

# PRFOODS

## **AS PRFoods**

Consolidated Unaudited Interim Report  
for 1<sup>st</sup> quarter of 2018/2019  
(translation from the Estonian original)  
30.11.2018

2018/2019 | QUARTER 1

# PRFOODS

Business name	AS PRFoods
Commercial register number	1150713
Address	Pärnu mnt 141, Tallinn, Estonia
Phone	+372 452 1470
Website	<a href="http://prfoods.ee">prfoods.ee</a>
Main activities	Production and sale of fish products Fish farming
Reporting period	1 July 2018 – 30 September 2018
Auditor	AS PricewaterhouseCoopers

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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.

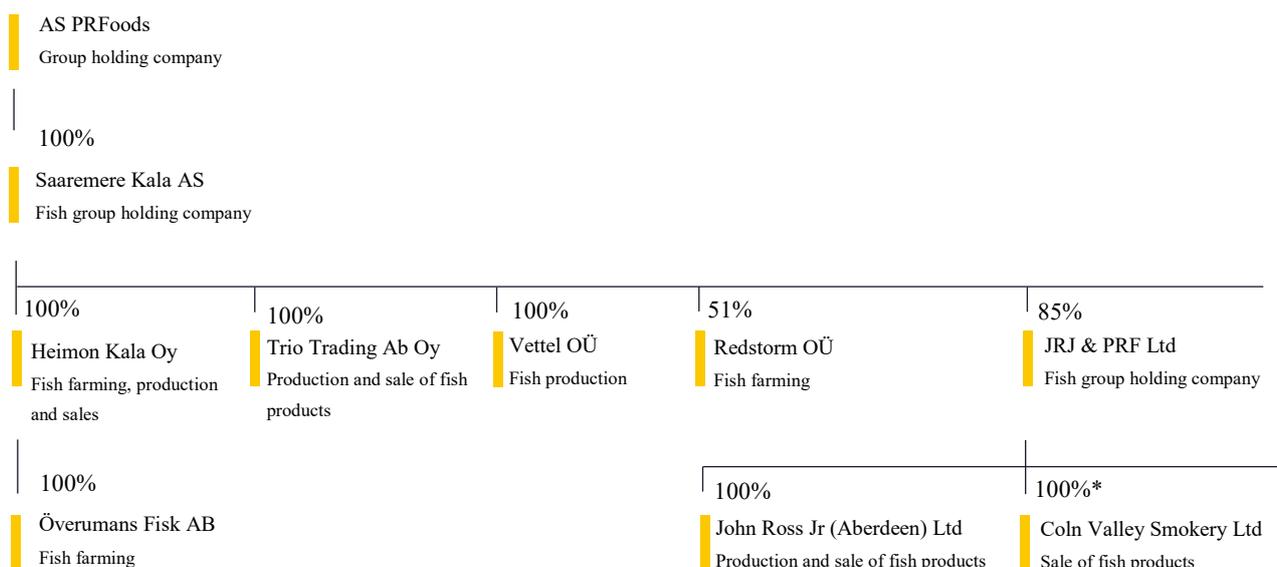
Main activity of the Group is fish manufacturing in four contemporary production buildings in Renko and Kokkola (Finland), in Saaremaa (Estonia), and in Aberdeen (Great Britain).

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 30.09.2018



\* Consolidated from 01.09.2017; to be merger with Heimon Kala Oy by 31.01.2019

\*\* 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”.



## 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

The strategy of PRFoods is as follows:

- 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

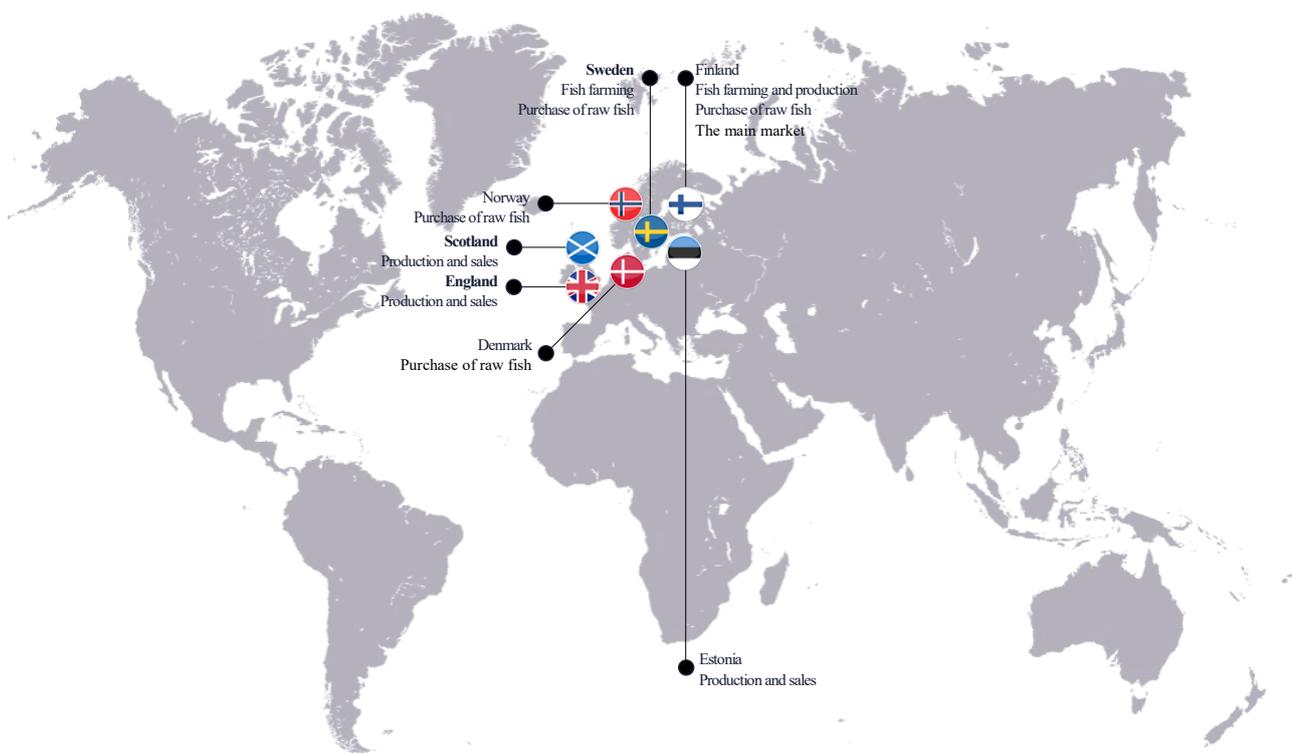
The objective of PRFoods is to increase production capacity and to boost sales volumes of fish products. The Group is actively involved in developing new products for expanding to new export markets. As a clear leader in its business area, the objective of PRFoods is to increase the Group's profitability 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.

Additional 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



P R F O O D S

# Management Report

# MANAGEMENT REPORT

## OVERVIEW OF THE 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 3rd quarter of 2017 is used.

The Q3 results of PRFoods indicate that the chosen strategy is bearing fruit. We took the direction to margin improvement and discontinuing activities in lower margin sectors and this has started to manifest itself in results. Gross profit growth by 21% is very positive. We have also increased our own brand's share in retail, including in Estonia. The UK sales have been impacted by a very volatile UK Sterling since Brexit vote. Q3 operating results and EBITDA was impacted by one-time bonuses paid for previous financial year, that temporarily hiked our labour costs. Considering that the major salary increase in the company took place last year, we do not see any short-term pressure on wages. We have also started to consolidate parallel functions in the group companies and moving the group's support services to regions with more optimal costs.

New investments programme is on track and from 2019 we are moving to only using environmentally sustainable packaging, starting from Estonia first.

Biomass revaluation was significantly lower compared to same period last year. There are mainly two reasons for that, 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 for additional growth and we delayed most of harvesting until November. Hence the biomass revaluation was transferred to Q4.

3 months consolidated results are as follows:

- Unaudited consolidated revenue 19.39 million euros, an increase by +1.40 million euros, i.e. +7.8%.
- Gross margin 15.2%, an increase by +1.6 percentage points i.e. +11.9%.
- Positive impact from revaluation of biological assets +0.07 million euros (3Q 2017: positive impact +1.07 million euros).
- Negative effect of one-offs to the result -0.01 million euros (3Q 2017: negative influence -0.28 million euros).
- EBITDA from operations +1.06 million euros, a decrease by -0.15 million euros.
- EBITDA +1.12 million euros, a decrease by -0.88 million euros (without one-off effects EBITDA +1.13 million euros, a decrease by -1.15 million euros).
- The operating profit +0.57 million euros, a decrease by -0.95 million euros (without one-off effects operating profit +0.58 million euros, a decrease by -1.22 million euros).
- Net profit +0.14 million euros, a decrease by -0.97 million euros (without one-off effects net profit +0.15 million euros, a decrease by -1.23 million euros).

Q4 forecast meets the management's expectations and the management remains positive about the outlook and improved profitability.

Sincerely,

Indrek Kasela

**UNAUDITED FINANCIAL RESULTS OF AS PRFOODS, THE 1<sup>ST</sup> QUARTER OF THE FINANCIAL YEAR 2018/2019 (i.e., hereinafter 3<sup>RD</sup> QUARTER OF 2018) COMPARED TO THE 3<sup>RD</sup> QUARTER OF 2017**

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**SUMMARY OF FINANCIAL RESULTS: THE 3<sup>RD</sup> QUARTER OF 2018 COMPARED TO THE 3<sup>RD</sup> QUARTER OF 2017**

mln EUR	Q3 2018	Q3 2017	Change, mln EUR	Q3 18 vs Q3 17	
Sales	19.39	17.99	1.40	7.8%	▲
Gross profit	2.96	2.45	0.51	20.6%	▲
EBITDA from operations*	1.06	1.20	-0.15	-12.2%	▼
EBITDA	1.12	2.00	-0.88	-44.0%	▼
EBIT	0.57	1.52	-0.95	-62.3%	▼
Net profit (-loss)	0.14	1.11	-0.97	-87.2%	▼

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



Vettel OÜ

Fish manufacturing production buildings in Saaremaa

## KEY RATIOS – INCOME STATEMENT

mIn EUR, unless indicated otherwise	Q3 2018	18m 17/18	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Sales	19.4	118.5	22.1	22.7	32.0	18.0
Gross profit	3.0	14.7	1.8	2.4	6.6	2.5
EBITDA from operations	1.1	5.8	-0.2	0.7	4.3	1.2
EBITDA	1.1	4.2	0.3	0.6	1.6	2.0
EBIT	0.6	1.5	-0.2	0.1	1.0	1.5
EBT	0.4	0.5	-0.5	-0.2	0.8	1.3
Net profit (-loss)	0.1	0.1	-1.1	-0.2	1.2	1.1
Gross margin	15.2%	12.4%	7.9%	10.6%	20.5%	13.6%
Operational EBITDA margin	5.4%	4.9%	-1.1%	3.1%	13.4%	6.7%
EBITDA margin	5.8%	3.5%	1.2%	2.5%	4.9%	11.1%
EBIT margin	3.0%	1.3%	-1.1%	0.2%	3.1%	8.5%
EBT margin	1.8%	0.4%	-2.3%	-0.9%	2.5%	7.3%
Net margin	0.7%	0.05%	-5.1%	-1.0%	3.9%	6.2%
Operating expense ratio	13.5%	10.5%	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	31.09.2018	30.06.2018	31.03.2018	31.12.2017	30.09.2017
Net debt	21.9	18.1	16.7	16.6	16.7
Equity	24.1	23.3	24.3	24.7	23.7
Working capital	2.0	2.8	4.6	5.3	5.1
Assets	64.5	65.5	66.4	68.6	68.0
Liquidity ratio	1.1x	1.1x	1.2x	1.2x	1.2x
Equity ratio	37.4%	35.6%	36.6%	36.0%	34.9%
Gearing ratio	47.6%	43.7%	40.7%	40.1%	41.3%
Debt to total assets	0.6x	0.6x	0.6x	0.6x	0.7x
Net debt to EBITDA	3.8x	3.1x	2.6x	3.1x	8.0x
ROE	0.1%	0.2%	8.6%	5.8%	-1.4%
ROA	0.0%	0.1%	4.1%	2.7%	-0.6%

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

At the end of the reporting period, the Group's cash and cash equivalents amounted to 2.8 million euros (4.3% of the balance sheet volume). As at 30.09.2017, the balance of cash and cash equivalents was 6.4 million euros (9.4% of the balance sheet volume). Working capital was 2.0 million euros (30.09.2017: 5.1 million euros).

The liquidity ratio showing the Group's ability to meet short-term payments was 1.1 as of 30.09.2018 (30.09.2017: 1.2). Net debt amounted to 21.9 million euros as at the end date of the reporting period (30.09.2017: 16.7 million euros).

The gearing ratio i.e. net debt to gross capital was 47.6% as of 30.09.2018 (30.09.2017: 41.3%). Net debt to EBITDA ratio was 3.8 as at 30.09.2018 (30.09.2017: 8.0).

The Group has been able to retain its good financial position ensuring sustainability and a good vantage point if a need to adapt to complex market conditions emerges.

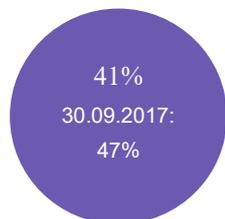


## BALANCE SHEET ANALYSIS

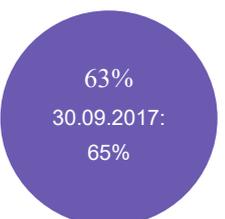


### BALANCE SHEET TOTALS 30.09.2018:

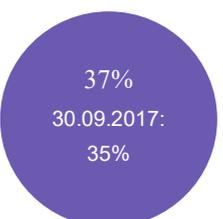
#### CURRENT ASSETS



#### FIXED ASSETS



#### FOREIGN CAPITAL



#### EQUITY

As of 30.09.2018 consolidated total assets of PRFoods stood at 64.5 million euros. The year before as at the end of the same period, the balance sheet totalled 68.0 million euros.

The Company's current assets were 26.6 million euros as at 30.09.2018 (30.09.2017: 31.7 million euros). The largest line item of current assets as at the end of the 3<sup>rd</sup> quarter 2018 was inventories amounting to 11.8 million euros (30.09.2017: 8.6 million euros). Biological assets amounted to 7.8 million euros (30.09.2017: 10.6 million euros), accounts receivable and prepayments totalled 4.2 million euros (30.09.2017: 6.1 million euros), and the balance of cash and bank accounts was 2.8 million euros (30.09.2017: 6.4 million euros).

Fixed assets totalled 37.9 million euros (30.09.2017: 36.3 million euros) comprising mainly of tangible and intangible fixed assets. Intangible assets amounted to 23.2 million euros (30.09.2017: 22.4 million euros) and tangible assets amounted to 14.5 million euros (30.09.2017: 13.6 million euros).

Short term accounts payable and prepayments were 11.2 million euros as at 30.09.2018 (30.09.2017: 16.8 million euros), showing a year-on-year decrease by 5.7 million euros. Trade payables decreased by 3.0 million euros. Short term payables include provision for non-controlling shareholders buyout in amount 2.6 million euros. Management considers realization of the buyout very unlikely.

Short term loans and borrowings increased by 3.8 million euros compared to last year, reaching 13.2 million euros as at 30.09.2018 (30.09.2017: 9.5 million euros). Increase in short term debt liabilities was influenced by increase in overdraft usage by 2.9 million euros and short-term payables for investment loans in amount 4.3 million euros.

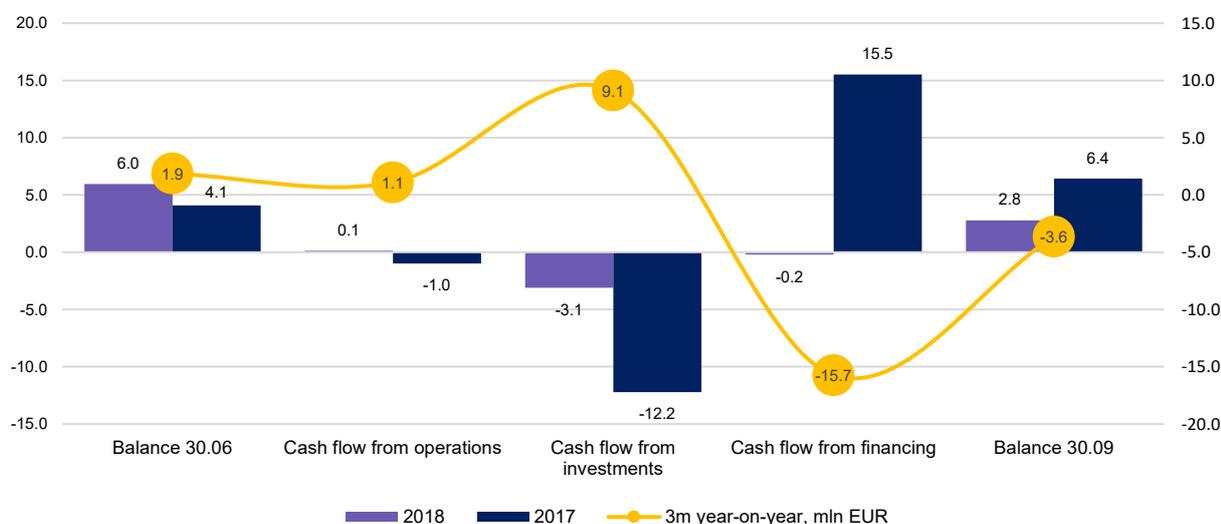
Total non-current liabilities were 15.7 million euros as at 30.09.2018, decreased by 1.9 million euros. Long term liability of investment loans totalled 10.3 million euros as at 30.09.2018.

Equity of PRFoods was 24.1 million euros as at 30.09.2018 (37.4% of the balance sheet total). Comparative data as at 30.09.2017 were 23.7 million euros (34.9% of the balance sheet total).

As at 30.09.2018, the Company's registered share capital was 7.7 million euros (30.09.2017: 7.7 million euros). The shareholders adopted a resolution at the general meeting of shareholders held on 30 May 2017 to transfer 36 thousand euros from the net profit earned in 2016 to the reserve, and not to distribute the rest of the profit.

## CASH FLOWS

CHANGE IN CASH FLOWS 3<sup>RD</sup> QUARTER 2018 VS 3<sup>RD</sup> QUARTER 2017



PRFoods' cash and cash equivalents totalled 6.0 million euros at the beginning of the reporting period and 2.8 million euros at the end of the period, the period's cash flow amounted to -3.2 million euros.

Cash flow from operations was +0.1 million euros in 3<sup>rd</sup> quarter 2018 and -1.0 million euros in the same period a year ago. The largest effect on operational cash flow stemmed from changes in receivables and prepayments (effect on cash flow: +0.6 million euros), changes in biological assets (-1.3 million euros) and changes in other non-cash items (+0.9 million euros).

Cash flow from investment activities was -3.1 million euros during the reporting period and -12.2 million euros a year ago. The largest effect on cash flow from investments in the current reporting period was purchases of tangible and intangible fixed assets (-0.7 million euros) and payments for subsidiaries, incl deferred payment for shares of John Ross Aberdeen (Jr) Ltd (-2.5 million euros). The single largest effect on the cash flow in the same period last year was related to acquisitions of subsidiaries (-12.1 million euros).

Cash flow from financing activities totalled -0.2 million euros in the reporting period and +15.5 million euros during the same period last year. The largest effect on the financing cash flow was the change in overdraft (+0.6 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 (+1.8 million euros).

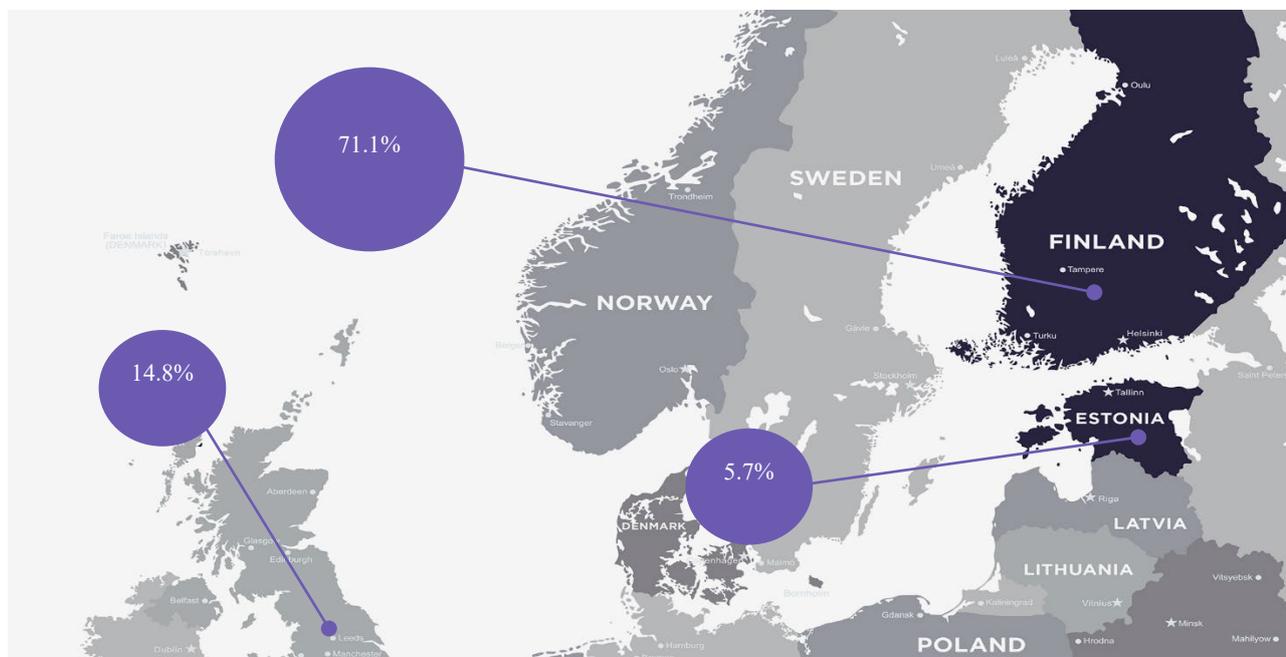
## INVESTMENTS

In the 3<sup>rd</sup> quarter 2018 investments into tangible and intangible assets totalled 0.7 million euros (18 months 2017/2018: 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 is selling fish products in 37 countries.

Revenue increased by 1.4 million euros, i.e. 7.8% in the 3<sup>rd</sup> quarter of 2018. The sales volume in tonnes decreased by 216 tonnes i.e. 8.3% in 3<sup>rd</sup> quarter of 2018 compared previous year.



THE SHARE OF TURNOVER IN KEY GEOGRAPHIC AREAS, 3<sup>RD</sup> QUARTER OF 2018

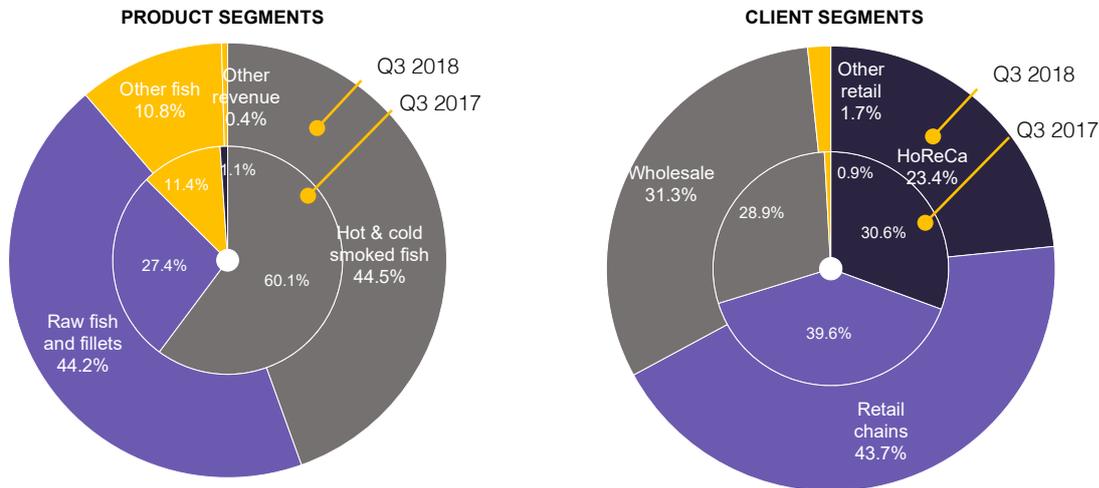
GEOGRAPHIC SEGMENTS							
mln EUR	Q3 2018	Share, %	Q3 2017	Share, %	Change, mln EUR	Q3 18 vs Q3 17	
Finland	13.8	71.1%	13.0	72.1%	0.8	6.3%	▲
United Kingdom	2.9	14.8%	3.1	17.4%	-0.3	-8.3%	▼
Estonia	1.1	5.7%	0.8	4.3%	0.3	44.9%	▲
Other	1.6	8.4%	1.1	6.2%	0.5	45.0%	▲
Total	19.4	100.0%	18.0	100.0%	1.4	7.8%	▲

In the 3<sup>rd</sup> quarter of 2018 revenue in Finland increased by 0.8 million euros, i.e. 6.3% and totalled 13.8 million euros. The share of Finnish market accounting for 71.1% of total revenue did not change notably compared to the same quarter previous year (72.1%). Revenue from the Estonian market totalled 1.1 million euros, up by 0.3 million euros i.e. 44.9% compared to the same quarter previous year. The sales in Estonia accounted for 5.7% of total revenue, an increase from 4.3% a year earlier. The UK revenue decreased from 3.1 million euros in the 3<sup>rd</sup> quarter 2017 to 2.9 million euros in the 3<sup>rd</sup> quarter this year. The share of the UK's sales to total sales decreased as well, from 17.4% in the 3<sup>rd</sup> quarter of 2017 to 14.8% in 3<sup>rd</sup> quarter of 2018. Sales to other countries totalled 1,6 million euros, up by 0.5 million euros or 45.0% from the same quarter previous year.

## PRODUCT SEGMENTS

mIn EUR	Q3 2018	Share, %	Q3 2017	Share, %	Change, mln EUR	Q3 18 vs Q3 17	
Hot & cold smoked fish	8.6	44.5%	10.8	60.1%	-2.2	-20.2%	▼
Raw fish and fillets	8.6	44.2%	4.9	27.4%	3.7	74.2%	▲
Other fish products	2.1	10.8%	2.1	11.4%	0.0	1.7%	▲
Other	0.1	0.4%	0.2	1.1%	-0.1	-54.2%	▼
Total	19.4	100.0%	18.0	100.0%	1.4	7.8%	▲

Hot and cold smoked fish product continue to account for the largest share of sales. A total of 8.6-million-euro revenue was generated by the product group and it accounted for 44.5% of total revenue during the reporting period. In the same period last year, the sales of the product group totalled 10.8 million euros accounting for 60.1% of the total. The largest increase in revenue in 3<sup>rd</sup> quarter of 2018 came from the raw fish and fillets product group, the sales of which increased 74.2%. The sales from the same period last year totalled 4.9 million euros and accounted for 27.4% of total revenue, whereas this year the sales totalled 8.5 million euros and accounted for 44.2% of total revenue. Sales of other fish products totalling 2.1 million euros remained largely the same compared to the previous year. The share of the product group decreased from 11.4% to 10.4%.



## CLIENT SEGMENTS

mIn EUR	Q3 2018	Share, %	Q3 2017	Share, %	Change, mln EUR	Q3 18 vs Q3 17	
HoReCa	4.5	23.4%	5.5	30.6%	-1.0	-17.7%	▼
Retail chains	8.5	43.7%	7.1	39.6%	1.4	19.0%	▲
Wholesale	6.1	31.3%	5.2	28.9%	0.9	16.5%	▲
Other retail	0.3	1.7%	0.2	0.9%	0.2	103.8%	▲
Total	19.4	100.0%	18.0	100.0%	1.4	7.8%	▲

HoReCa sector sales amounted to 4.5 million euros in 3<sup>rd</sup> quarter of 2018, down by 17.7%, and accounted for 23.4% of total sales. The sales of the retail chains' sector, which accounted for the largest share of total sales – 43.7% – increased by 19.0% and amounted to 8.5 million euros compared to 7.1 million euros a year ago. The sales of the wholesale sector accounting for 31.3% of total sales increased by 16.5% and amounted to 6.1 million euros compared to 5.2 million euros in the same period previous year.

## COST ANALYSIS

Sales revenue increased by 1.4 million euros i.e. 7.8% in the 3<sup>rd</sup> quarter of 2018 compared to the same period last year. Cost of goods sold accounted for 84.8% of total sales and operating expenses for 13,5%.

	Q3 2018 mln EUR	Q3 2017 mln EUR	Change mln EUR		Q3 2018 as % of sales	Q3 2017 as % of sales	Change percentage point	
<b>Sales</b>	<b>19.39</b>	<b>17.99</b>	<b>1.40</b>	▲	<b>100.00%</b>	<b>100.00%</b>		
<b>Cost of goods sold</b>	<b>-16.44</b>	<b>-15.54</b>	<b>-0.90</b>	▼	<b>84.76%</b>	<b>86.38%</b>	<b>-1.62%</b>	▲
materials in production & cost of goods purchased for resale	-12.91	-12.35	-0.56	▼	66.59%	68.63%	-2.04%	▲
labour costs	-1.74	-1.62	-0.12	▼	8.98%	9.03%	-0.05%	▲
depreciation	-0.43	-0.33	-0.10	▼	2.24%	1.84%	0.40%	▼
other cost of goods sold	-1.36	-1.24	-0.12	▼	7.01%	6.87%	0.13%	▼
<b>Operating expenses</b>	<b>-2.62</b>	<b>-1.99</b>	<b>-0.63</b>	▼	<b>13.53%</b>	<b>11.07%</b>	<b>2.45%</b>	▼
labour costs	-0.91	-0.66	-0.25	▼	4.68%	3.68%	1.00%	▼
transport & logistics services	-0.84	-0.63	-0.21	▼	4.34%	3.50%	0.84%	▼
depreciation	-0.11	-0.14	0.03	▲	0.57%	0.80%	-0.23%	▲
advertising, marketing and product development	-0.10	-0.11	0.01	▲	0.54%	0.59%	-0.05%	▲
other operating expenses	-0.66	-0.45	-0.21	▼	3.40%	2.49%	0.91%	▼
<b>Other income/expenses</b>	<b>0.17</b>	<b>-0.01</b>	<b>0.18</b>	▲	<b>-0.86%</b>	<b>0.06%</b>	<b>-0.92%</b>	▲
incl. one-offs	-0.01	-0.28	0.27	▲	0.05%	1.54%	-1.49%	▲
<b>Financial income/expense</b>	<b>-0.22</b>	<b>-0.21</b>	<b>-0.01</b>	▼	<b>1.14%</b>	<b>1.16%</b>	<b>0.02%</b>	▼



### Cost of goods sold (COGS)

COGS increased over the period by 0.9 million euros from 15.5 million euros in the 3<sup>rd</sup> quarter of 2017 to 16.4 million euros in the 3<sup>rd</sup> quarter of 2018. However, the share of COGS in total sales decreased by 1.6 percentage points and was 84.8% compared to 86.4% a year earlier. 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 1.7 million euros and formed 9.0% of total sales, up by 0.1 million euros compared to the same period last year.

Other cost of goods sold formed 7.0% of sales (Q3 2017: 6.9%), up by 0.1 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 3<sup>rd</sup> quarter of 2018 – 2.6 million euros – increased by 0.6 million euros compared to the same period last year and accounted for 13.5% of total sales. The majority of operating costs are costs on labour and transport & logistics services, amounting to 0.9 million euros and 0.8 million euros, respectively, in the 3<sup>rd</sup> quarter of 2018, up by 0.25 million euros and 0.21 million euros, respectively, from the same quarter previous year. The share of both cost items of total sales has increased: labour costs increased from 3.7% in the 3<sup>rd</sup> quarter previous year to 4.7% in the 3<sup>rd</sup> quarter this year, transport and logistics services increased from 3.5% to 4.3 %.

## TEAM

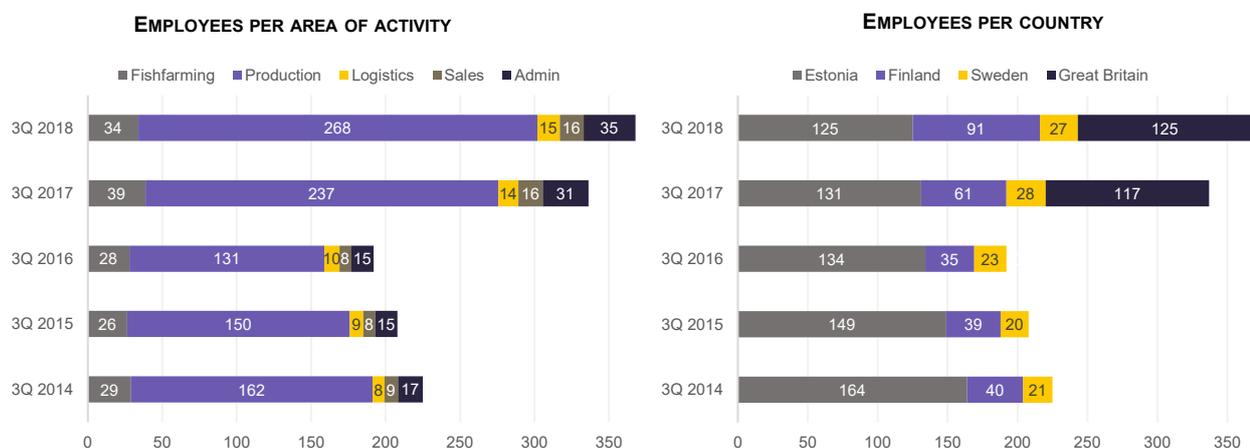
We are determined and passionate about what we do. Diversity of the living environment and growing mobility enables us to increasingly choose our place of residence and work. Thanks to the Scandinavian agricultural policy and purposeful and environmentally conscious use of natural resources, a rural enterprise is viable and sustainable. We are competitive in the joint European economic area, and we are able to provide healthy domestic food to the local population as well as be successful in foreign markets.

The average number of employees in PRFoods in the 3<sup>rd</sup> quarter of 2018 was 368 people (Q2 2018: 367 people; Q3 2017: 337 people).

PERSONNEL						
	Q3 2018	18m 17/18	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Average number of employees	368	310	367	362	408	337
Finland	91	73	96	96	114	61
Estonia	125	135	130	136	141	131
UK	125	78	117	107	127	117
Sweden	27	24	24	23	26	28
Payroll expense, th EUR	2,649	12,690	2,613	2,517	2,949	2,286
Monthly average payroll expense per employee, th EUR	2.40	2.27	2.37	2.32	2.41	2.26

The Group's labour costs totalled 2.6 million euros in the 3<sup>rd</sup> quarter of 2018, up by 0.4 million euros i.e. 15.9% compared to the same period last year. Compared to the previous quarter i.e. the 2<sup>nd</sup> quarter of 2018 the labour costs increased by 0.04 million euros i.e. 1.4%. The labour costs accounted for 13.7% of the Group's total sales in the 3<sup>rd</sup> quarter of 2018 compared to 12.7% in the same quarter of previous year.

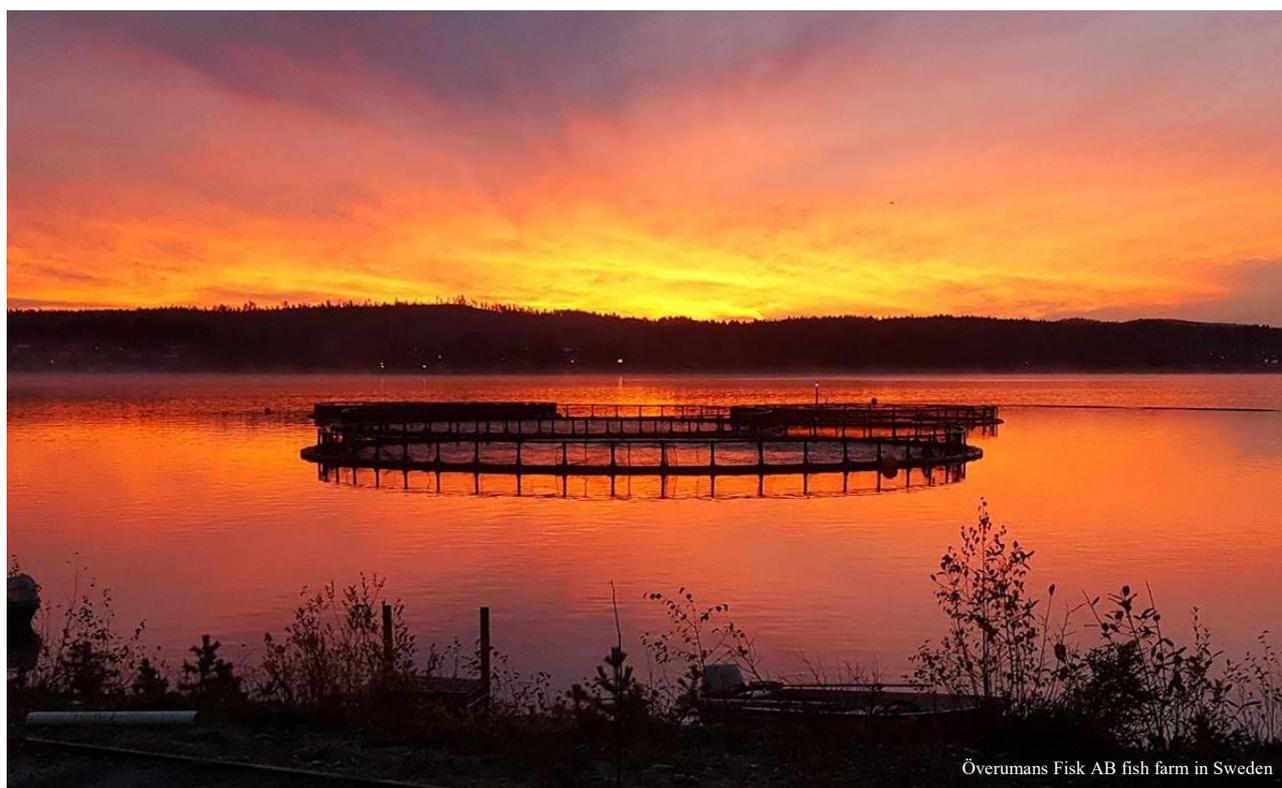
Labour costs in production were 1.7 million euros in the 3<sup>rd</sup> quarter of 2018, up by 0.1 million euros i.e. 7.2% compared to same period previous year. Labour costs of supportive personnel were 0.9 million euros in the reporting period, up by 0.2 million euros i.e. 37.2% compared to the same period previous year.



## 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.



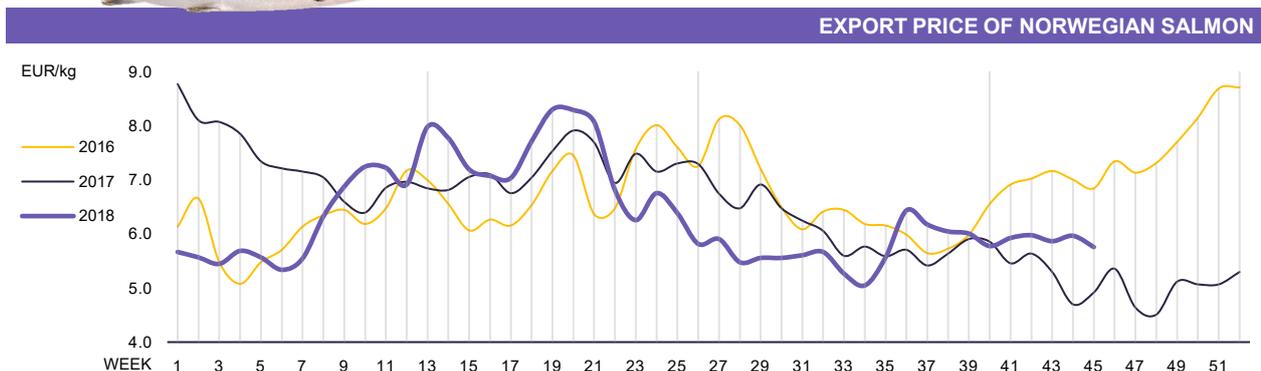
## PRICE OF FISH

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.

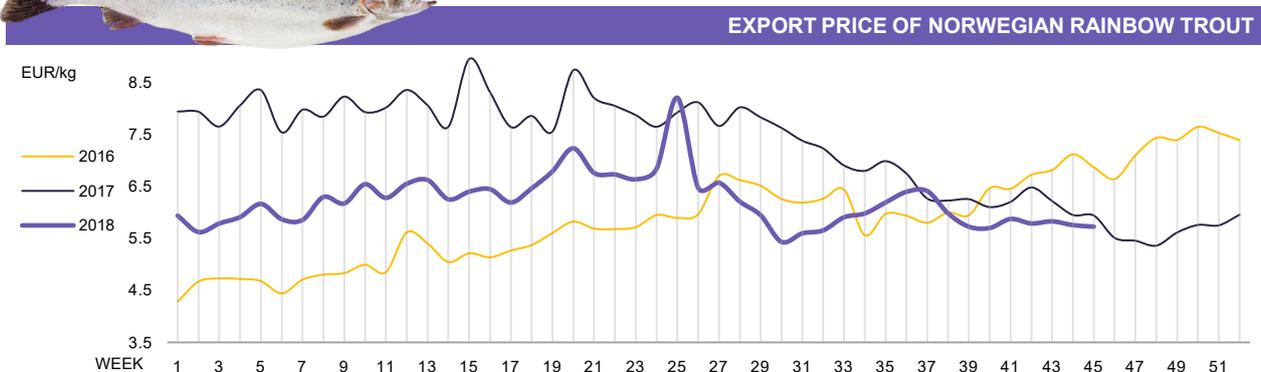
FISH PRICE			Change, %				Change, %	
	30.09.2018	30.09.2017	30.09.18 vs 30.09.17	30.09.2016	30.09.18 vs 30.09.16	30.09.2015	30.09.18 vs 30.09.15	
EUR/kg								
Salmon	6.01	5.91	1.7%	5.99	0.3%	4.07	47.7%	
Rainbow trout	5.72	6.25	-8.4%	5.94	-3.7%	3.85	48.8%	

As at 30.09.2018, the price of salmon has increased by 1.7% and the price of rainbow trout decreased by 8.4% compared to the prices of the end of June in 2017. The price of salmon has practically remained unchanged – up by 0.3% whereas the price of trout has decreased by 3.7% over a two-year period. The notable change in prices has occurred when comparing prices from three years ago: the price of salmon has increased by 47.7% and the price of rainbow trout by 48.8%.

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



Source: NASDAQ Salmon Index



Source: akvafakta.no

AVERAGE FISH PRICE			Change, %		Change, %		Change, %	
	EUR/kg	3Q 2018	3Q 2017	3Q 2018 vs 3Q 2017	3Q 2016	3Q 2018 vs 3Q 2016	3Q 2015	3Q 2018 vs 3Q 2015
Salmon		5.72	6.00	-4.7%	6.40	-10.6%	4.44	28.8%
Rainbow trout		5.97	6.91	-13.7%	6.15	-2.9%	4.27	39.6%

The average market price of salmon in the 3<sup>rd</sup> quarter of 2018 has decreased by 4.7% compared to the same quarter in 2017, and the price of rainbow trout has decreased by 13.7% during the same period. Compared to the average 3<sup>rd</sup> quarter prices in 2016 the prices of salmon and trout have decreased by 10.6% and 2.9%, respectively. Similarly, to the price dynamics above (prices as at the end of periods), the average fish prices have increased notably compared to the 3<sup>rd</sup> quarter of 2015: the average price of salmon has increased by 28.8% and the price of rainbow trout by 39.6%.

## 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*)

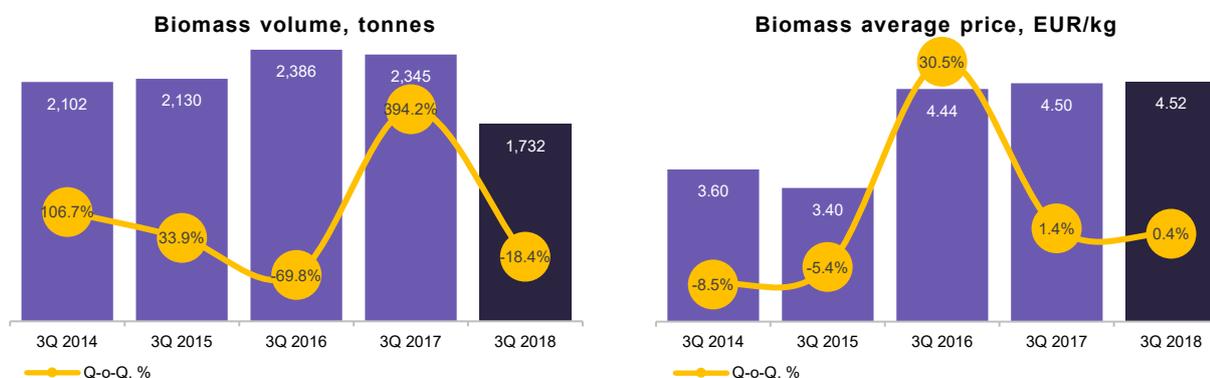
The Group uses the Norwegian export statistics (source: akvafakta.no) to assess the value of rainbow trout's stock. For assessing the value of whitefish stock, the monthly market price survey of the Finnish Fish Farmers' Association is used. When the price of raw fish increases or decreases, so does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

CHANGE IN BIOLOGICAL ASSETS IN TONNES			Change, tonnes	Change, %
	Q3 2018	Q3 2017	Q3 18 vs Q3 17	Q3 18 vs Q3 17
Biomass at the beginning of the period	1,184	1,414	-230	-16.3%
Biomass at the end of the period	1,732	2,345	-613	-26.1%
Harvested fish (in live weight)	424	541	-117	-21.6%

Biological assets totalled 1,732 tonnes as at the end of 3<sup>rd</sup> quarter 2018, a decrease by 613 tonnes, i.e. 26.1% compared to the same period last year. As at 30.09.2018, the fair value of biological assets was 7.8 million euros compared to 10.6 million euros a year ago. The decrease in monetary terms amounted to 2.73 million euros i.e. 25.8%. A total of 424 tonnes fish was harvested in the 3<sup>rd</sup> quarter of 2018, which is 117 tonnes or 21.6% less compared to the same quarter in 2017.

Average price of biomass remained largely the same: 4.52 euros per kg in the 3<sup>rd</sup> quarter 2018 compared to 4.50 euros per kg in the 3<sup>rd</sup> quarter 2017.

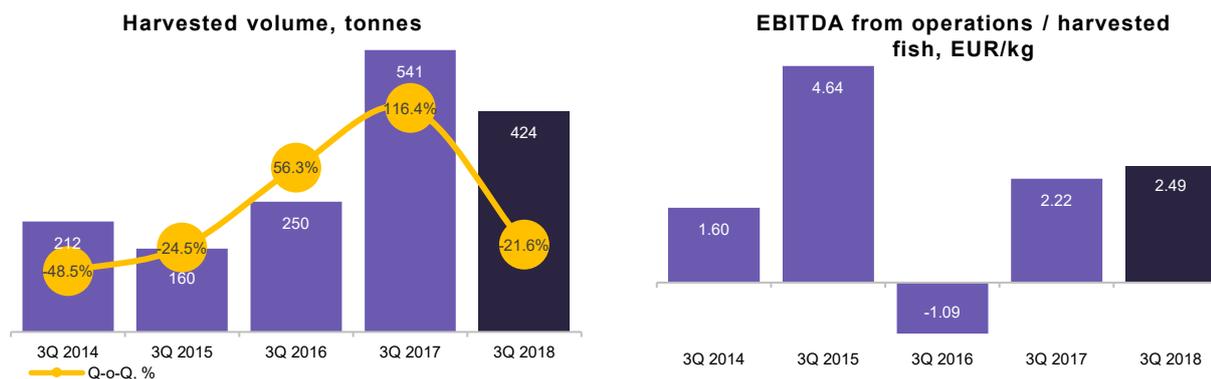
BIOMASS VOLUME AND AVERAGE PRICE, EUR/KG			Change, mln EUR	Change, %
	Q3 2018	Q3 2017	Q3 18 vs Q3 17	Q3 18 vs Q3 17
Biological assets, mln EUR	7.83	10.55	-2.73	-25.8%
Biomass volume, tonnes	1,732	2,345	-613	-26.1%
Average price, EUR/kg	4.52	4.50	0.02	0.4%
Fair value adjustment of biological assets, mln EUR	0.07	1.07	-1.00	-93.2%



Fish is processed in production buildings of Heimon Kala Oy, Trio Trading Ab Oy and Vettel OÜ. The Group's own distribution network in Finland and Estonia enables us to ensure rapid and quality supplies to our customers.

HARVESTED VOLUME			Change, mln EUR	Change, %
	Q3 2018	Q3 2017	Q3 18 vs Q3 17	Q3 18 vs Q3 17
Revenue, mln EUR	19.4	18.0	1.4	7.8%
EBITDA from operations*, mln EUR	1.1	1.2	-0.1	12.2%
Harvested volume, tonnes	424	541	-117	-21.6%
EBITDA from operations* / harvested volume, EUR/kg	2.49	2.22	0.27	12.0%

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



## SEASONALITY OF THE BUSINESS

In fish farming, considering the growth of biomass, the low season lasts from November till May and the high season from June to September. Biomass growth is influenced by temperature in seas and lakes. Trout, for instance, grows faster from summer till autumn when the water is warmer. During winter and spring time, i.e. in a cold period, fish practically stop growing. In fish processing facilities production volumes increase from September to Christmas and from March till May.

The long production cycle and the need to balance the volatility of market prices of raw materials require notably larger investments in net working capital as compared to some other food industry businesses. In the high season of farming, there is a considerable working capital need for purchasing fish feed and livestock. In addition, day-to-day production operations require sufficient stocks. For instance, in autumns when supply of raw fish exceeds market demand and the price level is the lowest of the year, companies consider purchasing large quantities of favourably priced raw materials (mainly trout) used in the ongoing production process. In the final third of the year, in the autumn-winter period when producers are selling fish harvested in their fish farms, the cash flow from operating activities is positive. In other words, notable fluctuation of net working capital is an entirely normal phenomenon in the fish business during the year.

In the period when cash flow from operations is negative, the Group pays special attention to cash conversion cycle by optimising the use of current assets. For balancing the cash circulation, the Group uses factoring and, if necessary, takes use of an overdraft facility. The volatility level of current assets depends on the financial year due to the specific features business seasonality and is influenced by several factors incl. high dependence on weather conditions.

## 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 30 September 2018, the Group's working capital was 1,951 thousand euros, as at 30.09.2017 5,116 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 8,627 thousand euros in subsidiaries. As at 30.09.2017 overdraft was used in amount of 5,752 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 30.09.2018 the equity totalled 24,103 thousand euros (30.09.2017: 23,729 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% (30.09.2018: 37.4%, 30.09.2017: 34.9%, 30.06.2018: 35.6%) and that the ratio of interest-bearing liabilities to assets does not exceed 25% (30.09.2018: 38.3%, 30.09.2017: 34.0%, 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	30.09.2018	30.06.2018	30.09.2017
Total borrowings	24,722	24,022	23,121
Less: Cash and cash equivalents	2,788	5,961	6,420
Net debt	21,934	18,061	16,701
Total equity	24,103	23,679	23,729
Total capital (net debt + equity)	46,037	41,740	40,430
Debt to equity ratio	48%	43%	41%

The net debt of the Group on 30.09.2018 was 21.9 million euros (30.09.2017: 16.7 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, Tulundusihistu 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 30.09.2018:

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	-
<b>Total number of shares owned by the members of the supervisory and management boards</b>	<b>3,090,647</b>	<b>7.99%</b>

## 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. The accountable 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). All shares are freely transferable, of the same kind and have equal voting and dividend rights.

AS 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.

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 SHARE IS INCLUDED IN THE FOLLOWING MAIN INDICES:

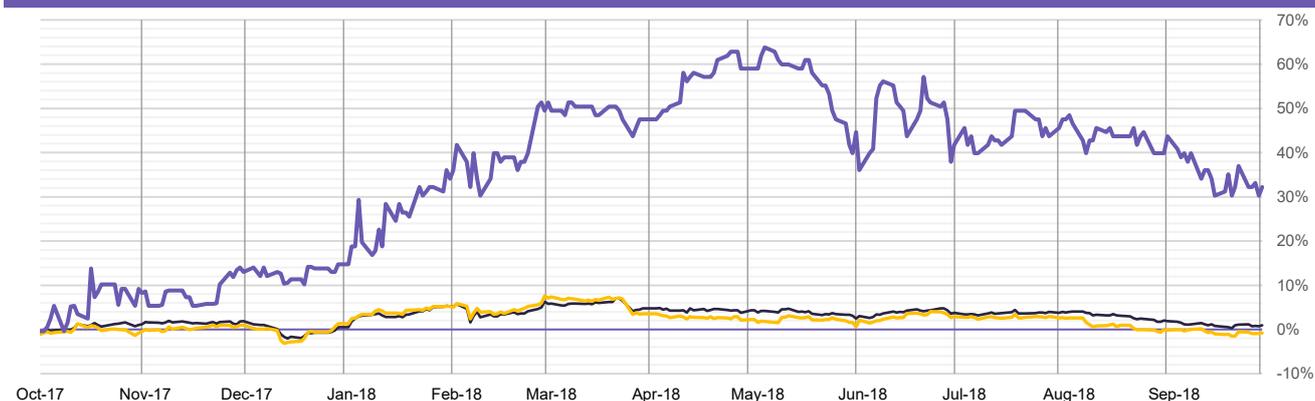
Index	Description	Type	Short name
OMX Tallinn GI	OMX Tallinn All-Share index	Gross index	OMXT (OMXTGI)
OMX Baltic Benchmark GI	OMX Baltic All-Share index	Gross index	OMXBBI

The Nordic and Baltic markets use a common classification of indices. It includes all-share, tradable, benchmark and sector indices. The indices are calculated in euros as gross indices (GI). All indices are chain-linked, i.e. they are calculated based on the price level of the previous trading day. All Baltic indices, except sector indices have a base value of 100 and start off from 31.12.1999, except for Tallinn All-Share index, which starts off from 03.06.1996. The composition of the tradable and benchmark indices is revised twice a year based on the trading activity of the shares.

### PRFOODS SHARE PRICE AND PROFITABILITY INDICES

Index / Share	30.09.2018	30.09.2017	change %
OMX Baltic Benchmark GI	948.29	393.54	0.93%
OMX Tallinn GI	1,215.84	1,225.95	-0.82%
PRF1T	0.690	0.522	32.18%

#### YEARLY CHANGE OF PRFOODS SHARE PRICE AND COMPARABLE INDICES



Baltic comparison index increased 0.93% during the period, Tallinn Stock Exchange All-Share index decreased 0.82% and PRFoods share price increased 32.18%.

## TRADING HISTORY

Price (EUR)	Q3 2018	18m 17/18	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Open	0.740	0.372	0.770	0.600	0.530	0.390
High	0.780	0.855	0.855	0.795	0.600	0.600
Low	0.675	0.354	0.710	0.600	0.520	0.366
Last	0.690	0.740	0.740	0.770	0.599	0.522
Traded volume, thousand	973	5.812	595	821	734	1.766
Turnover, mln	0.71	3.02	0.47	0.57	0.42	0.84
Market capitalisation, mln	26.69	28.63	28.63	29.79	23.17	20.19

A total of 715 trades were conducted with PRFoods' shares during the third quarter of 2018, i.e. 195 trades more compared to the second quarter of 2018 (Q2 2018: 520 trades). During the period a total of 972,872 shares changed hands (Q2 2018: 595,396) forming 2.5% of the company's shares (Q2 2018: 1.5%). The average trade volume was 1,361 shares (2Q 2018: 1,145 shares). In the third quarter of previous year 888 trades were conducted, 1,766,019 shares changed hands, i.e. 4.6% of the company's shares and the average trade volume was 1,989 shares.

Turnover of share trading amounted to 0.7 million euros in Q3 2018 compared to 0.5 million euros in Q2 2018 and 0.8 million euros in Q3 2017. The highest share price in Q3 2018 was 0.780 euro and the lowest was 0.675 euro. In the previous quarter the prices were 0.855 euro and 0.710 euro, respectively. In the third quarter 2017 the highest price was 0.600 euro and the lowest was 0.366 euro.

The closing price of the share was 0.690 euro as at 30.09.2018 (30.06.2018: 0.740 euro; 30.09.2017: 0.522 euro) and the company's market capitalisation was 26.69 million euros as at 30.06.2018 (30.06.2018: 28.63 million euros; 30.09.2017: 20.19 million euros).

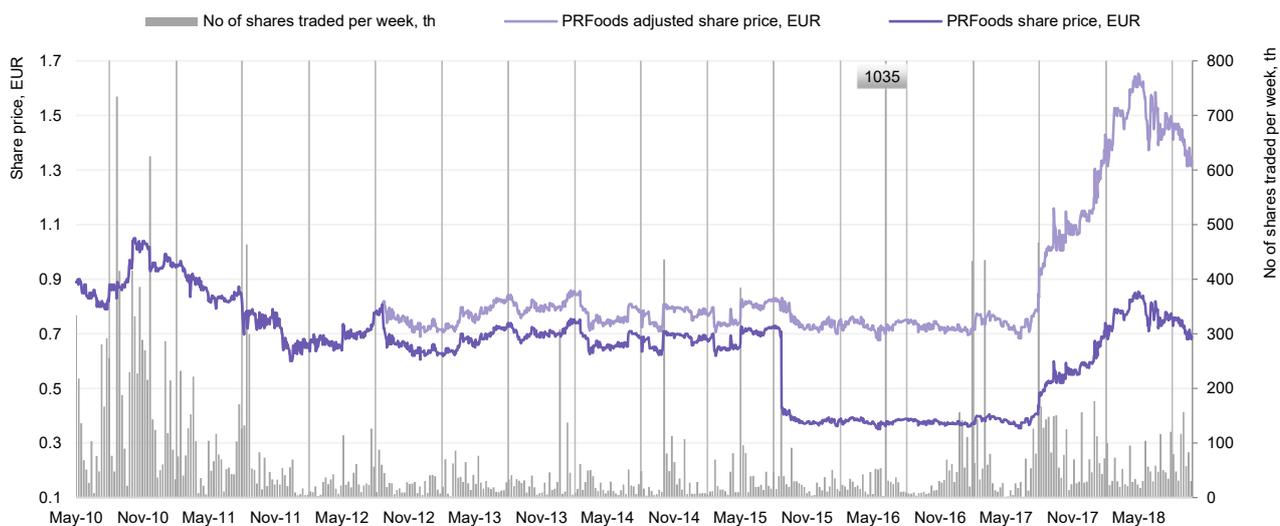
## MARKET RATIOS

Ratios	Formula	30.09.2018	30.06.2018	30.09.2017
EV/Sales	(Market Cap + Net Debt) / Sales	0.505	0.492	0.630
EV/EBITDA from operations	(Market Cap + Net Debt) / EBITDA from operations	8.365	7.838	17.619
EV/EBITDA	(Market Cap + Net Debt) / EBITDA	13.763	10.588	27.802
Price/EBITDA from operations	Market Cap / EBITDA from operations	4.592	4.803	9.643
Price/EBITDA	Market Cap / EBITDA	7.555	6.488	15.217
Price-to-Earnings	Market Cap / Net Earnings	808.823	28,654	neg
Price-to-Book	Market Cap / Equity	1.107	1.228	0.851

Market Capitalisation (Market Cap), Net Debt and Equity as at 30.09.2018

Sales, EBITDA and Net Profit/Loss for the trailing 12 months

**THE DYNAMICS OF THE SHARE PRICE OF PRFOODS AND THE VOLUME OF TRANSACTIONS DURING THE PERIOD FROM 5 MAY 2010 TO 30 SEPTEMBER 2018:**



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.

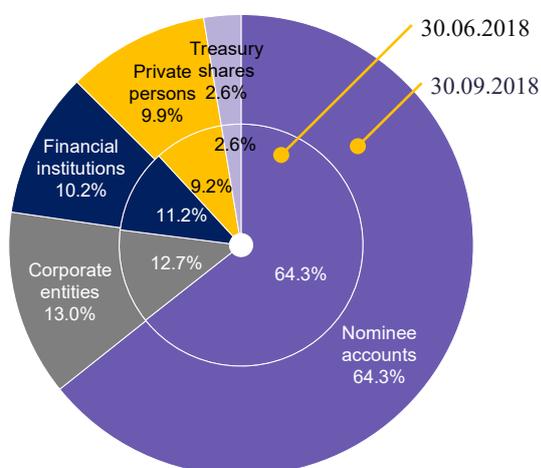
PRFoods has since the listing of its shares on the stock exchange paid to shareholders a total of 16.9 million euros in the form of dividends and in connection with share capital reductions.

## SHAREHOLDERS' STRUCTURE

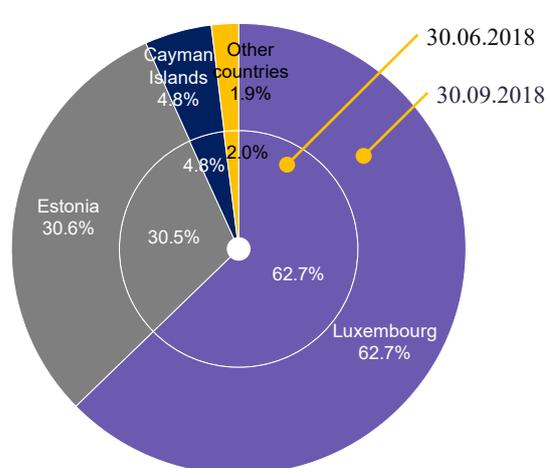
### SHAREHOLDERS OF AS PRFOODS

	Number of shares 30.09.2018	% of total 30.09.2018	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
OÜ Rododendron	1,284,105	3.32%	1,298,705	3.36%	-14,600
Ambient Sound Investments OÜ	1,239,116	3.20%	1,239,116	3.20%	-
Firebird Republics Fund Ltd	1,195,270	3.09%	1,195,270	3.09%	-
Compensa Life Vienna Insurance Group SE	750,470	1.94%	750,470	1.94%	-
Firebird Avrova Fund, Ltd.	648,220	1.68%	648,220	1.68%	-
OÜ Iskra Investeeringud	386,874	1.00%	386,874	1.00%	-
AB SEB Bankas (Nominee account)	166,383	0.43%	191,199	0.49%	-24,816
<b>Total largest shareholders</b>	<b>31,507,957</b>	<b>81.45%</b>	<b>31,532,773</b>	<b>81.52%</b>	<b>-24,816</b>
Other minority shareholders	6,174,903	15.96%	6,150,087	15.90%	24,816
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  
ACCORDING TO INVESTOR TYPE



STRUCTURE OF SHAREHOLDERS  
ACCORDING TO RESIDENCE



### STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES, 30.09.2018

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 ... 1 000	778	48.8%	373,530	1.0%
1 001 ... 10 000	682	42.8%	2,207,469	5.7%
10 001 ... 50 000	110	6.9%	2,256,592	5.8%
50 001 ... 100 000	8	0.5%	572,680	1.5%
> 100 000	16	1.0%	33,272,589	86.0%
<b>Total</b>	<b>1,594</b>	<b>100.0%</b>	<b>38,682,860</b>	<b>100.0%</b>

P R F O O D S

# Interim Accounting Report

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	30.09.2018	30.09.2017	30.06.2018
<b>ASSETS</b>				
Cash and cash equivalents	(Note 2)	2,788	6,420	5,960
Receivables and prepayments	(Note 3)	4,219	6,102	4,706
Inventories	(Note 4)	11,782	8,641	12,678
Biological assets	(Note 5)	7,825	10,551	6,498
<b>Total current assets</b>		<b>26,614</b>	<b>31,714</b>	<b>29,842</b>
Deferred income tax		26	226	153
Long-term financial investments		134	102	134
Tangible fixed assets	(Note 6)	14,528	13,562	12,764
Intangible assets	(Note 7)	23,195	22,383	22,604
<b>Total non-current assets</b>		<b>37,883</b>	<b>36,273</b>	<b>35,655</b>
<b>TOTAL ASSETS</b>		<b>64,497</b>	<b>67,987</b>	<b>65,497</b>
<b>EQUITY AND LIABILITIES</b>				
Loans and borrowings	(Note 8, 9)	13,242	9,460	12,562
Payables	(Note 10)	11,179	16,831	14,254
Government grants	(Note 11)	242	307	216
<b>Total current liabilities</b>		<b>24,663</b>	<b>26,598</b>	<b>27,032</b>
Loans and borrowings	(Note 8, 9)	11,480	13,661	11,487
Payables	(Note 10)	519	0	0
Deferred tax liabilities		2,426	2,843	2,441
Government grants	(Note 11)	1,306	1,156	1,226
<b>Total non-current liabilities</b>		<b>15,731</b>	<b>17,660</b>	<b>15,154</b>
<b>TOTAL LIABILITIES</b>		<b>40,394</b>	<b>44,258</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		48	48	48
Currency translation reserve		31	344	7
Retained profit (-loss)		2,004	1,988	1,904
<b>Equity attributable to parent</b>		<b>23,437</b>	<b>23,734</b>	<b>23,313</b>
Non-controlling interest		666	-5	-2
<b>TOTAL EQUITY</b>	(Note 12)	<b>24,103</b>	<b>23,729</b>	<b>23,311</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>64,497</b>	<b>67,987</b>	<b>65,497</b>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Note	Q3 2018	Q3 2017	18m 2017/2018
Sales	(Note 13)	19,393	17,990	118,499
Cost of goods sold	(Note 14)	-16,437	-15,539	-103,811
<b>Gross profit</b>		<b>2,956</b>	<b>2,451</b>	<b>14,688</b>
Operating expenses		-2,623	-1,992	-12,423
Selling and distribution expenses		-1,843	-1,375	-8,841
Administrative expenses		-780	-617	-3,582
Other income		238	513	1,059
Other expenses		-71	-523	-1,309
Fair value adjustment on biological assets	(Note 5)	73	1,072	-524
<b>Operating profit (-loss)</b>		<b>573</b>	<b>1,521</b>	<b>1,491</b>
Financial income		4	1	10
Financial expenses		-226	-209	-1,034
Profit (-loss) before tax		351	1,313	467
Income tax		-209	-205	-410
<b>Net profit (-loss) for the period</b>		<b>142</b>	<b>1,108</b>	<b>57</b>
Net profit (-loss) attributable to:				
Owners of the company		99	1,113	59
Non-controlling interests		43	-5	-2
<b>Total net profit (-loss)</b>		<b>142</b>	<b>1,108</b>	<b>57</b>
Other comprehensive income (-loss) that may subsequently be classified to profit or loss:				
Foreign currency translation differences		24	-76	-421
<b>Total comprehensive income (-expense)</b>		<b>166</b>	<b>1,032</b>	<b>-364</b>
Total comprehensive income (-expense) attributable to:				
Owners of the Company		123	1,037	-362
Non-controlling interests		43	-5	-2
<b>Total comprehensive income (-expense) for the period</b>		<b>166</b>	<b>1,032</b>	<b>-364</b>
Profit (-loss) per share (EUR)	(Note 12)	0.00	0.03	-0.01
Diluted profit (-loss) per share (EUR)	(Note 12)	0.00	0.03	-0.01

## CONSOLIDATED CASH FLOW STATEMENT

EUR '000	Note	Q3 2018	Q3 2017	18m 2017/2018
<b>Total cash flow from operations</b>				
Net profit (-loss)		142	1,108	57
Adjustments:				
Depreciation	(Note 6, 7)	545	468	2,700
Profit from sale and write off of fixed assets		-13	-2	-51
Other non-cash items		-535	-5,452	-2,360
Changes in receivables and prepayments		614	-3,408	-573
Changes in inventories	(Note 4)	896	-3,536	-7,285
Changes in biological assets	(Note 5)	-1,327	-2,300	1,086
incl fair value adjustment on biological assets		73	1,072	-524
Changes in payables and prepayments		-146	12,190	6,024
Corporate income tax paid		-49	-39	-48
<b>Total cash flow from / (used in) operating activities</b>		<b>127</b>	<b>-971</b>	<b>-450</b>
<b>Total cash flow from investments</b>				
Sale of tangible and intangible fixed assets	(Note 6, 7)	32	204	131
Purchase of tangible and intangible fixed assets	(Note 6, 7)	-652	-447	-1,299
Government grants for acquisition of assets	(Note 7)	28	145	310
Acquisition of subsidiaries, net cash received	(Note 16)	-2,500	-12,117	-12,964
Repayments of loans granted		0	0	51
Interest received		2	1	9
Profit from long-term investments		0	0	1
<b>Total cash flow used in investing activities</b>		<b>-3,090</b>	<b>-12,214</b>	<b>-13,761</b>
<b>Total cash flow from financing</b>				
Own shares buy-back	(Note 12)	0	0	-134
Change in overdraft		553	1,799	4,707
Repayments of loans		-224	-101	-1,194
Loans raised	(Note 9)	0	14,000	14,000
Change in factored receivables	(Note 9)	5	55	-61
Capital lease repayments	(Note 8)	-247	-90	-565
Dividends paid		0	0	-215
Interest paid		-296	-146	-741
<b>Total cash flow (used in)/from financing activities</b>		<b>-209</b>	<b>15,517</b>	<b>15,797</b>
<b>Total cash flow</b>		<b>-3,172</b>	<b>2,332</b>	<b>1,586</b>
Cash and cash equivalents at beginning of year	(Note 2)	5,960	4,088	4,374
Change in cash and cash equivalents		-3,172	2,332	1,586
Cash and cash equivalents at the end of the period	(Note 2)	2,788	6,420	5,960

## 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	0	0	0	0	0	0
The own shares repurchase program	0	0	0	0	0	0	0	0	0
Transactions with equity holders of the company	0	0	0	0	0	0	0	0	0
Net loss for the year	0	0	0	0	0	99	99	43	142
Non-controlling interests on acquisition of subsidiary	0	0	0	0	0	0	0	625	625
Other comprehensive expense	0	0	0	0	24	0	24	0	24
Total comprehensive expense for the period	0	0	0	0	24	99	123	668	791
<b>Balance at 30.09.2018</b>	<b>7,737</b>	<b>14,007</b>	<b>-390</b>	<b>48</b>	<b>31</b>	<b>2,004</b>	<b>23,437</b>	<b>666</b>	<b>24,103</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 30.09.2018 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 have been applied. The report does not hold all the information that must be presented in a complete annual report, so it should be read together with the 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 30<sup>th</sup> November 2018.

In the opinion of the management, this interim report for the 1<sup>st</sup> quarter of 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	30.09.2018	30.09.2017	30.06.2018
Cash on hand	18	11	16
Short-term deposits	0	0	2,296
Bank accounts	2,770	6,409	3,648
Total cash and cash equivalents	2,788	6,420	5,960

## NOTE 3. RECEIVABLES AND PREPAYMENTS

EUR '000	30.09.2018	30.09.2017	30.06.2018
Trade receivables	3,575	4,408	3,465
Allowance for doubtful receivables	-36	-24	-38
Other receivables	31	281	579
Prepaid expenses	275	635	282
Prepaid taxes	374	802	418
Total receivables and prepayments	4,219	6,102	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	30.09.2017	30.06.2018
Raw materials and materials	5,537	4,122	6,239
Work-in-progress	1,792	2,677	1,072
Finished goods	3,916	808	4,138
Goods purchased for sale	537	814	1,183
Prepayments for inventories and goods in transit	0	220	46
Total inventories	11,782	8,641	12,678

The Group did not write-off and discount of inventories in the 1<sup>st</sup> quarter of 2018/2019 (18 months 2017/2018: 203 thousand euros).

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

## NOTE 5. BIOLOGICAL ASSETS

EUR '000	30.09.2018	30.09.2017	30.06.2018
Fry	156	380	817
Juveniles	1,463	2,209	802
Fish suitable for harvesting	6,206	7,962	4,879
<b>Total biological assets</b>	<b>7,825</b>	<b>10,551</b>	<b>6,498</b>

As at 30.09.2018 biological assets totalled 1,732 tonnes, and as at 30.06.2018 1,184 tonnes. In the reporting period, agricultural produce was harvested in the amount of 424 tonnes, in the 2017/2018 financial year (18 months) 2,959 tonnes.

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	Q3 2018	Q3 2017	18m 2017/2018
Biological assets at beginning of the period	6,498	8,251	7,584
Purchased	253	1	1,206
Additions	2,020	2,738	7,251
Fair value adjustments	-1,058	-1,506	-8,596
Harvested	0	0	-124
Written off	7,713	9,484	7,321
<b>Total</b>			
<b>Adjustments:</b>	<b>73</b>	<b>1,072</b>	<b>-524</b>
Fair value adjustments	39	-5	-299
Exchange rate differences	112	1,067	-823
<b>Total adjustments</b>	<b>7,825</b>	<b>10,551</b>	<b>6,498</b>
<b>Biological assets at end of the period</b>	<b>6,498</b>	<b>8,251</b>	<b>7,584</b>

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> quarter 2018/2019 amounted to 2.1 million euros. In 2017/2018 18-months period amounted to 6.7 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	30.09.2018	30.09.2017	30.06.2018
<b>Land and buildings</b>			
Cost	13,000	11,576	11,430
Accumulated depreciation	-4,968	-4,316	-4,668
Land and buildings at carrying amount	8,032	7,260	6,762
<b>Machinery and equipment</b>			
Cost	16,216	14,549	15,132
Accumulated depreciation	-10,076	-8,671	-9,502
Machinery and equipment at carrying amount	6,140	5,878	5,630
<b>Other tangible assets</b>			
Cost	991	1,048	1,100
Accumulated depreciation	-705	-669	-754
Other tangible assets at carrying amount	286	379	346
Construction in progress, prepayments	70	45	26
<b>Total property, plant and equipment</b>	<b>14,528</b>	<b>13,562</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	30.09.2018	30.09.2017	30.06.2018
Goodwill	14,450	13,782	13,817
<b>Trademarks and patents</b>			
Cost	8,773	8,701	8,784
Accumulated amortisation	-1,047	-837	-998
Trademarks and patents at carrying amount	7,726	7,864	7,786
<b>Immaterial rights</b>			
Cost	996	859	973
Accumulated amortisation	-387	-338	-378
Immaterial rights at carrying amount	609	521	595
<b>Software licenses</b>			
Cost	610	524	546
Accumulated amortisation	-498	-470	-488
Software licenses at carrying amount	112	54	58
Prepayments for intangible assets	298	162	348
<b>Total intangible assets</b>	<b>23,195</b>	<b>22,383</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	30.09.2018	30.09.2017	30.06.2018
Machinery and equipment			
Cost	1,969	1,783	1,928
Accumulated depreciation	-625	-399	-591
Machinery and equipment at carrying amount	1,344	1,384	1,337
Means of transport			
Cost	639	631	617
Accumulated depreciation	-249	-237	-264
Means of transport at carrying amount	390	394	353
Total property, plant and equipment	1,734	1,778	1,690

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 passenger car, workboat and telehandler in total value of 228 thousand euros were leased to fixed asset. During the 18 months of 2017/2018, fixed assets were leased as financial lease in the total amount of 138 thousand euros.

FINANCE LEASE PAYABLES			
EUR '000	30.09.2018	30.09.2017	30.06.2018
Present value of finance lease liability			
Due in less than 1 year	333	384	358
Due between 1-5 years	714	852	708
Present value of lease payments	1,047	1,236	1,066
Principal payments in the financial year			
Interest expenses in the financial year	6	20	46
Average interest rate	1.98%	1.88%	1.79%

See also Note 6 and 9.

## NOTE 9. BORROWINGS

EUR '000	30.09.2018	30.09.2017	30.06.2018
Finance lease liabilities (Note 8)	333	384	358
Overdraft	8 627	5 752	8 074
Factoring	0	55	0
Investment loans	4 282	3 269	4 130
<b>Total short-term loans</b>	<b>13 242</b>	<b>9 460</b>	<b>12 562</b>
Finance lease liabilities (Note 8)	714	852	708
Loan notes to shareholders	446	449	447
Investment loans	10 320	12 360	10 332
<b>Total long-term loans</b>	<b>11 480</b>	<b>13 661</b>	<b>11 487</b>
incl. payable within 1-5 years	11 480	13 661	11 487

### Overdraft

On 06.09.2016, AS PRFoods and AS SEB Pank closed the limit of the existing overdraft contract and closed group account agreement between AS PRFoods and its subsidiaries. On 06.09.2016, AS Saaremere Kala and AS SEB Pank signed overdraft contract to open for AS Saaremere 5.0 million euros credit limit. The term of the overdraft facility was 30.04.2017 and the interest rate is 6-month EURIBOR + 1.7%.

28.04.2017 overdraft renewal and increasing contract was signed, which gave group right to use overdraft in amount of 7,000,000 euros. Overdraft was increased as group needs flexibility in cash flows to be able to increase raw fish stock when prices of raw fish are lower. 22.08.2017 overdraft was increased to amount of 8,000,000 euros. The term of overdraft is 30.04.2018 and interest rate 6-month EURIBOR + 1.7%. The bank overdraft is secured by a mortgage of 10.1 million euros, a commercial pledge of 4.0 million euros and AS PRFoods guarantee in amount of 5.0 million euros. AS Saaremere Kala and subsidiaries OÜ Vettel and OÜ Gourmethouse have signed new group account agreement with AS SEB Pank. Overdraft limit was increased on 30.05.2018 by 2.0 million euros, totalling 10.0 million euros and extended until 30.04.2019 with current conditions. Redstorm OÜ was added to group account after transaction completion date.

The overdraft was used in the amount of 8.6 million euros as at 30.09.2018 (30.06.2018: 8.1 million euros).

### Investment loans

Investment loan to finance purchase of John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd was signed 19.07.2017 in amount of 11,000,000 euros with an interest rate 6-month EURIBOR + 3.25% and on 22.08.2017 additional 1,500,000 euros was borrowed to acquire Trio Trading Ab Oy shares. Total investment loan was 12,500,000 euros and the balance of investment loan is 11,271,000 euros as at 30.09.2018. The term of investment loan is 19.07.2022. First payment was scheduled 19.02.2018, interest is paid monthly from the signing of the contract. Interest margin is lowered to 2.75% on the condition that loan covenants are in compliance based on 18 months 2017/2018 financial year audited results. The loan is secured with existing mortgages in amount of 13.1 million euros on properties of Vettel and Heimon Kala; a commercial pledge of 4.0 million euros on Vettel's movable assets; pledge on 100% of shares of Saaremere Kala AS, Heimon Kala Oy, Överumans Fisk Ab, Trio Trading Ab Oy; floating charge and pledge of 85% shares of JRJ & PRF Ltd; guarantee from PRFoods AS in amount of 16.5 million euros.

Short time investment loan was received from Amber Trust II S.C.A. in amount of 1,500,00 euros at 14.07.2017 to finance purchase of subsidiaries. The term of the loan is 28<sup>th</sup> of February 2019. Interest rate is 5% and accrued interest shall be paid at the same time with the repayment of the loan.

Trio Trading Ab Oy has signed an investment loan in amount of 1,600,000 euros at 29.10.2015. The remaining amount for the loan is 930,000 euros as at 30.09.2018. The interest rate is 12-month EURIBOR + 2.00% and the term of the loan is 31.08.2022. The loan is secured with floating charges and security rights to leaseholds in Kokkola.

John Ross Jr (Aberdeen) Ltd has 3 long term investment loans to finance factory in Scotland in total amount of 409,000 euros as at 30.09.2018 which are due in 3-13 years and with interest rates 1.50%, 2.85% and 3.20% + UK Bank Base rate. UK Bank Base rate was 0.25% until 01.11.2017 and will be 0.50% from 02.11.2017 based on decision of Bank of England.

Redstorm OÜ has long term loan from Maaclu Edendamise Sihtasutus with due date 31.10.2023. Interest rate of the loan is 6.5% annually and remaining amount of the loan was 491,802 euros as at 30.09.2018.

## NOTE 10. PAYABLES AND PREPAYMENTS

EUR '000	30.09.2018	30.09.2017	30.06.2018
Trade payables	5,511	8,551	6,225
Payables to employees	885	830	977
Payables to shareholders	2,825	5,632	4,806
Prepayments from clients	29	35	91
Interest payables	26	114	29
Other payables	158	790	174
Tax liabilities, incl.:	1,745	879	1,952
Social security tax	198	233	167
VAT	862	149	1,182
Personal income tax	157	141	122
Corporate income tax	506	355	438
Other taxes	22	1	43
<b>Total short-term payables and prepayments</b>	<b>11,179</b>	<b>16,831</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 amount 2,622 thousand euros.

## NOTE 11. GOVERNMENT GRANTS

EUR '000	Q3 2018	Q3 2017	18m 2017/2018
Deferred income from government grants at the beginning of period	1,442	714	713
Government grants received during the period	28	73	310
Change in value due to the exchange rates	-1	0	-12
Acquired through business combination	144	736	768
Recognition as income during the period	-65	-60	-337
<b>Deferred income from government grants at the end of period</b>	<b>1,548</b>	<b>1,463</b>	<b>1,442</b>
incl. income within 1 year	242	307	216
incl. income within 2-17 years	1,306	1,156	1,226

## NOTE 12. EQUITY

EUR '000	30.09.2018	30.09.2017	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	48	48	48
Currency translation reserve	31	344	7
Retained profit (-loss)	2,004	1,988	1,904
Equity attributable to parent	23,437	23,734	23,313
Non-controlling interest	666	-5	-2
<b>TOTAL EQUITY</b>	<b>24,103</b>	<b>23,729</b>	<b>23,311</b>

### Share capital

As at 30.09.2018, the Company's registered share capital was 7,736,572 euros. As at 30.06.2018, 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 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 having a book 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 over the nominal value upon issue of shares, less costs associated with the issue of shares. 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

In accordance with the resolution of the general meeting of shareholders held on 29.05.2014 in which the shareholders approved a share buy-back programme of 500,00 own shares, the Group initiated a buy-back programme on 01.07.2014. The shares were to be bought back until 31.05.2017. The initial buy-back programme was completed on 18.05.2016. The ordinary general meeting of shareholders held on 26.05.2016 adopted a resolution to expand the existing buy-back programme, according to which up to additional 500,000 own shares were to be bought back until 29.05.2019. On 14 June 2016, the Management Board of AS PRFoods entered into a service agreement with AS SEB Pank to continue the implementation of the buy-back programme of own shares.

The buy-back programme was implemented in compliance with the resolutions of the general meetings of shareholders held on 29.05.2014 and 26.05.2016, and the Commission Regulation (EU) No. 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

The expanded buy-back programme was completed on 27.03.2017. Over the period ranging from 14.06.2016 till 27.03.2017 the company bought back 500,000 own shares at an average price of 0.3834 euros per share. As at 30.09.2018 AS SEB Pank has acquired 1,000,000 shares of AS PRFoods in the name and on the account of the Group with an average price of 0.4915 euros 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 May to transfer 35,750 euros from the profit of 2016 of the group to the capital reserve, 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.

	Q3 2018	Q3 2017	18m 2017/2018
Net profit (loss) attributable to equity holders of the company EUR '000	99	1,113	59
Average number of shares (in thousands)	38,683	38,683	38,683
Earnings (-loss) per share (EUR)	0.00	0.03	0.00
Earnings (-loss) per share (EUR)	0.00	0.03	0.00
Diluted earnings (-loss) per share (EUR)	0.00	0.03	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. Reports by geographical areas include information of more significant importance for the management of the Group for monitoring financial performance and allocating resources. Therefore, this division is used to define business segments.

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 0.45% (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.

## SALES BY GEOGRAPHIC REGIONS

EUR '000	Q3 2018	Q3 2017	18m 2017/2018
Finland	13,789	12,973	86,440
United Kingdom	2,869	3,130	13,298
Estonia	1,113	768	7,492
Other	1,622	1,119	11,269
Total	19,393	17,990	118,499

EUR '000	Q3 2018			18m 2017/2018		
	Finland, Sweden, Estonia	Great Britain	Total	Finland, Sweden, Estonia	Great Britain	Total
External revenue	15,467	3,955	19,422	100,336	18,513	118,849
Inter-segment revenue	0	-29	-29	-350	0	-350
<b>Total revenue</b>	<b>15,467</b>	<b>3,926</b>	<b>19,393</b>	<b>99,986</b>	<b>18,513</b>	<b>118,499</b>
Fair value adjustment on biological assets	73	0	73	-524	0	-524
<b>EBITDA</b>	<b>698</b>	<b>420</b>	<b>1,118</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>1,202</b>	<b>926</b>	<b>2,128</b>	<b>4,635</b>	<b>1,163</b>	<b>5,798</b>
Depreciation and amortisation	-433	-112	-545	-2,257	-443	-2,700
<b>Operating profit</b>	<b>265</b>	<b>308</b>	<b>573</b>	<b>1,277</b>	<b>214</b>	<b>1,491</b>
Financial income and expenses	-192	-30	-222	-932	-92	-1,024
Income tax	-152	-57	-209	-277	-133	-410
<b>Net profit (-loss)</b>	<b>-79</b>	<b>221</b>	<b>142</b>	<b>68</b>	<b>-11</b>	<b>57</b>
<b>Segment assets</b>	<b>43,396</b>	<b>21,101</b>	<b>64,497</b>	<b>44,588</b>	<b>20,909</b>	<b>65,497</b>
incl current assets	22,615	3,999	26,614	26,123	3,719	29,842
incl non-current assets	20,781	17,102	37,883	18,465	17,190	35,655
<b>Segment liabilities</b>	<b>35,521</b>	<b>4,873</b>	<b>40,394</b>	<b>35,187</b>	<b>6,999</b>	<b>42,186</b>
Segment investments in tangible and intangible assets	637	71	708	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	Q3 2018	Q3 2017	18m 2017/2018
Cost of goods purchased for sale	-911	-743	-7,109
Materials used in production	-12,002	-11,603	-78,016
Staff costs	-1,741	-1,625	-8,773
Depreciation and amortisation	-434	-331	-2,032
Other costs of goods sold <sup>1</sup>	-1,349	-1,237	-7,881
<b>Total cost of goods sold</b>	<b>-16,437</b>	<b>-15,539</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 board 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	30.09.2017	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

\*GourmetHouse OÜ and Vettel OÜ signed merging agreement and merger was completed at 10.09.2018.

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	Payable as at 30.09.2018 EUR '000	Payable as at 30.09.2017 EUR '000	Payable as at 30.06.2018 EUR '000
Kuljetus Heikki Sammallahti 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	1,506	1,515	1,573
Christopher Leigh	Shareholder of JRJ & PRF Ltd	Loan note	286	288	287
Victoria Leigh-Pearson	Shareholder of JRJ & PRF Ltd	Loan note	160	161	160
Jennifer Leigh	Shareholder of John Ross Jr. (Aberdeen) Ltd	Payable for shares	0	2,137	2,126
Christopher Leigh	Contingent consideration	Payable for non-controlling interests	1,678	1,686	1,678
Victoria Leigh-Pearson	Contingent consideration	Payable for non-controlling interests	944	948	944
	<b>Total</b>		<b>4,836</b>	<b>6,735</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	Q3 2018 Sale	Q3 2017 Sale	18m 2017/2018 Sale
Companies related to members of the Management and Supervisory Boards	Services	0	0	1
	Total	0	0	1

Party EUR '000	Type of transaction	Q3 2018 Purchase	Q3 2017 Purchase	18m 2017/2018 Purchase
Companies related to members of the Management and Supervisory Boards	Services	47	130	1,078
	Total	47	130	1,078

Related party purchases include purchases of transport services from Norway to Kokkola in amount of 0.5 million euros by company related to management team of Trio Trading Ab Oy (18 months 2018/2018: 1.1 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	Q3 2018	Q3 2017	18m 2017/2018
Short-term benefits	334	222	1,342
Total	334	222	1,342

Management benefits increased on year-on-year bases by 112 thousand euros in 3<sup>rd</sup> quarter of 2018.

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 205 thousand euros (30.06.2018: 205 thousand euros).

## NOTE 16. BUSINESS COMBINATION

### Acquisitions in 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. Firstly, 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. Secondly, AS PRFoods plans to expand significantly its fish farming potential in Estonia, in addition to its existing 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 non-controlling interest.

#### Purchase consideration – cash outflow

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

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

EUR '000	John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd		
	Book value	Estimated value	Difference
Tangible assets	1,650	1,650	0
<b>Total non-current assets</b>	<b>1,650</b>	<b>1,650</b>	<b>0</b>
Receivables and prepayments	6	6	0
<b>Total non-current assets</b>	<b>6</b>	<b>6</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>1,656</b>	<b>1,656</b>	<b>0</b>
Loans and borrowings	492	492	0
Payables and prepayments	3	3	0
Accrued payables	144	144	0
Other liabilities	388	388	0
<b>TOTAL LIABILITIES</b>	<b>1,027</b>	<b>1,027</b>	<b>0</b>
Share capital	314	314	0
Retained earnings	315	315	0
<b>TOTAL EQUITY</b>	<b>629</b>	<b>629</b>	<b>0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,656</b>	<b>1,656</b>	<b>0</b>
<b>Net assets</b>	<b>629</b>	<b>629</b>	<b>0</b>

Purchase analysis is not completed and will be completed during financial year. In preliminary purchase analysis significant differences in balance sheet value and fair value was not recognised.

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

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

#### Acquisitions in 2018/2019 financial year - Acquisition of John Ross Jr (Aberdeen) Limited, Coln Valley Smokery Limited

On 19.07.2017 an extraordinary general meeting of AS PRFoods shareholders was held, where shareholders approved acquisition of 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.

The purpose of the transaction is to increase the assortment of fish products offered by PRF group companies, expand the geographical area of operations and raise the professional know-how and clientele. JRJ is a leading Scottish processed salmon company and producer of premium traditional smoked salmon. JRJ is the holder of the Royal Warrant and is selling its products in the Great Britain as well as in 36 countries globally. CVS has premium salmon brand based in England and is a supplier to many of the leading restaurants, hotels, premium retailers and sporting events. Saaremere Kala AS's subsidiary JRJ & PRF Ltd acquired 100% of shares and control in John Ross Jr. (Aberdeen) Ltd and 64% of shares and 100% of control in Coln Valley Smokery Ltd. JRJ & PRF Ltd was established for business combination, 85% of the shares belong to Saaremere Kala AS and 15% of the shares of JRJ&PRF Ltd will remain to the sellers C. Leigh and V. Leigh-Pearson.

The transaction value to acquire 85% of control was 14,690 thousand euros, from which 11,746 thousand euros was paid upon completion of the transaction. Deferred payment 840 thousand to Andrew Leigh was scheduled 6 months after transaction date. Symmetrical put and call option agreement was signed with Jennifer Leigh to transfer the 33% shareholding of John Ross Jr (Aberdeen) Ltd 12 months after the transaction date. Fixed exercise price of option was 2,103 thousand euros as at balance sheet date exchange rate. Jennifer Leigh signed a waiver for all rights of any dividend declared by John Ross Jr (Aberdeen) Ltd. As control of the acquired company and risks were transferred to the Group, non-controlling interests of Jennifer Leigh is not reflected in financial reports.

#### Non-controlling interests in JRJ & PRF Ltd

Saaremere Kala AS signed a contract to acquire 15% of non-controlling interests in company JRJ & PRF Ltd that contains symmetric call and put options, that according to management's assessment is in essence forward contract to acquire non-controlling interests and therefore non-controlling interests was not recognised at the moment of business combination. The value of forward agreement is not fixed but depends on fair value, as at balance sheet date fair value was 2,622 thousand euros and is recognised as liability in balance sheet. Starting from business combination a cumulative profit less dividends paid is recorded under non-controlling interests. JRJ & PRF Ltd also issued loan notes to Victoria Leigh-Pearson and Christopher Leigh at the time of transaction in total amount 441 thousand euros at the exchange rate of the transaction date. Loan notes realisation is tied to forward agreement realisation.

According to management's assessment the signed agreement is forward agreement as:

- Symmetrical call and put options can be realised in financial years ending 2020-2022 after the audited annual reports have been approved and signed or after event of exit.

- Victoria Leigh-Pearson and/or Christopher Leigh have right to receive 80-100% of the shares and loan notes depending on the conditions of terminating employment.

The Group has paid dividends to non-controlling interests in the amount of 215 thousand euros in 18 months of 2017/2018 in connection to internal dividend distribution from John Ross Jr (Aberdeen) Ltd. In 2018/20219, no dividends were distributed.

#### Acquisitions in 2018/2019 financial year - Acquisition of Trio Trading Ab Oy

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). 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). Trio Trading Ab Oy is a leading processor and importer of Nordic fish in Finland. The company's customers are mainly Finnish wholesales, seafood traders and retail companies. The purpose of the transaction is to acquire the entire shareholding in Trio, hence all the business operations of Trio. A successful closing of the transaction will increase the assortment of fish products offered by PRF group companies and raise the professional know-how and clientele.

Purchase price for 100% of shares was 3,030 thousand euros, that was paid out fully upon completion of the transaction. Control and risks were fully transferred to Group upon completion of the transaction. The sellers Mats Storbjörk and Ville Sammallahti who are on management position in Group, are entitled to additional annual purchase price 3% of EBITDA 5 years following the transaction if EBITDA exceeds 6 million euros excluding fish farming and new entities added after acquisition of Trio Trading Ab Oy, and their employment is not terminated.

The sellers also are entitled to additional purchase price 0.5-3.0% depending on PRFoods' equity value in case of PRFoods Group is sold to a new shareholder and sellers have valid employment in Group at the time of exit event. In case the exit occurs during 5 years for which the sellers have right to additional annual purchase price, the right for such annual purchase price will be terminated immediately (including outstanding payments).

#### Pro Forma results

John Ross Jr (Aberdeen) Ltd and Coln Valley Smokery Ltd have increased Group's sales revenue by 18,513 thousand euros and contributed 613 thousand euros to net profit. If companies had been included into consolidated reports from 01.01.2017, the contribution to sales revenue would have been 27,675 thousand euros and to net profit 1,002 thousand euros.

Trio Trading Ab Oy has contributed to Group's sales revenue by 30,829 thousand euros and net loss -21 thousand euros. If Trio Trading Ab Oy had been included into consolidated reports from 01.01.2017, the contribution would have been 60,779 thousand euros to sales revenue and 191 thousand euros of net profit.

Pro forma 18m 2017/2018 EUR '000	Sales revenue	EBITDA	EBITDA from operations*	Net Profit (Loss)
Saaremere Kala AS companies before business combinations**	66,143	3,878	4,804	495
Trio Trading Ab Oy	60,779	1,109	1,109	191
JRJ & PRF Ltd	0	-447	0	-624
John Ross Jr. (Aberdeen Ltd)	22,113	1,973	2,034	1,159
Coln Valley Smokery Ltd	5,582	-75	-75	-157
<b>Saaremere Kala Group</b>	<b>154,617</b>	<b>6,438</b>	<b>7,872</b>	<b>1,064</b>
PRFoods AS	0	-739	-564	-405
<b>PRFoods Group</b>	<b>154,617</b>	<b>5,699</b>	<b>7,308</b>	<b>659</b>

\*before one-offs and fair value adjustment on biological assets

\*\*Trio Trading Ab Oy sales and purchases during 01.01.2017-31.08.2017 have been eliminated

## Purchase consideration – cash outflow

EUR '000	John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd	Trio Trading Ab Oy	Total
Cash consideration	14,471	3,030	18,151
Less: cash acquired	-1,383	-1,276	-2,659
<b>Net outflow of cash</b>	<b>13,088</b>	<b>1,754</b>	<b>15,492</b>

Total acquisition costs during 18 months of 2017/2018 financial year were 855 thousand euros. The acquisition costs are reflected under other operating expenses. The costs consist of cost of due diligence, consultancy fees, legal fees, stamp duty taxes, etc.

## Purchase analysis

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

EUR '000	John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd			Trio Trading Ab Oy		
	Book value	Estimated value	Difference	Book value	Estimated value	Difference
Intangible assets	0	0	0	30	21	-9
Tangible assets	2,065	2,698	633	2,415	4,020	1,226
Investments	0	0	0	2	2	0
<b>Total non-current assets</b>	<b>2,065</b>	<b>2,698</b>	<b>633</b>	<b>2,447</b>	<b>4,043</b>	<b>1,217</b>
Inventories	1,304	1,304	0	1,746	1,746	0
Long term receivables	0	0	0	51	51	0
Receivables and prepayments	2,309	2,309	0	1,286	1,286	0
Other short term receivables	88	88	0	111	111	0
Cash and cash equivalents	1,383	1,383	0	1,276	1,276	0
<b>Total non-current assets</b>	<b>5,084</b>	<b>5,084</b>	<b>0</b>	<b>4,470</b>	<b>4,470</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>7,149</b>	<b>7,782</b>	<b>633</b>	<b>6,917</b>	<b>8,513</b>	<b>1,217</b>
Disposal of intangible asset	0	0	0	12	12	0
Loans and borrowings	569	569	0	1,305	1,305	0
Payables and prepayments	2,169	2,169	0	3,589	3,589	0
Accrued payables	346	346	0	416	416	0
Other liabilities	590	590	0	783	1,162	0
<b>TOTAL LIABILITIES</b>	<b>3,674</b>	<b>3,674</b>	<b>0</b>	<b>6,105</b>	<b>6,484</b>	<b>0</b>
Share capital	29	29	0	8	8	0
Retained earnings	2,200	2,200	0	655	655	0
Net profit / loss	1,246	1,246	0	149	149	0
<b>TOTAL EQUITY</b>	<b>3,475</b>	<b>3,475</b>	<b>0</b>	<b>812</b>	<b>812</b>	<b>0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,149</b>	<b>7,149</b>	<b>0</b>	<b>6,917</b>	<b>7,296</b>	<b>0</b>
<b>Other assets and liabilities recognised</b>						
Trademark	0	7,385	7,385	0	0	0
Deferred tax liability on fair value adjustments	0	-1,523	-1,523	0	-243	-243
<b>Net assets</b>	<b>3,475</b>	<b>9,970</b>	<b>6,495</b>	<b>812</b>	<b>1,786</b>	<b>974</b>
Fair value adjustments of non-controlling interests	-2,151	-2,592	-441	0	0	0
<b>Fair value adjustments</b>			<b>6,054</b>			<b>974</b>

Purchase analysis recognised a fair value increase by 1,859 thousand euros in buildings based on property valuation report. Depreciation period is the same as these fixed assets are depreciated currently. John Ross Jr. Aberdeen and Coln Valley Smokery trademark value

was estimated to 7,385 thousand euros. Management estimates its useful life to 50 years. Trio Trading Ab Oy trademark was not valued as it was not identified with measurable value.

No significant change in fair value was recognised in current assets and liabilities.

In purchase value analysis Goodwill in amount of 7 753 thousand euros was recognised in John Ross Jr (Aberdeen) Ltd and Coln Valley Smokery Ltd. Goodwill consists of immaterial assets that do not qualify for separate recognition such as long-term experience in premium market of fish, traditional production method of smoking fish in kilns, qualified workforce as well as wide clientele in over 30 countries. Good relations with existing customers and contacts help to create new markets for Group's existing companies' products and increase in quantities. John Ross Jr (Aberdeen) Ltd is a holder of Royal Warrant As a recognition of being a premium products producer. Acquisition of companies creates synergy between Group's companies as well as raises the professional know-how and enables cost savings.

In Trio Trading Ab Oy purchase analysis goodwill in amount of 1,244 thousand euros was recognised. Goodwill consists of immaterial assets that cannot be valued – such as long-term experience in importing and trading raw fish and fish fillet as well as fish products in Finnish market. Trio Trading's long-term experience in trading raw fish enables better quality raw fish and cost savings from the increased quantities.

Synergy created from acquisition completes the Group's business cycle from fish farming and outsourcing the raw material to production and selling to end customer.

EUR '000	John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd	Trio Trading Ab Oy	Total
Purchase price	17,282	3,030	20,312
Book value of net assets on transaction date	3,475	812	4,287
Fair value adjustments	6,054	974	7,028
<b>Total</b>	<b>9,529</b>	<b>1,786</b>	<b>11,315</b>
<b>Goodwill</b>	<b>7,753</b>	<b>1,244</b>	<b>8,997</b>

## 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 board of directors of Heimon Kala Oy and the board of directors of 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 is 31.01.2019, after which all Oy Trio Trading Ab's transactions will be deemed to be made on the account of Heimon Kala Oy.

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

# MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT FOR THE 1<sup>ST</sup> QUARTER 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 – 50 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

30 November 2018