12 months of

MANAGEMENT COMMENTARY

The most difficult year in the history of the group is over. We were attacked from three fronts: from one side, corona crises, caused a situation of drastic drop in prices and demand for fish products, causing drop in gross margin and sales. Secondly, we entered the crisis with very high leverage due to recent acquisitions and were forced by banks to reduce aggressively our loan portfolio. Third, our now-ex management in Finnish unit did not want and could not react to market changes, whereby we accumulated problems there with long-term effect. Dealing with all three criseses simultaneously increased significantly our loss, as we were forced to take decisions, that would have not happened under normal circumstances.

As a result of all this group's sales decreased by 25% to 58,7 million euros (78,7 million euros yoy).

As end result we had our first historical EBITDA loss of -1,24 million euros (2,75 million euros yoy) and net loss of -5,1 million euros (-1,9 million euros yoy).

Q4 EBITDA was largely impacted by the fact that raw material prices suddenly increased due to loosening of coroan restrictions, while our Finnish market product end prices were fixed in winter, when raw material prices were significantly lower. This caused a situation in last quarter, where we sold some of our products below COGS. In order to end such practice , we had to terminate our local CEO and notified clients of termination of such contracts.

If to find anything positiive, then group's cash flow from operations was positiive by 2 million euros and total cashflow over the period improved by 0.51 million euros. We also reduced our net debt and reduced significantly short



term liabilities of the company. Also our fish farming unit posted a better result and was the backbone of our Scandinavian operations. Our biggest problem is that Estonian government is delaying decision to allow sea farming in Estonia, due to which we could not earn significant additional income from last period.

Our Scottish division was very brave, and even though their sales and net profit decreased by 30%, John Ross Jr still managed to post 1,4 million euros EBITDA. I would also like to thank our Estonian unit, that despite the disappearance of HoReCa, managed to grow each month sales in retail significantly.

The number of employees decreased by ca 10% on annual basis, but obviously the cost base of Finnish unit did not respond to decrease in sales and margins. In summary, we can say that root cause of our problems is Finnish business division.

PRFoodsi action plan to overcome the crisis is:

1. Decrease overall debt level through positive EBITDA and strengthening of equity base.
2. Completely restructure Finnish division, either through disposal or closure of loss-making business units. Eliminate totally all low margin products from Finnish sales.
3. Increase retail sales in UK, EU markets, including home market Estonia.
4. Group's strategic focus is on fish farming, as division that has been profitable every year. Target is to reach by 2023 fish farming volume of 10,000 tons, giving additional 45-50 million euros in sales.

Group's financial position is not easy. At the same time, we must remember that 11 million euros bonds have been issued solely for refinancing of John Ross Jr. Acquisition and John Ross Jr results have not been impacted so severely, their operational cash flow is very strong and they pay regularly dividends to parent company, therefore we find their leverage to be acceptable. Fish farming requires long term capital for fish feed and this is under works.

Last year we were forced to reduce significantly working capital financing through banks, which put strain on company's finances. We have reduced significantly working capital needs in operations, also through lower inventory. Most important is to restore profitability in the environment of lower sales and restructure loss-making business units.

Having cut our teeth now for second year in corona crisis, we know that it is not sustainable to rely on outside help and all tough decisions need to be taken sooner than later. For our advantage the fish market has started much stronger this year and is more predictable and demand for our products is growing. The only objective of new financial year is profit and everything that blocks our road to profitability must be eliminated.

KEY RATIOS



INCOME STATEMENT

mln EUR	2Q 2021	1Q 2021	4Q 2020	3Q 2020	2Q 2020	1Q 2020	4Q 2019	3Q 2019
Sales	14.7	14.2	17.0	12.7	15.1	18.5	25.4	19.3
Gross profit	0.3	0.9	2.5	1.2	0.7	2.0	4.3	2.6
EBITDA from operations	-1.0	-0.5	0.6	-0.3	-0.4	0.0	2.1	0.7
EBITDA	-0.7	-0.7	0.7	-0.5	-0.4	-0.9	1.4	1.5
EBIT	-1.4	-1.4	0.0	-1.1	-1.0	-1.4	0.7	1.0
EBT	-1.6	-1.8	-0.1	-1.4	-1.2	-1.8	0.6	0.8
Net profit (-loss)	-1.7	-1.8	-0.2	-1.4	-1.3	-1.7	0.5	0.6
Gross margin	2.1%	6.6%	14.9%	9.4%	4.6%	10.8%	17.0%	13.4%
Operational EBITDA margin	-7.0%	-3.5%	3.4%	-2.6%	-2.6%	0.1%	8.4%	3.8%
EBITDA margin	-4.8%	-5.3%	4.1%	-3.8%	-2.6%	-4.6%	5.3%	7.6%
EBIT margin	-9.3%	-9.9%	0.2%	-8.8%	-6.4%	-7.8%	2.9%	5.0%
EBT margin	-10.8%	-12.5%	-0.6%	-11.3%	-8.1%	-9.8%	2.2%	3.9%
Net margin	-11.6%	-12.5%	-1.2%	-11.3%	-8.4%	-9.2%	2.0%	2.9%
Operating expense ratio	15.4%	15.6%	15.6%	18.2%	13.9%	14.3%	12.5%	13.4%

BALANCE SHEET

mln EUR	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
Net debt	20.9	21.4	21.9	21.5	20.7	17.0	17.8
Equity	15.8	17.6	18.6	18.5	19.8	21.6	23.3
Working							



capital		-2.9	-5.0	-3.9	-4.4	-4.0	-2.5	-3.5
+-----+								
Assets		55.3	54.5	57.5	57.4	57.1	56.9	60.5
+-----+								
Liquidity								
ratio		0.9x	0.8x	0.8x	0.8x	0.8x	0.9x	0.9x
+-----+								
Equity								
ratio		28.6%	32.4%	32.4%	32.3%	34.7%	37.9%	38.5%
+-----+								
Gearing								
ratio		56.9%	54.9%	54.0%	53.7%	51.1%	44.0%	43.3%
+-----+								
Debt to								
total								
assets		0.7x	0.7x	0.7x	0.7x	0.7x	0.6x	0.6x
+-----+								
Net debt								
to EBITDA								
op		-16.9x	-55.3x	160.0x	12.8x	7.5x	5.3x	5.3x
+-----+								
ROE		-28.7%	-23.8%	-21.9%	-7.0%	-9.1%	-5.7%	-3.2%
+-----+								
ROA		-9.1%	-8.4%	-7.8%	-2.4%	-3.2%	-2.1%	-1.2%
+-----+								

Consolidated Statement of Financial Position

+-----+				
Thousand euros		30.06.2021		30.06.2020
+-----+				
ASSETS				
+-----+				
Cash and cash equivalents		2,500		2,276
+-----+				
Receivables and prepayments		3,295		3,578
+-----+				
Inventories		5,691		7,884
+-----+				
Biological assets		4,795		4,249
+-----+				
Total current assets		16,281		17,987
+-----+				
+-----+				
Deferred income tax		21		54
+-----+				
Long-term financial investments		302		232
+-----+				



	Tangible fixed assets	15,236	16,179
	Intangible assets	23,457	22,672
	Total non-current assets	39,016	39,137
	TOTAL ASSETS	55,297	57,124
	EQUITY AND LIABILITIES		
	Loans and borrowings	6,396	10,611
	Payables	12,530	11,132
	Government grants	207	211
	Total current liabilities	19,133	21,954
	Loans and borrowings	16,988	12,368
	Payables	723	190
	Deferred tax liabilities	1,868	1,920
	Government grants	746	873
	Total non-current liabilities	20,325	15,351
	TOTAL LIABILITIES	39,458	37,305
	Share capital	7,737	7,737
	Share premium	14,198	14,007
	Treasury shares	-390	-390
	Statutory capital reserve	51	51
	Currency translation reserve	583	-366
	Retained profit (-loss)	-6,682	-1,654



Equity attributable to parent	15,497	19,385	
Non-controlling interest	342	434	
TOTAL EQUITY	15,839	19,819	
TOTAL EQUITY AND LIABILITIES	55,297	57,124	

Consolidated Statement of Profit or Loss And Other Comprehensive Income

Thousand euros	4Q 2020/2021	4Q 2019/2020	12 months 2020/2021	12 months 2019/2020
Sales	14,740	15,101	58,692	78,292
Cost of goods sold	-14,437	-14,412	-53,717	-68,710
Gross profit	303	689	4,975	9,582
Operating expenses	-2,264	-2,107	-9,468	-10,509
Selling and distribution expenses	-1,499	-1,387	-6,389	-7,060
Administrative expenses	-765	-720	-3,079	-3,449
Other income / expense	146	211	309	519
Fair value adjustment on biological assets	441	239	311	-291
Operating profit (loss)	-1,374	-968	-3,873	-699
Financial income/- expenses	-223	-254	-1,031	-1,062
Profit (loss) before tax	-1,597	-1,222	-4,904	-1,761



Income tax		-110	-47	-216	-134
Net profit (loss) for the period		-1,707	-1,269	-5,120	-1,895
Net profit (loss) attributable to:					
Owners of the company		-1,697	-1,254	-5,028	-1,718
Non-controlling interests		-10	-15	-92	-177
Total net profit (loss)		-1,707	-1,269	-5,120	-1,895
Other omprehensive income (loss) that may subsequently be classified to profit or loss:					
Foreign currency translation differences		-100	-117	949	-152
Total comprehensive income (expense)		-1,807	-1,386	-4,171	-2,047
Total comprehensive income (expense) attributable to:					
Owners of the Company		-1,797	-1,371	-4,079	-1,870
Non-controlling interests		-10	-15	-92	-177
Total comprehensive income (expense) for					



the period		-1,807	-1,386	-4,171	-2,047
+-----+	+-----+	+-----+	+-----+	+-----+	+-----+
+-----+	+-----+	+-----+	+-----+	+-----+	+-----+
Profit (loss) per					
share (EUR)		-0.04	-0.03	-0.13	-0.04
+-----+	+-----+	+-----+	+-----+	+-----+	+-----+
+-----+	+-----+	+-----+	+-----+	+-----+	+-----+
Diluted profit					
(loss) per share					
(EUR)		-0.04	-0.03	-0.13	-0.04
+-----+	+-----+	+-----+	+-----+	+-----+	+-----+

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