



# P R F O O D S

**REPORT** / 4<sup>TH</sup> QUARTER AND 12 MONTHS OF 2016

26 February 2017

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# STRUCTURE OF THE PRFOODS GROUP



**AS PRFoods key market is Finland, where the company is amongst three largest brands. The Group is the biggest fish manufacturer in Estonia. Last year the Group started substantial export outside of Europe to Japan.**

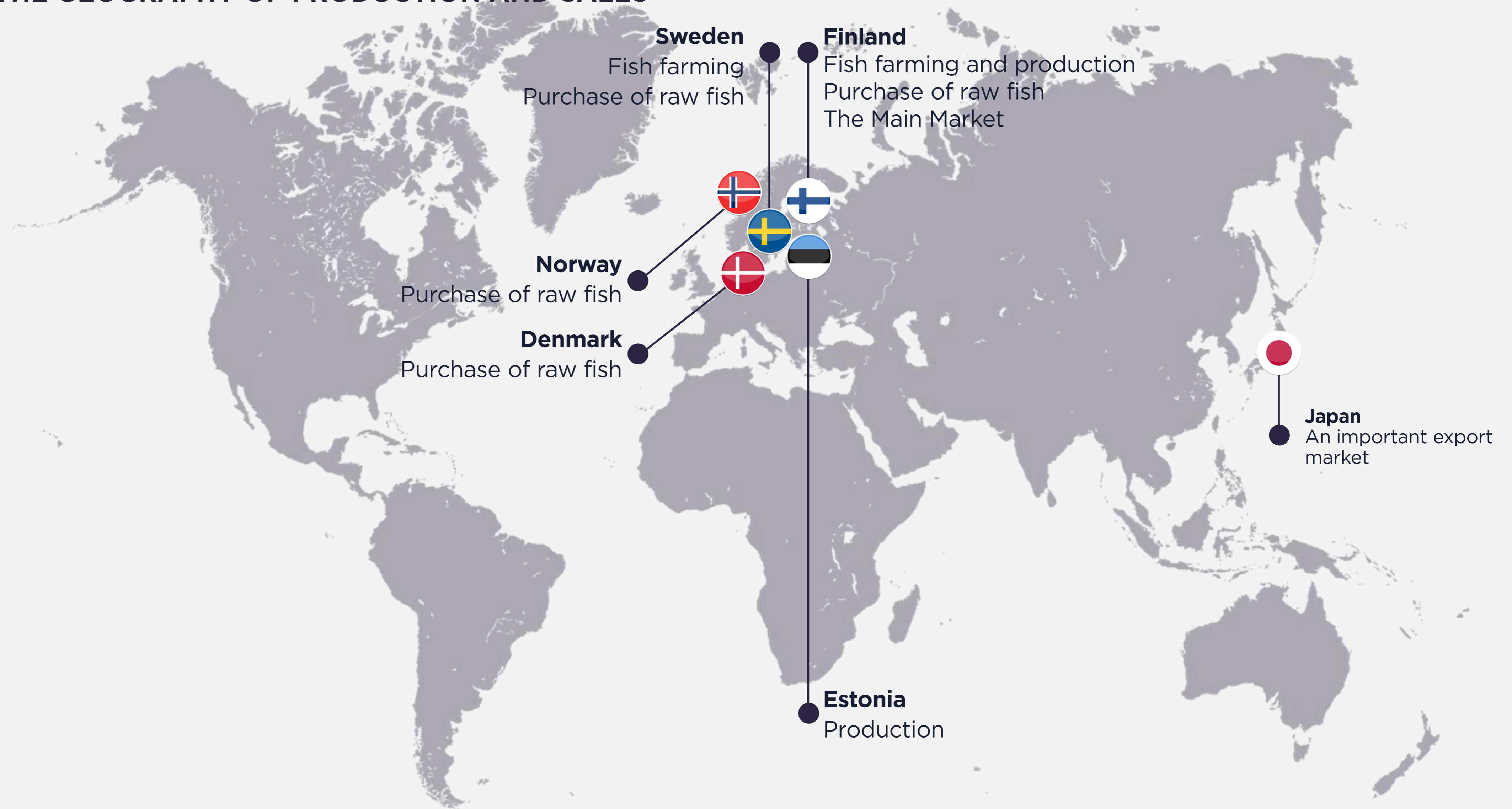
Main activity of the Group is fish manufacturing in contemporary production buildings in Renko (Finland) and in Saaremaa (Estonia). Main products are salmon and rainbow trout goods.

About 1/3 of the raw fish used in Group's production is harvested in company's own fish farms in the lakes of 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, in a smaller degree, whitefish.

The rest 2/3 of the raw fish, prevalently salmon, is purchased from Finland and from Scandinavian countries, like Denmark, Norway, Sweden. To a smaller extent, the Company also purchases perch, pike perch, herring, vendace and Baltic herring.

The Group is actively involved in developing new products for expanding to new export markets. The objective of PRFoods is to increase the Company's profitability and to re-focus on products with higher added value.

### THE GEOGRAPHY OF PRODUCTION AND SALES



# SUMMARY:

## UNAUDITED FINANCIAL RESULTS FOR 12 MONTHS OF 2016

### UNAUDITED CONSOLIDATED REVENUE

47.4 million euros, decrease -5.7%, i.e. -2.8 million euros.

### GROSS MARGIN

8.5%, decrease -5.0 percentage points.

### POSITIVE IMPACT FROM REVALUATION OF BIOLOGICAL ASSETS

2.3 million euros (12 months 2015: negative impact of -0.9 million euros).

### EBITDA FROM BUSINESS OPERATIONS

0.4 million euros, decrease -2.6 million euros\*.

\*without one-off effects in year 2016 EBITDA  
0.8 million euros, decrease -2.2 million euros.

### EBITDA

2.6 million euros, improvement +0.6 million euros\*.

\*without one-off effects in year 2016 EBITDA  
3.0 million euros, improvement +1.0 million euros.

### OPERATING PROFIT

1.4 million euros, improvement +0.5 million euros, i.e. +58.6%\*.

\*without one-off effects in year 2016  
operating profit 1.8 million euros,  
improvement +0.9 million euros.

### NET PROFIT

0.7 million euros, decrease -0.5 million euros, i.e. -44.1%\*.

\*without one-off effects in year 2016 net  
profit 1.1 million euros, decrease -0.1 million euros, i.e. -10.0%.



# SUMMARY:

## UNAUDITED FINANCIAL RESULTS FOR 4<sup>TH</sup> QUARTER OF 2016

### UNAUDITED CONSOLIDATED REVENUE

16.9 million euros, decrease -1.6%, i.e. -0.3 million euros.

### GROSS MARGIN

11.4%, decrease -3.6 percentage points.

### NEGATIVE IMPACT FROM REVALUATION OF BIOLOGICAL ASSETS

-1.1 million euros (Q4 2015: negative impact of -0.4 million euros).

### EBITDA FROM BUSINESS OPERATIONS

0.7 million euros, decrease -0.7 million euros\*.

\*without one-off effects in year 2016 EBITDA  
1.1 million euros, decrease -0.3 million euros.

### EBITDA

-0.4 million euros, decrease -1.5 million euros,  
i.e. -143.6%\*.

\*without one-off effects in year 2016 EBITDA  
-0.05 million euros, decrease -1.1 million euros.

### OPERATING LOSS

-0.8 million euros, increase -1.5 million euros, i.e. -205.4%\*.

\*without one-off effects in year 2016  
operating loss -0.4 million euros, increase  
-1.1 million euros.

### NET LOSS

-0.5 million euros, increase -1.3 million euros, i.e. -174.4%\*.

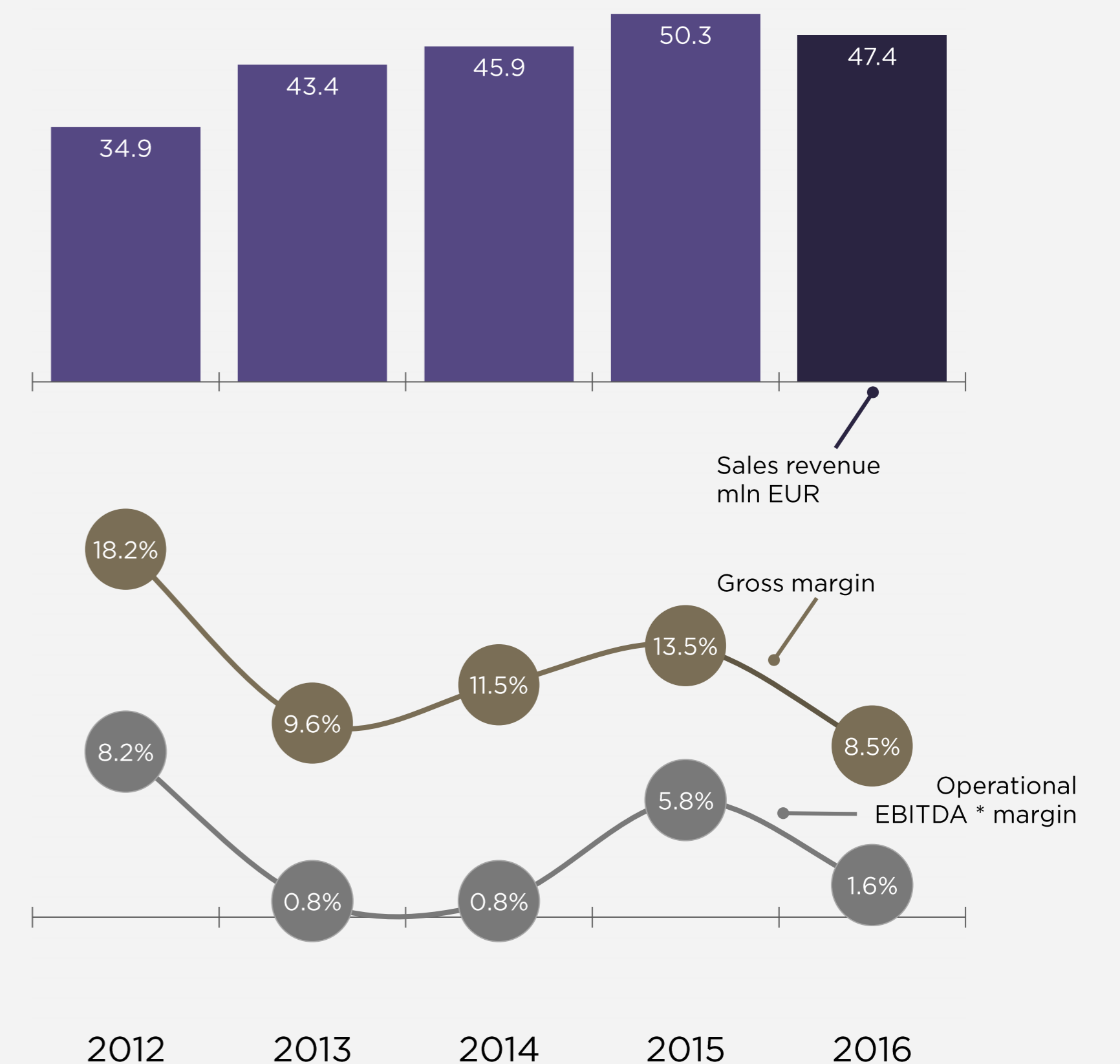
\*without one-off effects in year 2016 net  
loss -0.1 million euros, increase -0.9  
million euros.



# KEY RATIOS: INCOME STATEMENT 12 MONTHS 2012-2016

	12m 2012	12m 2013	12m 2014	12m 2015	12m 2016	mIn EUR
<b>Sales revenue</b>	34.9	43.4	45.9	50.3	<b>47.4</b> ▼	
<b>Gross profit</b>	6.4	4.2	5.3	6.8	<b>4.0</b> ▼	
<b>EBITDA from business operations*</b>	2.9	0.3	0.4	2.9	<b>0.8</b> ▼	
<b>EBITDA</b>	1.0	1.3	0.5	2.0	<b>2.6</b> ▲	
<b>EBIT</b>	0.0	0.2	-0.6	0.9	<b>1.4</b> ▲	
<b>EBT</b>	-0.3	-0.8	-1.4	1.1	<b>1.1</b> ▲	
<b>Net (profit) loss</b>	0.0	-0.9	-1.5	1.2	<b>0.7</b> ▼	
<b>Gross margin</b>	18.2%	9.6%	11.5%	13.5%	<b>8.5%</b> ▼	
<b>Operational EBITDA* margin</b>	8.2%	0.8%	0.8%	5.8%	<b>1.6%</b> ▼	
<b>EBITDA margin</b>	3.0%	3.0%	1.1%	4.0%	<b>5.5%</b> ▲	
<b>EBIT margin</b>	-0.1%	0.4%	-1.3%	1.7%	<b>2.9%</b> ▲	
<b>EBT margin</b>	-1.0%	-1.7%	-3.0%	2.1%	<b>2.4%</b> ▲	
<b>Net margin</b>	0.1%	-2.0%	-3.3%	2.3%	<b>1.4%</b> ▼	
<b>Operating expense ratio</b>	15.3%	12.8%	13.4%	10.8%	<b>10.1%</b> ▼	

**Gross margin and operational EBITDA margin %**

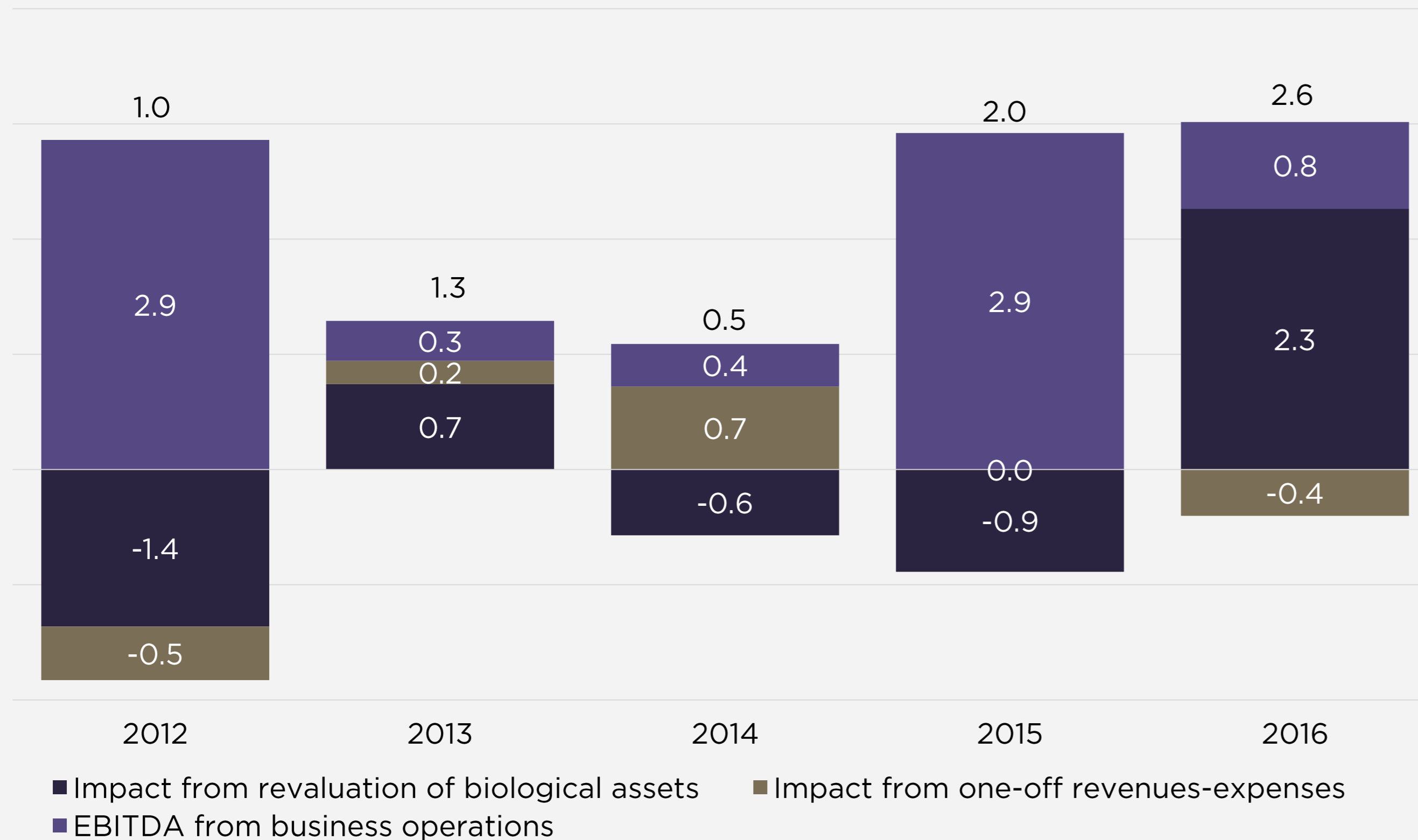


\* before one-offs and fair value adjustment of fish stock



# EFFECT OF BIOLOGICAL ASSET REVALUATION AND ON-OFFS ON EBITDA 12 MONTHS 2012-2016

EBITDA (mln EUR)



**EBITDA improved by 0.6 million euros compared to the same period in 2015, reaching the level of 2.6 million euros.**

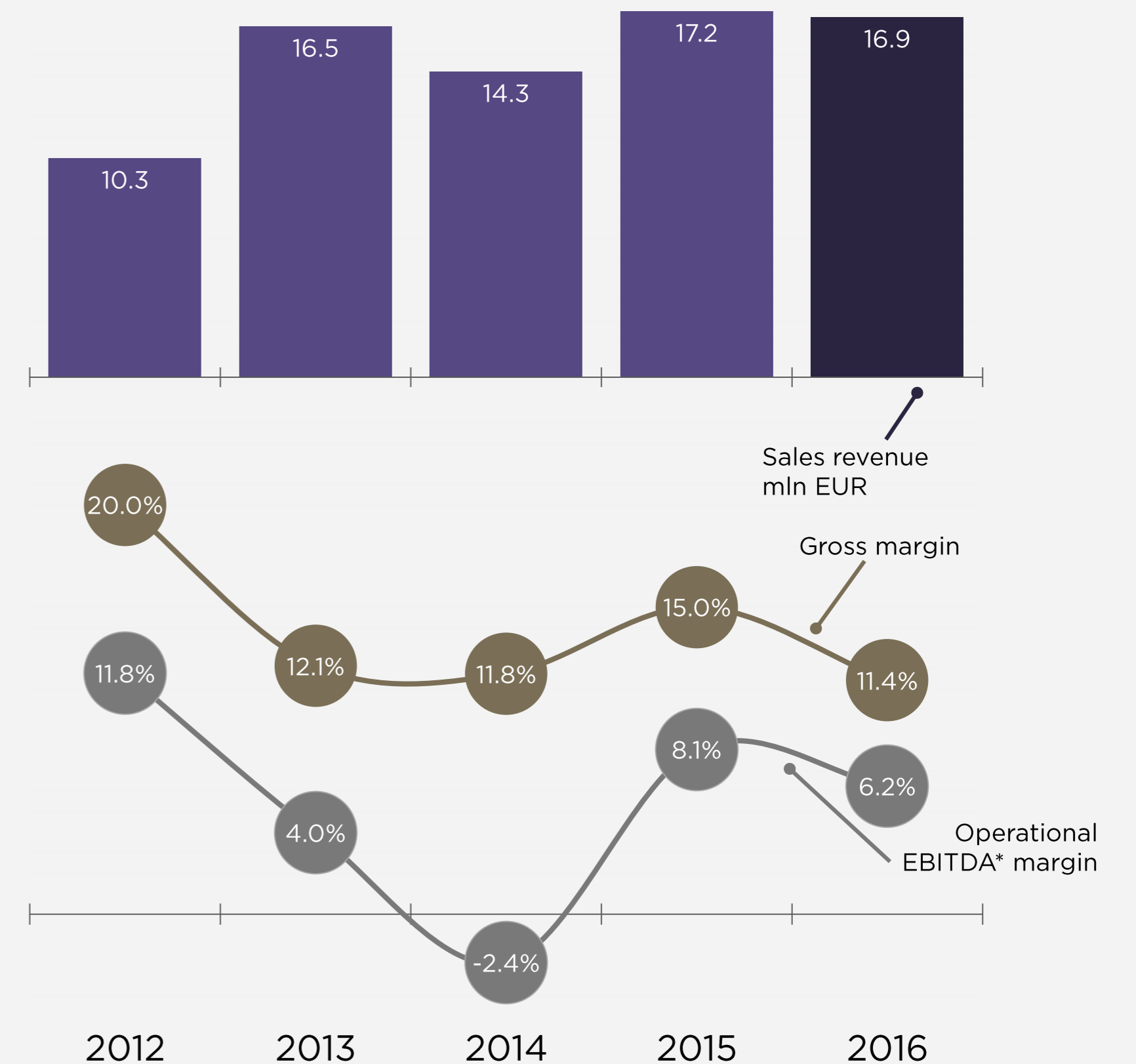
Change in fair value of biological assets had positive effect on EBITDA in amount of 2.3 millions. In 2015 revaluation of biological assets had negative impact on EBITDA in amount of -0.9 million euros.

During reporting period one-off expenses had negative effect in amount of -0.4 million euros on EBITDA in the year 2016. One-off expenses are recorded in the income statement of 12 months on line „Other income/expenses“. In 2015 there were no one-off expenses.

# KEY RATIOS: INCOME STATEMENT Q4 2012-2016

	Q4 2012	Q4 2013	Q4 2014	Q4 2015	Q4 2016	mIn EUR
<b>Sales revenue</b>	10.3	16.5	14.3	17.2	<b>16.9</b> ▼	
<b>Gross profit</b>	2.1	2.0	1.7	2.6	<b>1.9</b> ▼	
<b>EBITDA from business operations*</b>	1.2	0.7	-0.3	1.4	<b>1.1</b> ▼	
<b>EBITDA</b>	1.1	0.7	-0.7	1.0	<b>-0.4</b> ▼	
<b>EBIT</b>	0.8	0.4	-0.9	0.7	<b>-0.8</b> ▼	
<b>EBT</b>	0.6	0.1	-1.2	0.8	<b>-0.8</b> ▼	
<b>Net profit</b>	0.7	0.3	-1.3	0.7	<b>-0.5</b> ▼	
<b>Gross margin</b>	20.0%	12.1%	11.8%	15.0%	<b>11.4%</b> ▼	
<b>Operational EBITDA* margin</b>	11.8%	4.0%	-2.4%	8.1%	<b>6.2%</b> ▼	
<b>EBITDA margin</b>	10.3%	4.2%	-4.6%	6.0%	<b>-2.6%</b> ▼	
<b>EBIT margin</b>	7.6%	2.5%	-6.6%	4.2%	<b>-4.5%</b> ▼	
<b>EBT margin</b>	5.7%	0.6%	-8.2%	4.4%	<b>-4.5%</b> ▼	
<b>Net margin</b>	6.8%	2.0%	-8.9%	4.3%	<b>-3.2%</b> ▼	
<b>Operating expense ratio</b>	13.1%	9.9%	14.7%	9.3%	<b>7.7%</b> ▲	

**Gross margin and operational EBITDA margin %**



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

## KEY RATIOS: BALANCE SHEET



	31.12.2016 mln EUR	31.12.2015 mln EUR
<b>Net debt</b>	<b>0.3</b>	-0.6
<b>Equity</b>	<b>23.8</b>	23.2
<b>Working Capital</b>	<b>12.4</b>	11.4
<b>Assets</b>	<b>35.0</b>	29.5
<b>Liquidity ratio</b>	<b>2.4</b>	3.7
<b>Equity ratio</b>	<b>67.9%</b>	78.8%
<b>Gearing ratio</b>	<b>1.1%</b>	-2.5%
<b>Net debt-to-EBITDA</b>	<b>0.4</b>	-0.2
<b>ROE</b>	<b>2.8%</b>	4.1%
<b>ROA</b>	<b>2.0%</b>	3.4%

**At the end of the reporting period, the Group had financial funds 4.4 million euros (12.5% of the balance sheet volume). As at 31.12.2015, the balance of financial funds were 1.9 million euros (6.5% of the balance sheet volume).**

The Company's solvency is continuously good and the financial risk is low. The working capital was 12.4 million euros (31.12.2015: 11.4 million euros).

The current ratio showing short-term ability to meet payments was 2.4 as of 31.12.2016 (31.12.2015: 3.7).

Net debt was positive, in total 0.3 million euros as of the closing date (31.12.2015: -0.6 million euros).

Financial gearing showing net debt ratio to gross capital was 1.1% as of 31.12.2016 (31.12.2015: -2.5%).

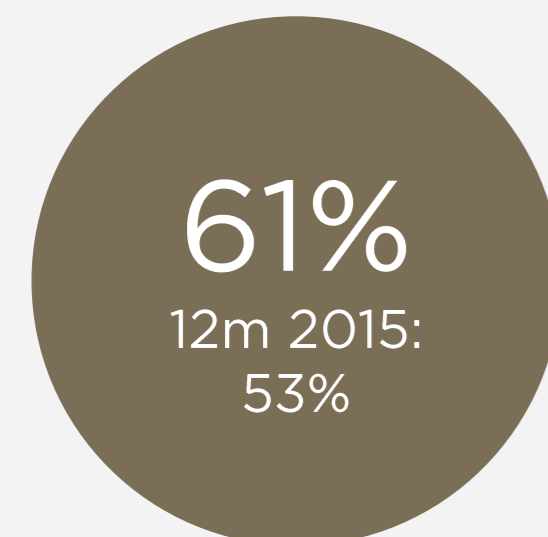
Net debt to EBITDA ratio was 0.4 as of 31.12.2016 (31.12.2015: -0.2).

The Group has been able to retain its strong financial position that ensures sustainability and helps adjust to complex market conditions more flexibly.

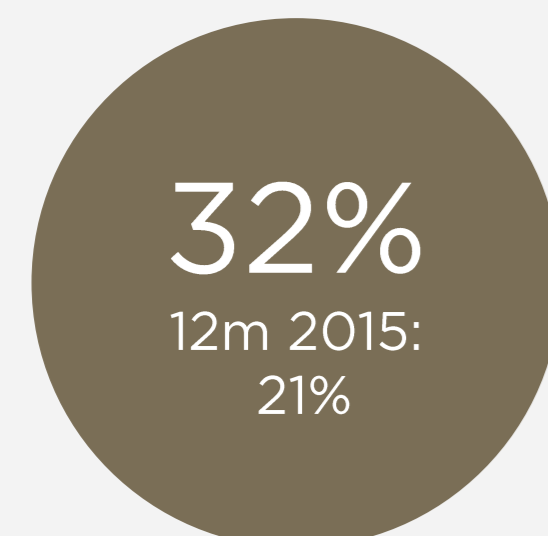
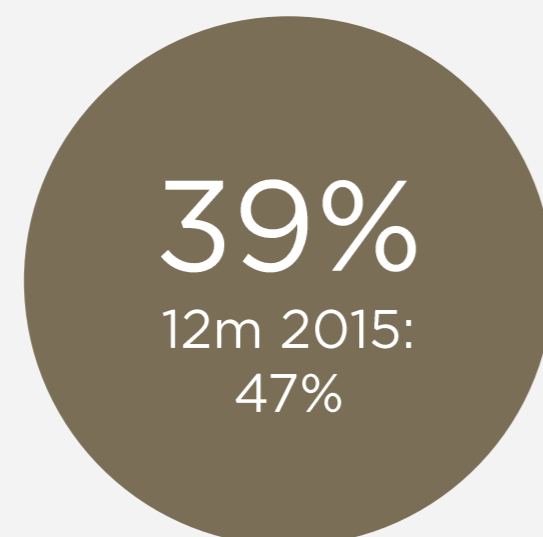
# BALANCE SHEET ANALYSIS

## BALANCE SHEET STRUCTURE AT THE END OF THE 12 MONTHS 2016:

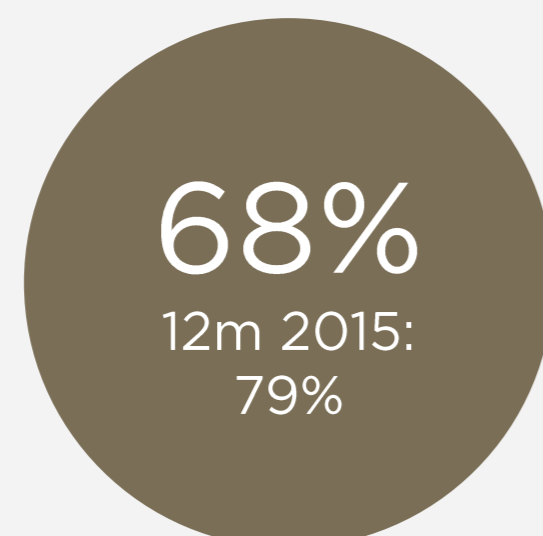
### CURRENT ASSETS



### FIXED ASSETS



### FOREIGN CAPITAL



### EQUITY

As of 31.12.2016 consolidated total assets of PRFoods stood at 35.0 million euros, increase of 5.5 million euros, i.e. +18.7%, within a year. The increase in assets came mostly from biological assets and higher cash balance. Increase in liabilities was drawn by use of overdraft and higher payables to vendors.

#### CURRENT ASSETS

The Company`s current assets were 21.4 million euros as at 31.12.2016, and the balance of cash and bank accounts was 4.4 million euros. Accounts receivable and prepayments increased by 0.4 million euros within a year, reaching 4.1 million euros (31.12.2015: 3.7 million euros).

Inventories have remained almost on the same level as last year, decreasing year-on-year by -0.2 million euros. Due to high raw fish prices, Company is keeping lower level of inventories compared to previous years.

Biological assets grew altogether 3.2 million euros compared with the same period in previous year, which is mainly due to the positive impact of the higher market price of rainbow trout. Biomass at the end of 31.12.2016 was 203 tonnes higher compared to last year.

#### FIXED ASSETS

The total volume of fixed assets remained the same within a year. Investments into fixed assets in the 12 months of 2016 were 1.1 million euros (12 months in 2015: 2.0 million euros).

#### FOREIGN CAPITAL

Accounts payable and prepayments were 5.1 million euros as at 31.12.2016 (31.12.2015: 3.8 million euros), showing a year-on-year increase by 1.4 million euros, i.e. 36.4%. Short term loans and borrowings increased by 3.4 million euros

compared to last year, reaching 3.7 million euros as at 31.12.2016 (31.12.2015: 0.3 million euros).

#### EQUITY

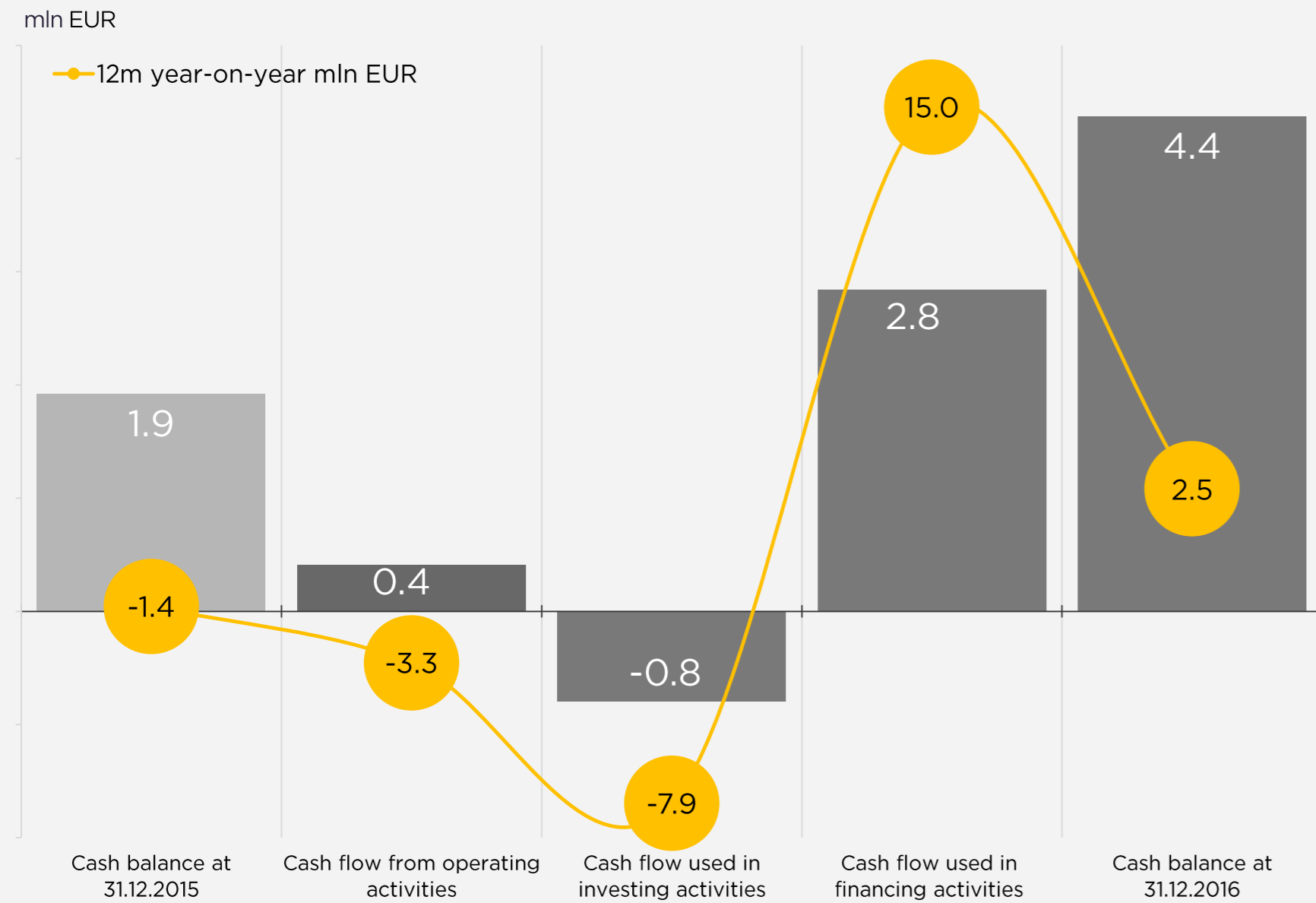
The equity of PRFoods was 23.8 million euros as at 31.12.2016 (67.9% of the balance sheet total). Comparative data as at 31.12.2015 were 23.2 million euros (78.8% of the balance sheet total).

As at 31.12.2016, the Company`s registered share capital was 7.7 million euros (31.12.2015: 7.7 million euros). The reduction of share capital of AS PRFoods in amount of 11.6 million euros and related changes were registered in the Commercial Register on 2 October 2015.

The shareholders adopted a resolution at the general meeting of shareholders held on 26 May to cover the retained loss from previous periods of AS PRFoods from the capital reserve and share premium in the amount of 2,026 thousand euros and transfer 12 thousand euros from the net profit of the parent company earned in 2015 to the reserve, and not to distribute the rest of the profit. The loss was covered with 7 thousand euros from the capital reserve and 2,019 thousand euros respectively from the share premium.

# CASH FLOWS

**CHANGE IN CASH AND CASH EQUIVALENTS 12 MONTHS 2016**



**The change in the Group`s financial resources within the 12 months of 2016 was 2.5 million euros (12 months 2015: -1.4 million euros).**

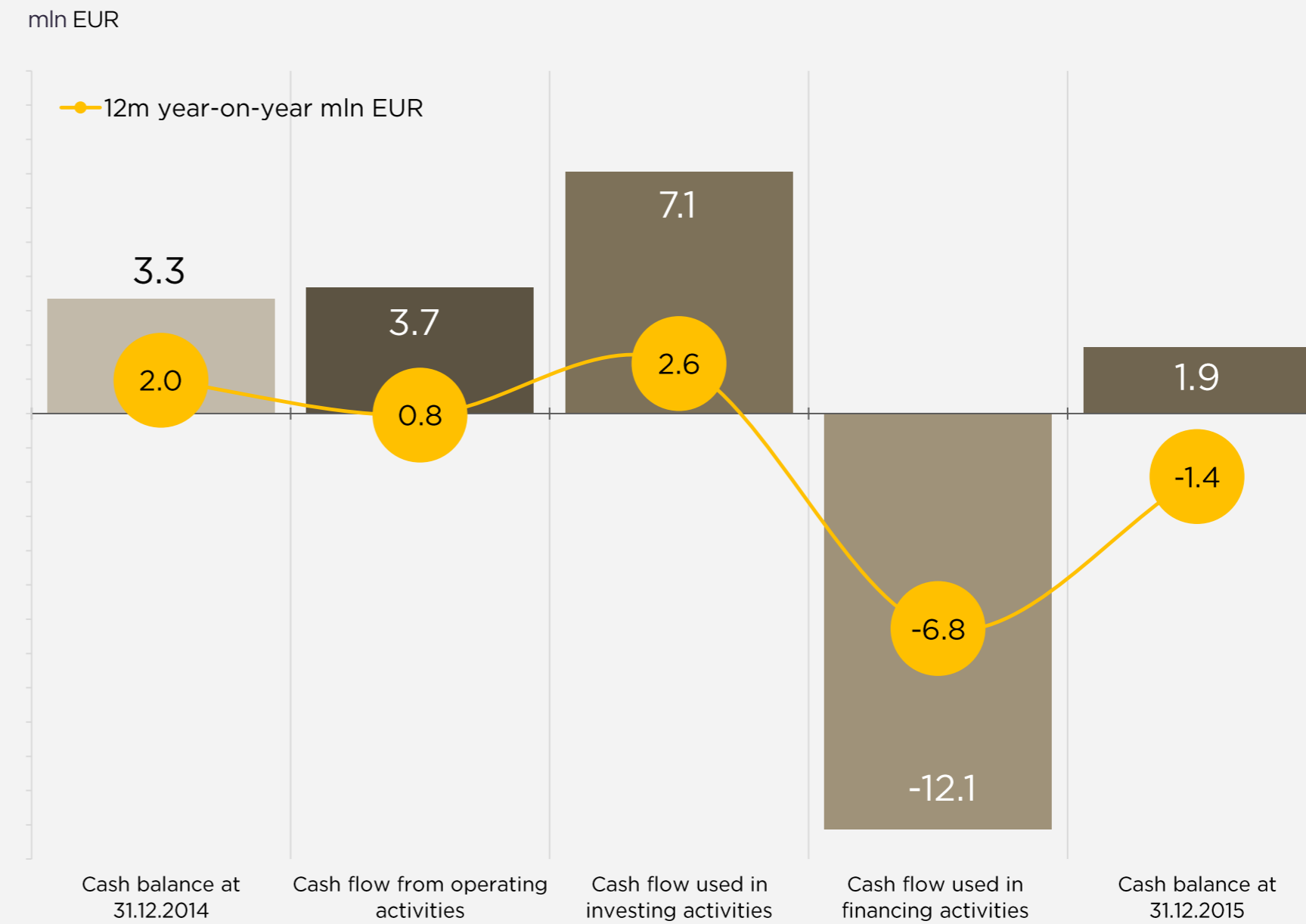
Cash flow from operating activities in the 12 months of 2016 was 0.4 million euros (12 months in 2015: 3.7 million euros), decreasing year-on-year by -3.3 million euros, i.e. -88.8%. Cash flow from operating activities was mostly influenced by the increase in biological assets, showing a total change of -3.2 million euros. Other changes include the decrease of inventories +0.2 million euros, increase of receivables -0.4 million euros and an increase in payables

in the amount of +2.0 million euros.

Cash flow from investing activities was -0.8 million euros (12 months in 2015: +7.0 million euros). In the previous year, the instalment of 8.0 million euros from the sales transaction of ice cream and frozen goods business segments was received from investing activities. In the reporting period, monetary payments for fixed assets accounted for 0.8 million euros (12 months in 2015: 1.0 million euros).

Cash flow from financing activities was +2.8 million euros

**CHANGE IN CASH AND CASH EQUIVALENTS 12 MONTHS 2015**



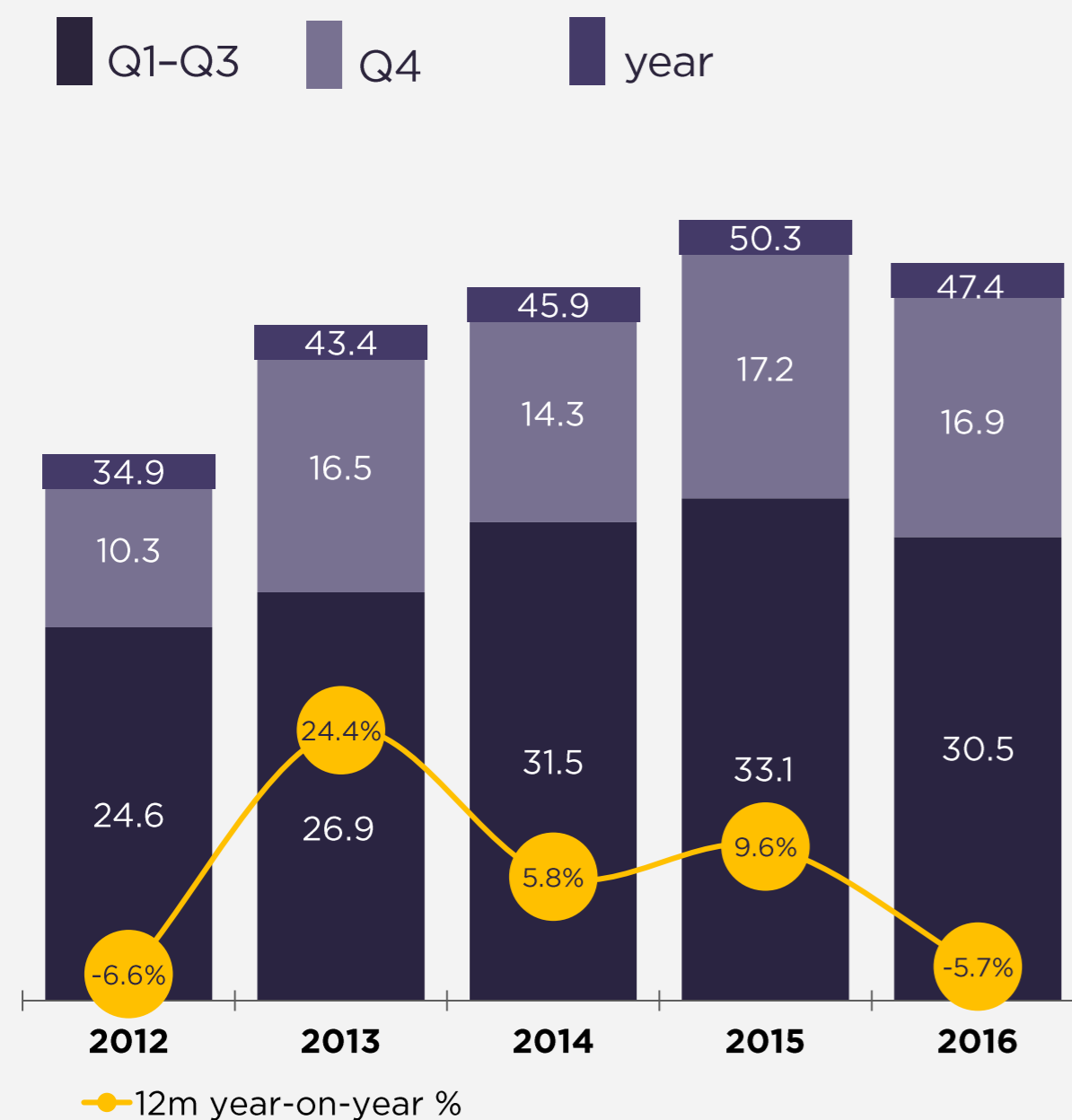
(12 months in 2015: -12.1 million euros). Cash flow was mainly influenced by transfer of overdraft and group account to fish group holding company and taking it into use in the amount of 3.4 million euros. During the reporting period, repayments of the principal of a financial lease were in total 0.3 million euros (12 months in 2015: 0.4 million euros). The rest of financing activities include buy-back transactions of own shares and interest payments. In 2015 the biggest negative cash flow was generated by disbursements to shareholders in connection with the reduction of share capital in the amount of -11.6 million euros.

# OVERVIEW: REVENUE AND PROFITABILITY 12 MONTHS 2012-2016

Positive impact on Company's EBITDA from revaluation of biological assets was 2.3 million euros in 12 months of 2016, negative impact of -0.9 million euros in 12 months of 2015.

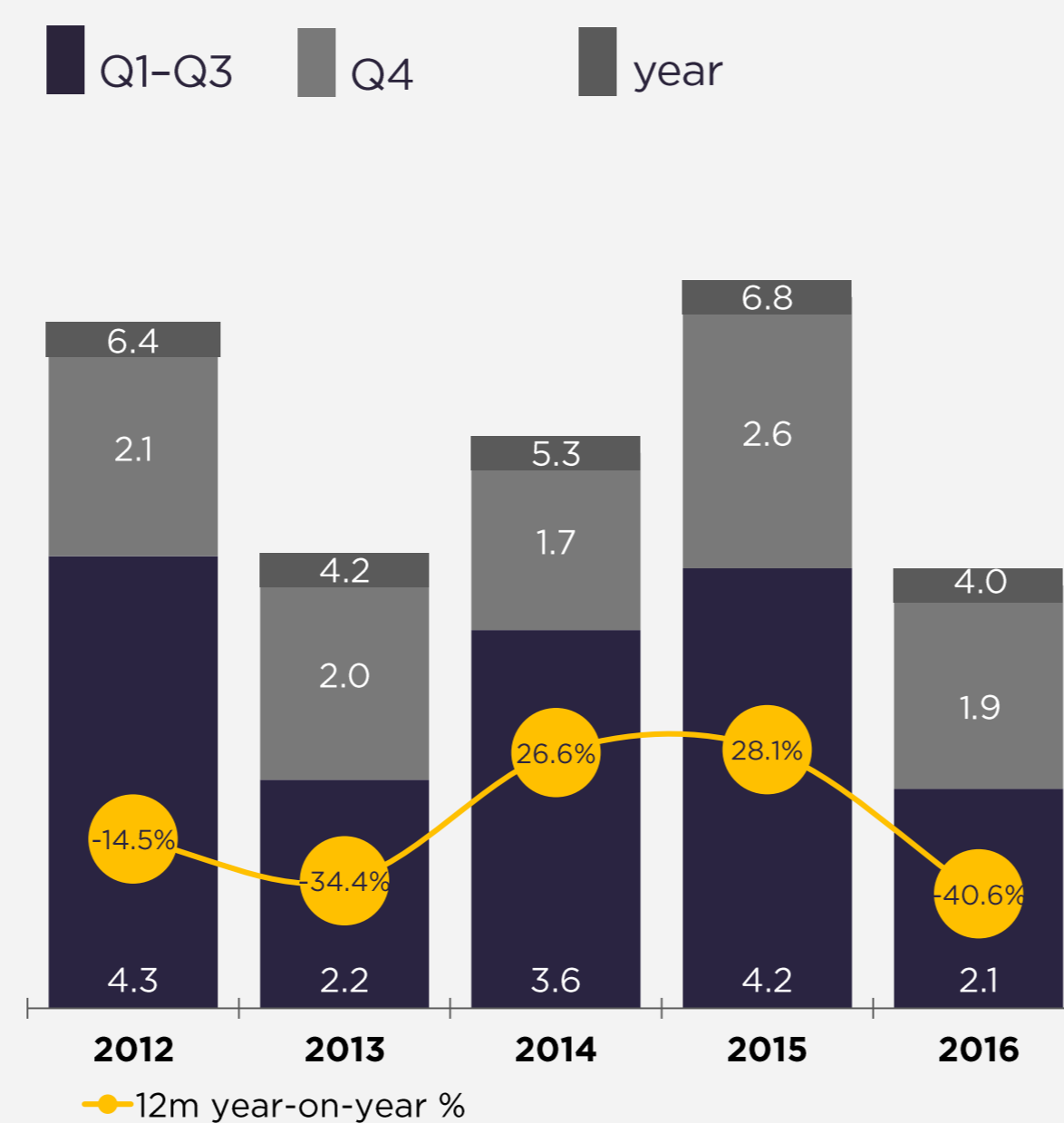
**Sales revenue in 2012-2016, mln EUR**

**12m 2016: -2.8 mln EUR, i.e. -5.7%**



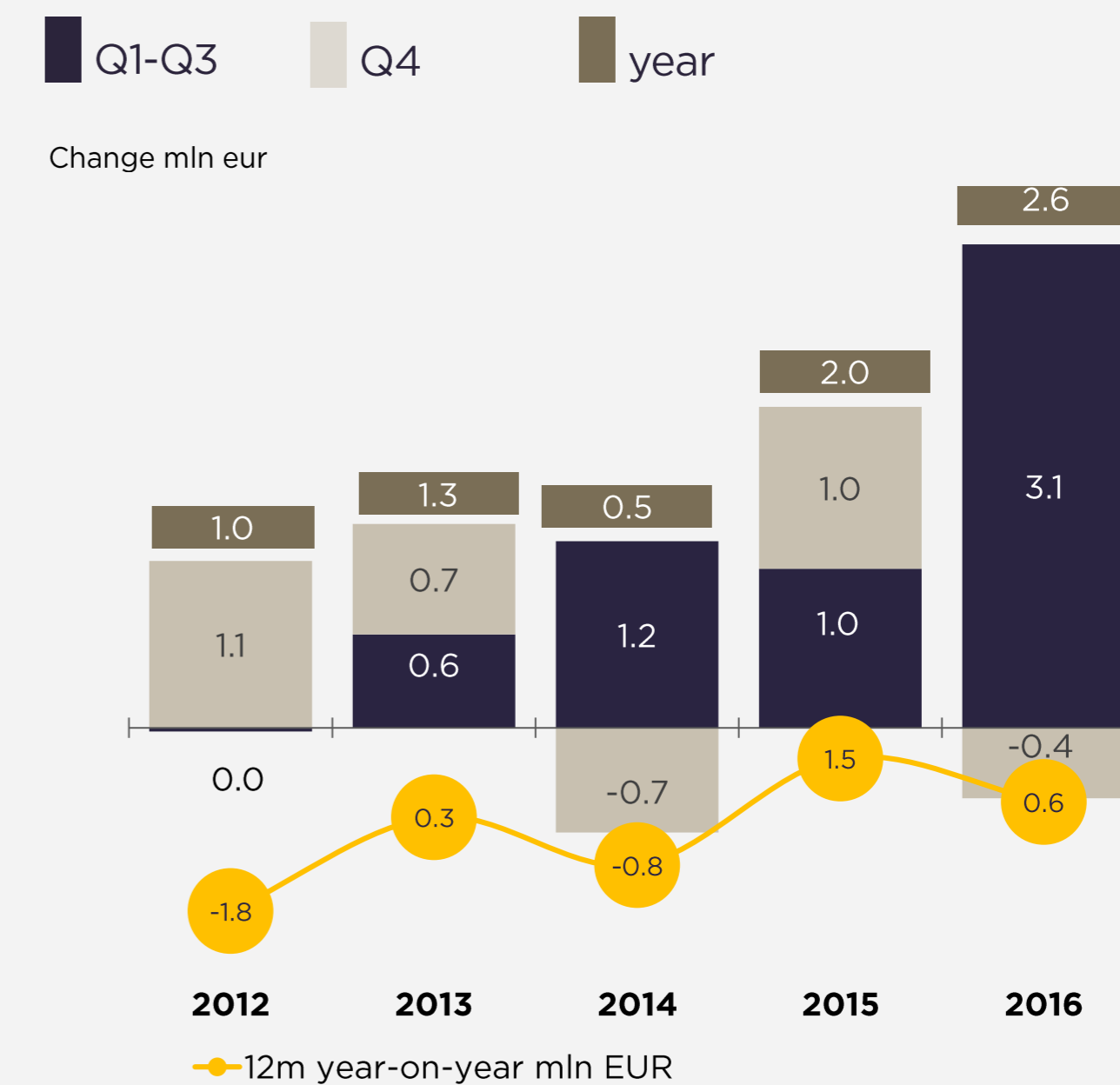
**Gross profit in 2012-2016, mln EUR**

**12m 2016: -2.7 mln EUR, i.e. -40.6%**



**EBITDA 2012-2016, mln EUR**

**12m 2016: 2.6 mln EUR, i.e. +0.6 mln EUR**



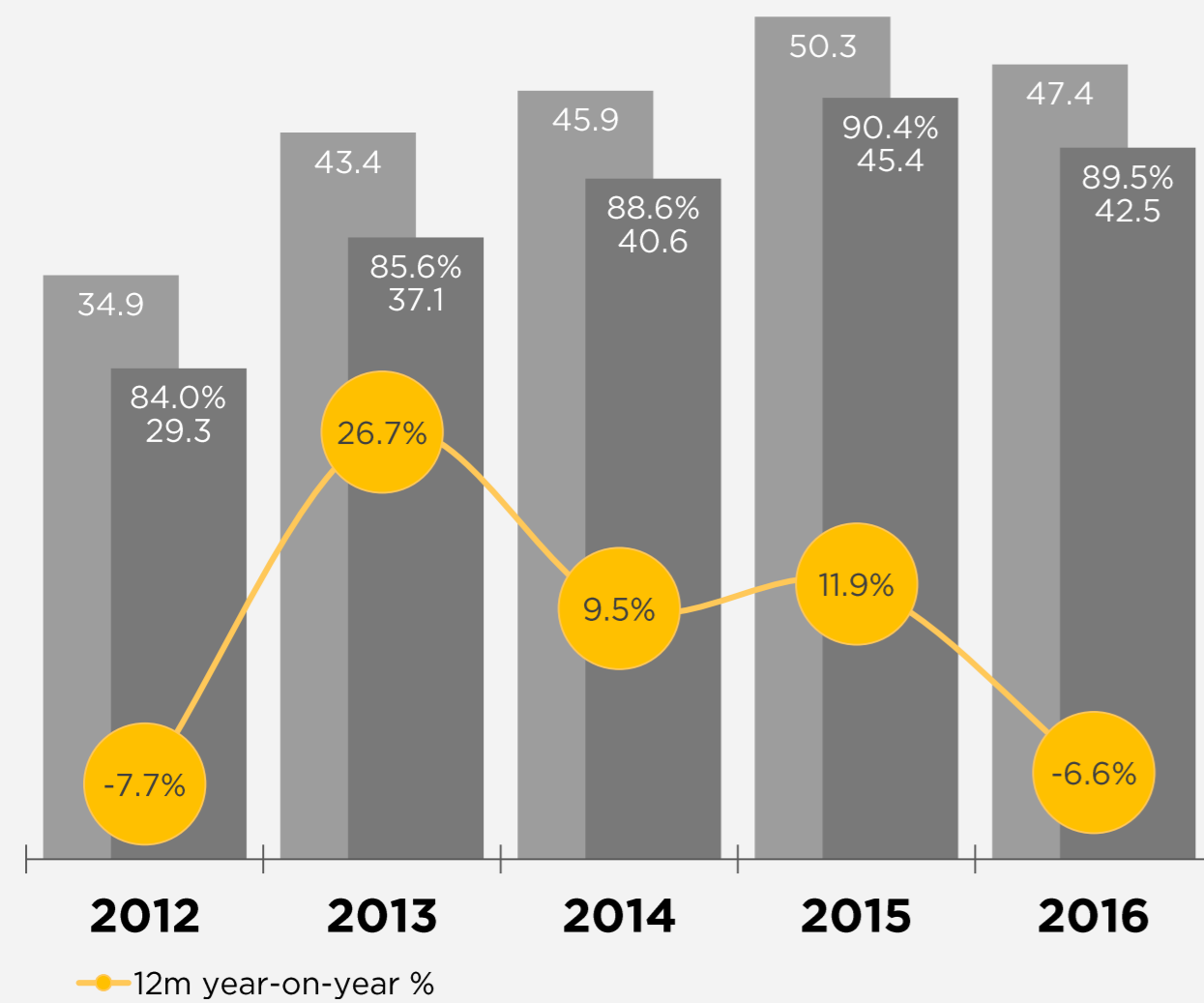
# SALES BY GEOGRAPHIC AREA

## 12 MONTHS 2012-2016

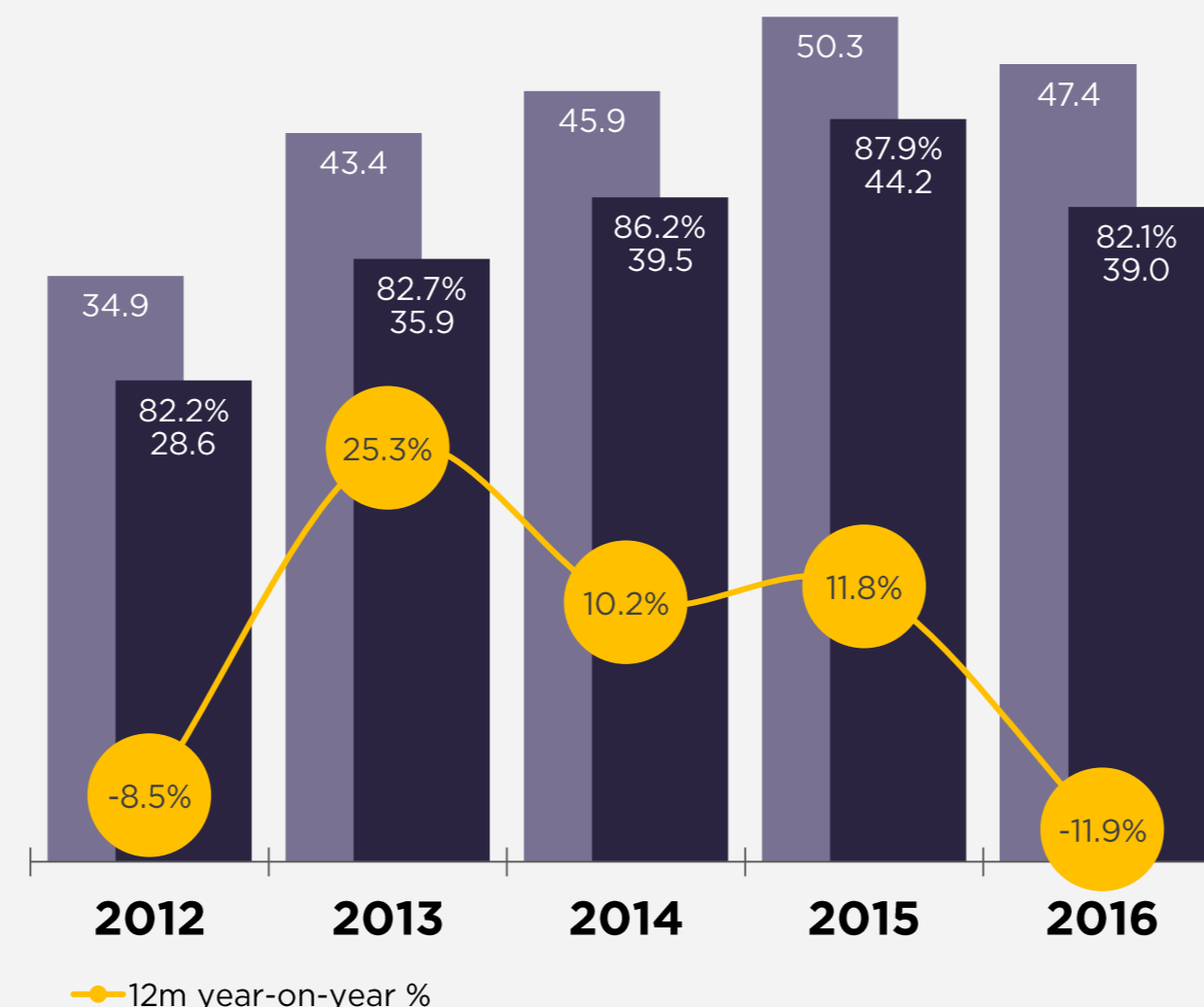
As designing Company's own brand is in its early stage in Scandinavia and elsewhere in the world, the management expects the Company's growth period is yet to come.



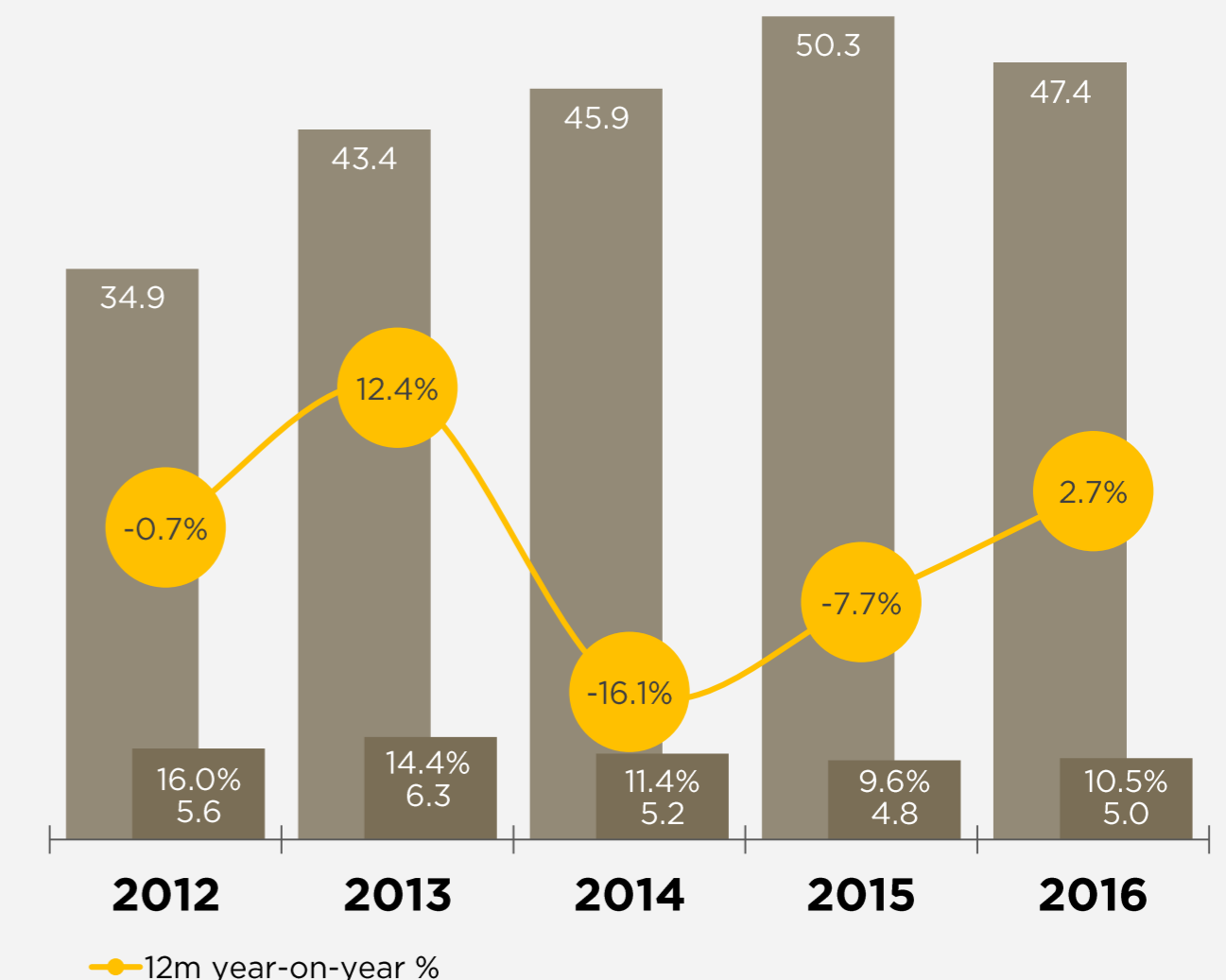
Share of exports revenue mln EUR








Share of Finnish revenue mln EUR



Share of Estonian revenue mln EUR

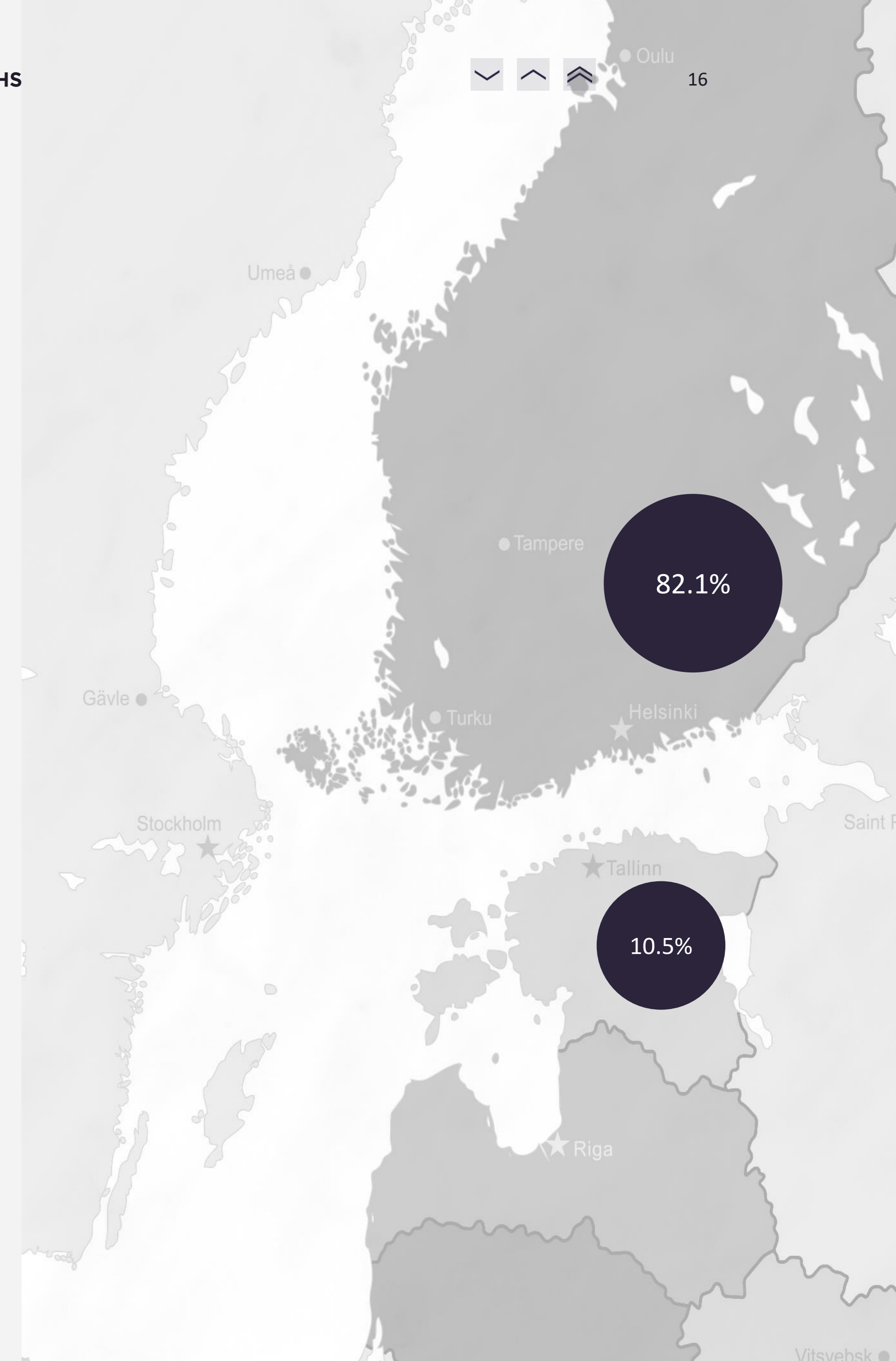


# SALES REVENUE BY COUNTRIES 12 MONTHS 2016 COMPARED TO 12 MONTHS 2015

		Sales mln EUR	Change	Structure
Finland		39.0	-11.9% ▼	82.1% 
Estonia		5.0	+2.7% ▲	10.5% 
Other		3.5	+183.5% ▲	7.4% 
<b>Total</b>		<b>47.4</b>	<b>-5.7% ▼</b>	

In summary of 12 months of 2016, the proportion of the revenue from the Estonian market grew by +0.9 percentage points, i.e. +0.13 million euros in comparison with the same period last year. Exports to other countries share grew by +4.9 percentage points. Growth came mostly from Latvia, by +150.1%, i.e. +1.3 million euros and other new markets. The increase in the Estonian and Latvian markets' revenue is mostly obtained via successful sales campaigns of fresh fish and fish fillets. New markets include sales to Canada in amount of 0.5 million euros and to Japan in amount of 0.7 million euros during the year 2016.

The Finnish revenue decreased in total by -5.2 million euros, i.e. -11.9%, on the year-on-year basis during 12 month of 2016. The revenue from the Finnish market formed 82.1% of the total revenue, having decreased by -5.8 percentage points compared to the same period last year.



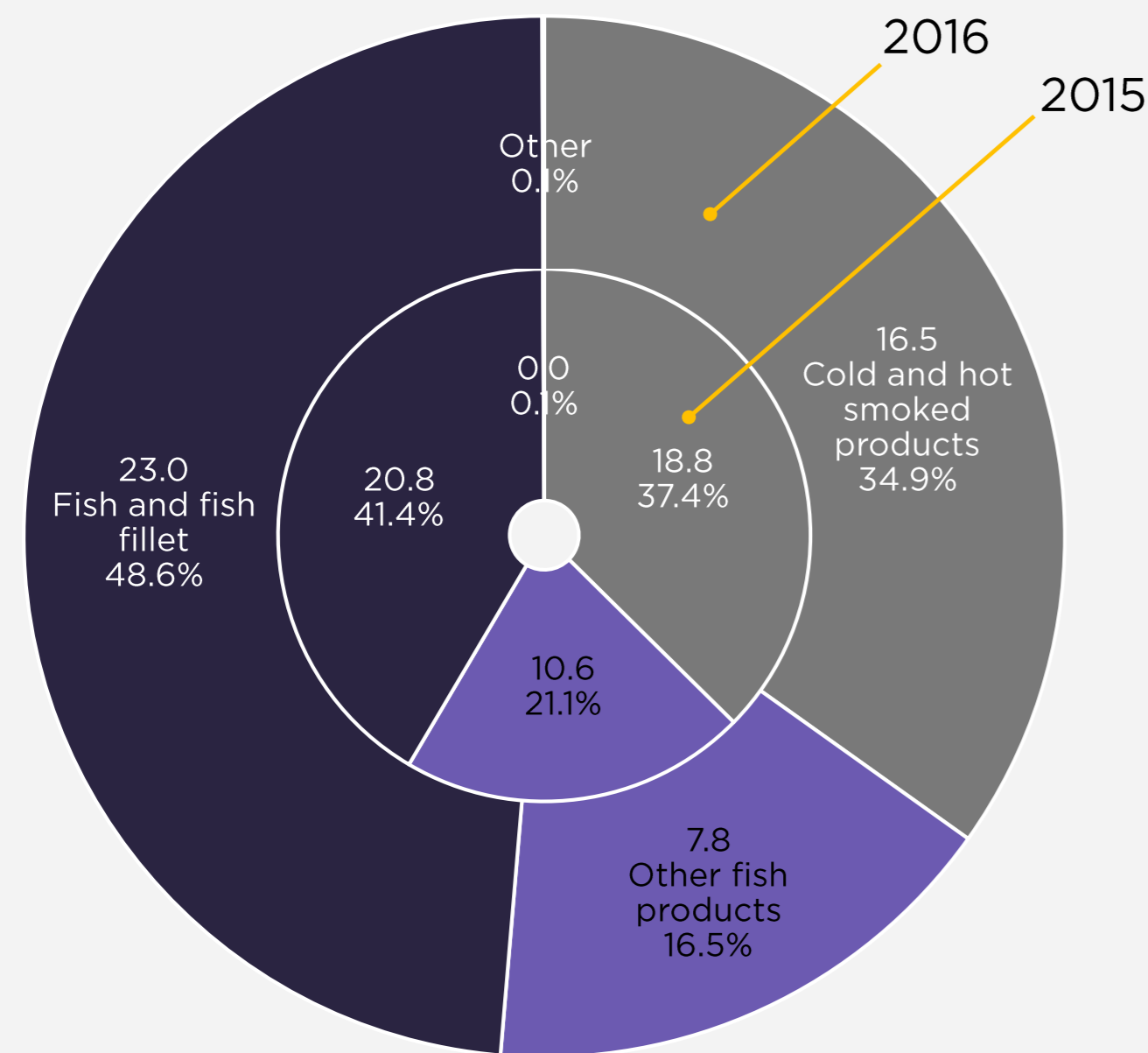


# SALES BY PRODUCT AND CLIENT SEGMENTS

## 12 MONTHS 2016 AND 12 MONTHS 2015

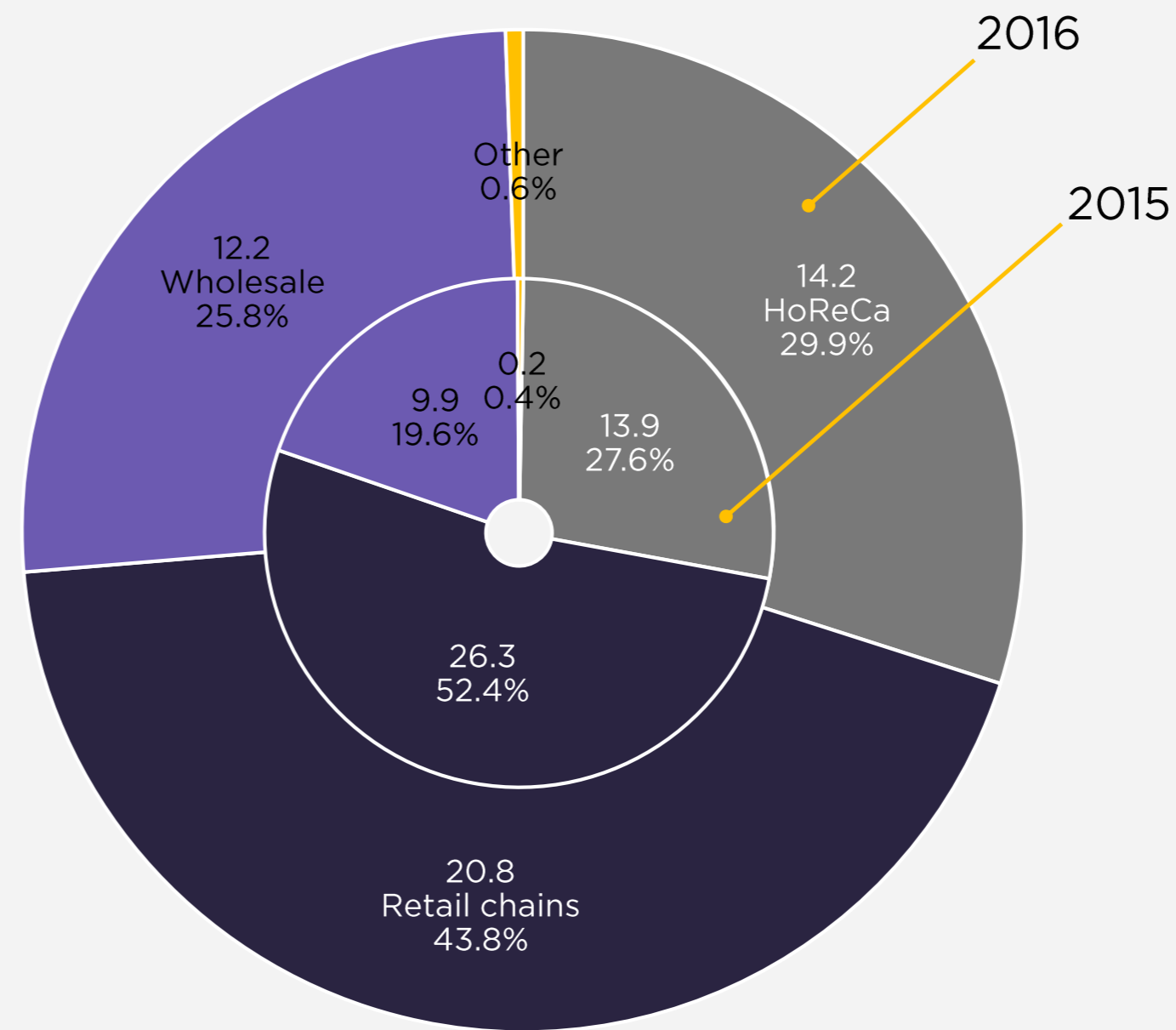
### Product segments

The largest increase in revenue came from the raw fish and fillets product group, which increased by 2.2 million euros in total i.e. 10.6%. The revenue from the smoked products group decreased by -2.3 million euros, i.e. -12.1%. The revenue from the other fish products group decreased by -2.8 million euros i.e. -26.2%.



### Client segments

The decrease in the retail chains sector over the past 12 months of 2016 can mostly be attributed to the loss of several Private Label products from our product portfolio. Regarding the extreme price volatility of raw materials this year, it is unprofitable for the company to be actively involved in manufacturing Private Label goods for retail chains because of their lower margins.



# SALES BY GEOGRAPHIC AREA Q4 2012-2016

Export revenue increased year-on-year by 0.1 million euros, i.e. 0.5% in 4<sup>th</sup> quarter of 2016, reaching the level of 15.5 million euros. Export's share of total turnover increased compared to the same period in previous year by 1.9 percentage points.

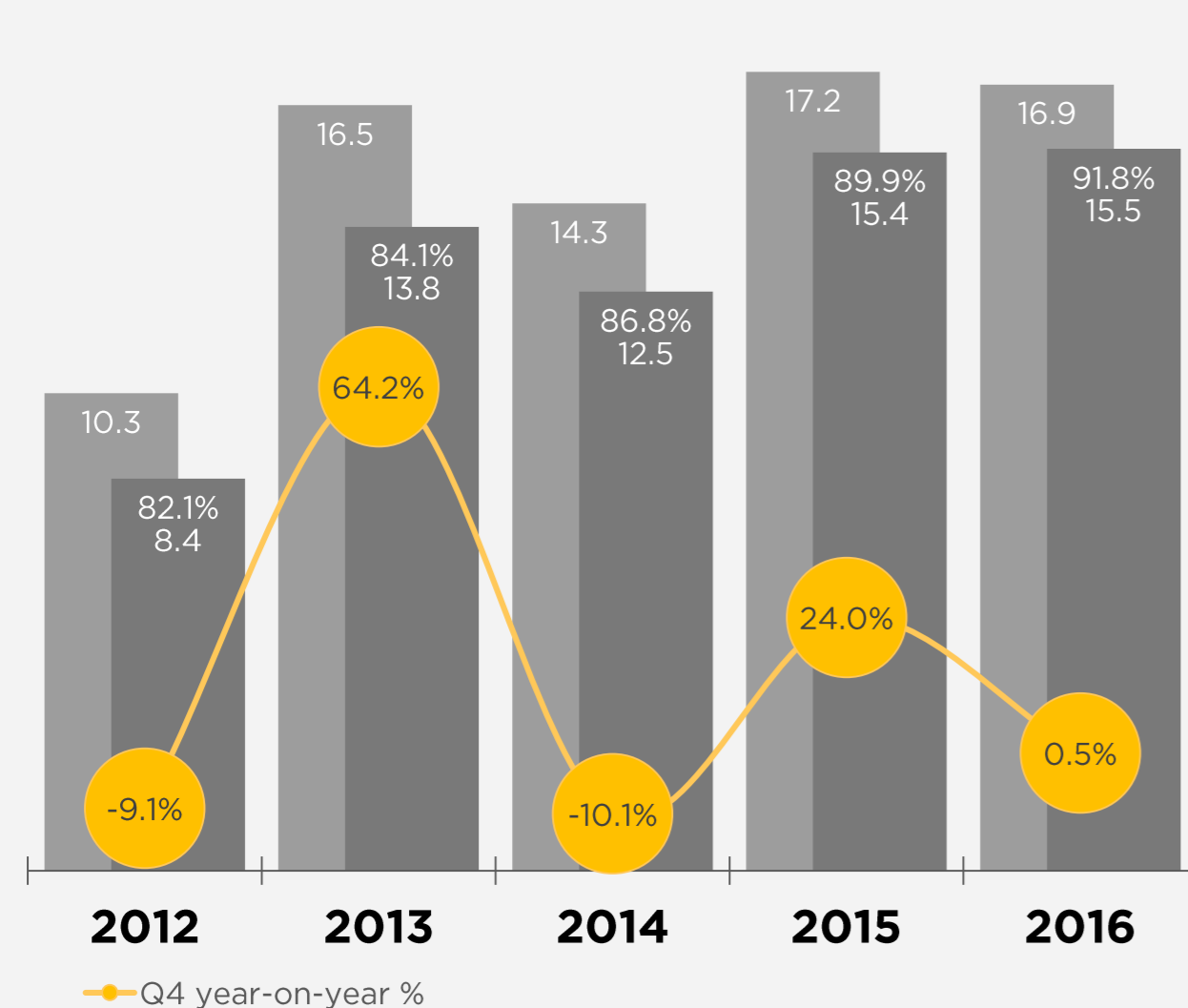
Turnover decreased in Finnish target market in total amount of -1.0 million euros, i.e. -6.8%. The share of Finnish market from total sales dropped by 4.5

percentage points. The drop of sales has been in line with Company's budget, as well as our strategy to focus primarily on profitability and on exiting product groups with low margins. Revenues of Estonia's target market also dropped by -0.4 million euros i.e. -20.3%.

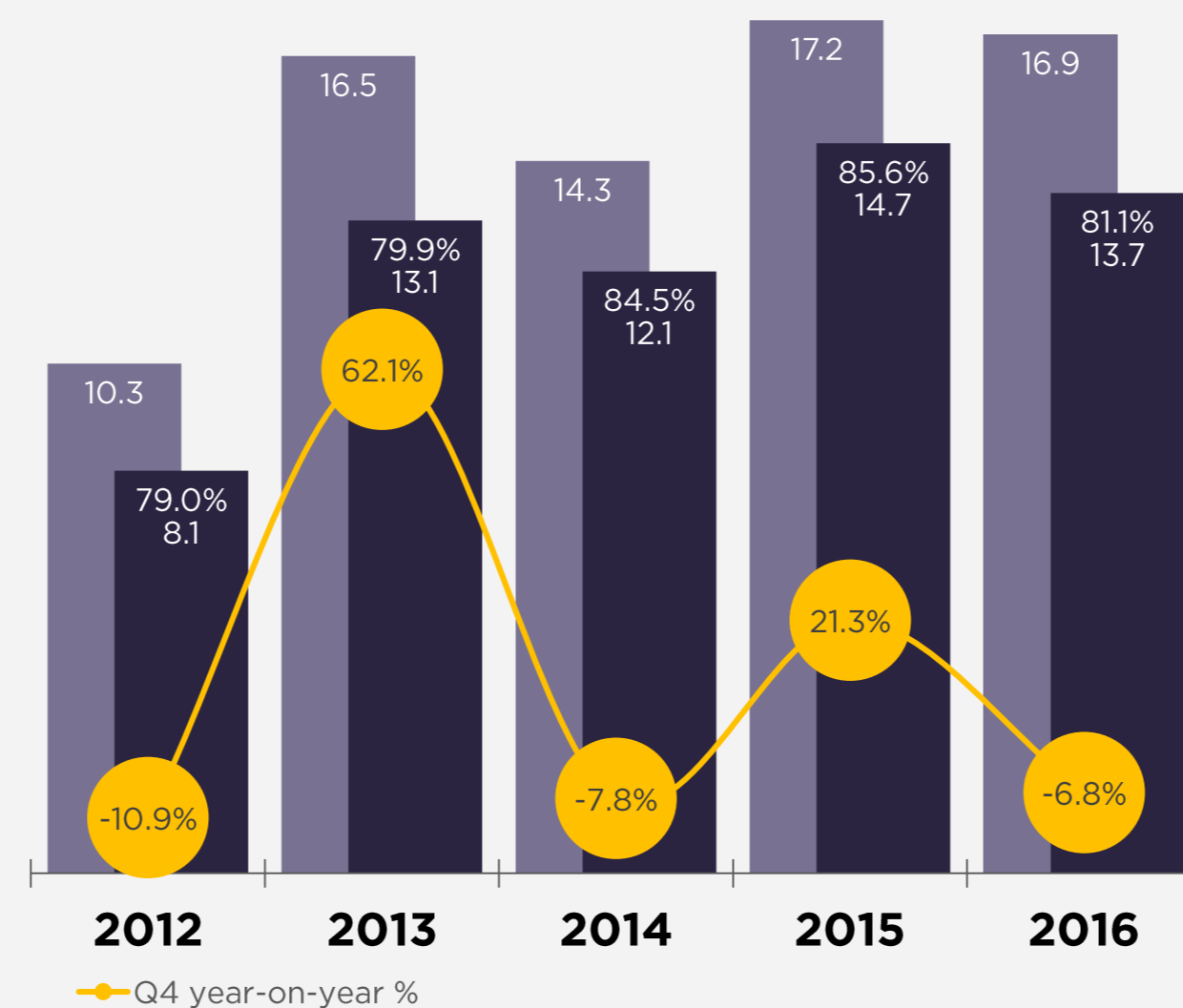
The shrinkage of Finnish and Estonian markets was compensated by increase in other target markets in

total amount of 1.1 million euros, i.e. 145.4%. Sales in Latvia reached to 0.7 million euros, which is 74.9% more than last year. New markets include sales to Japan in amount of 0.7 million euros and to Canada in amount 0.4 million euros. Growth of sales in other markets is a positive sign because it is an indication that the Group has been able to diversify its sales geographically.

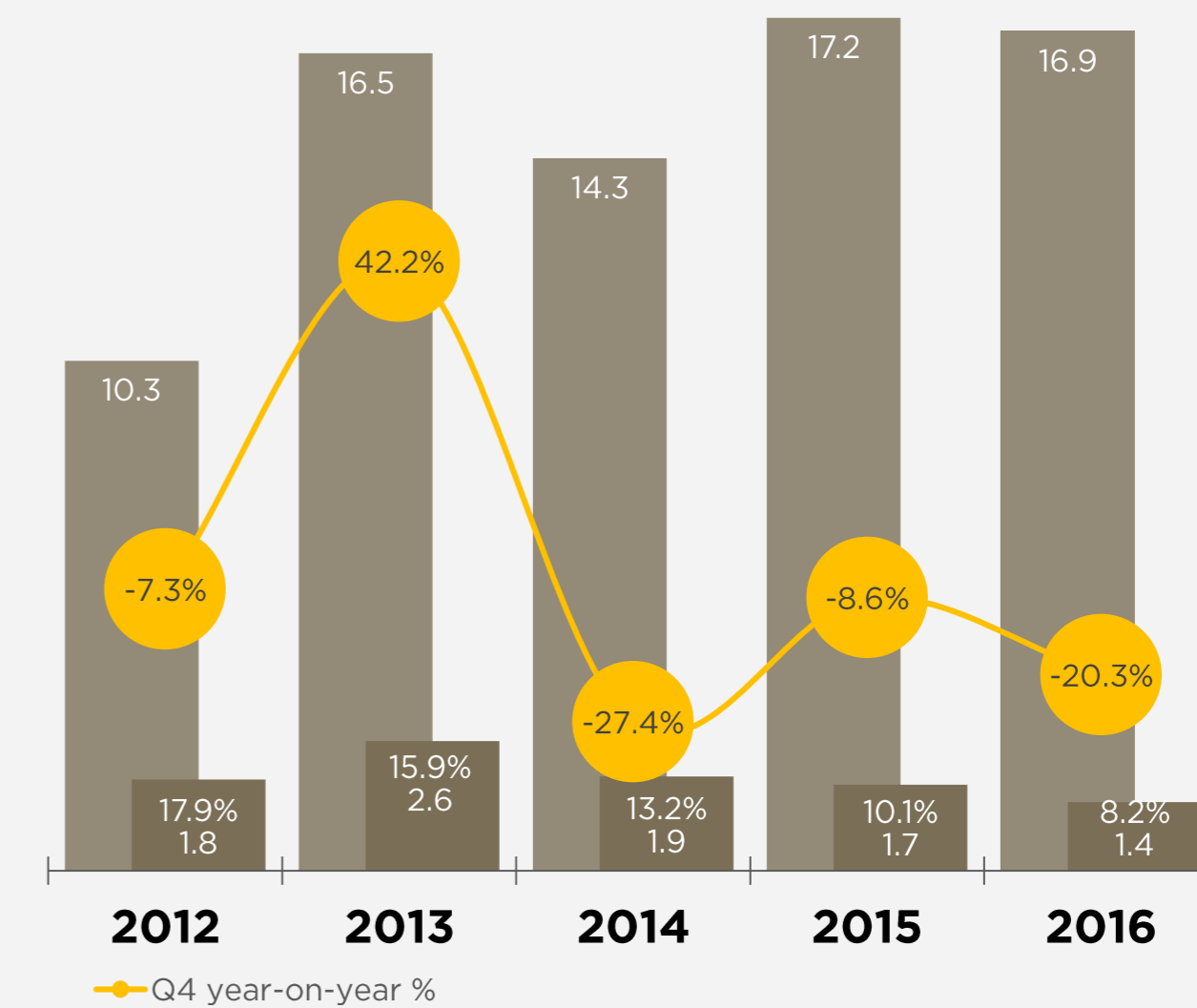
Share of exports revenue mln EUR



Share of Finnish revenue mln EUR

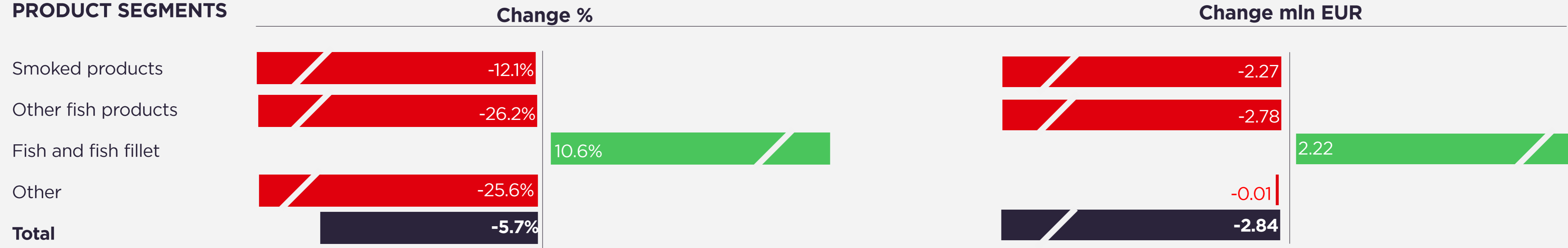


Share of Estonian revenue mln EUR

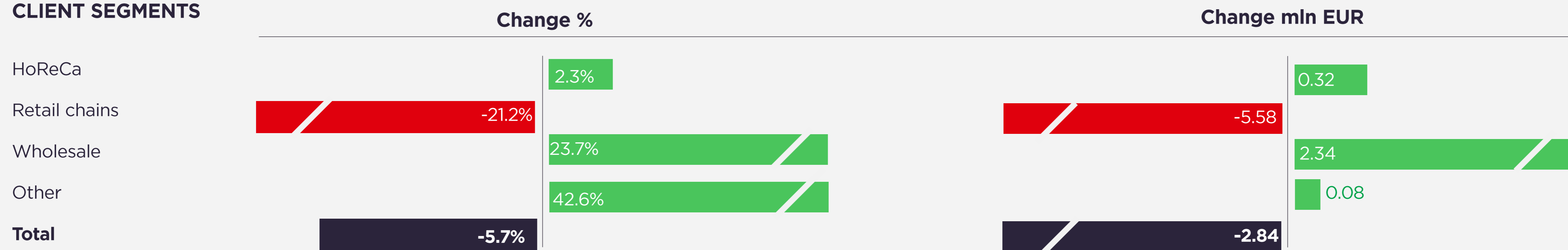


# CHANGE IN SALES REVENUE 12 MONTHS 2016 COMPARED TO 12 MONTHS 2015

## PRODUCT SEGMENTS

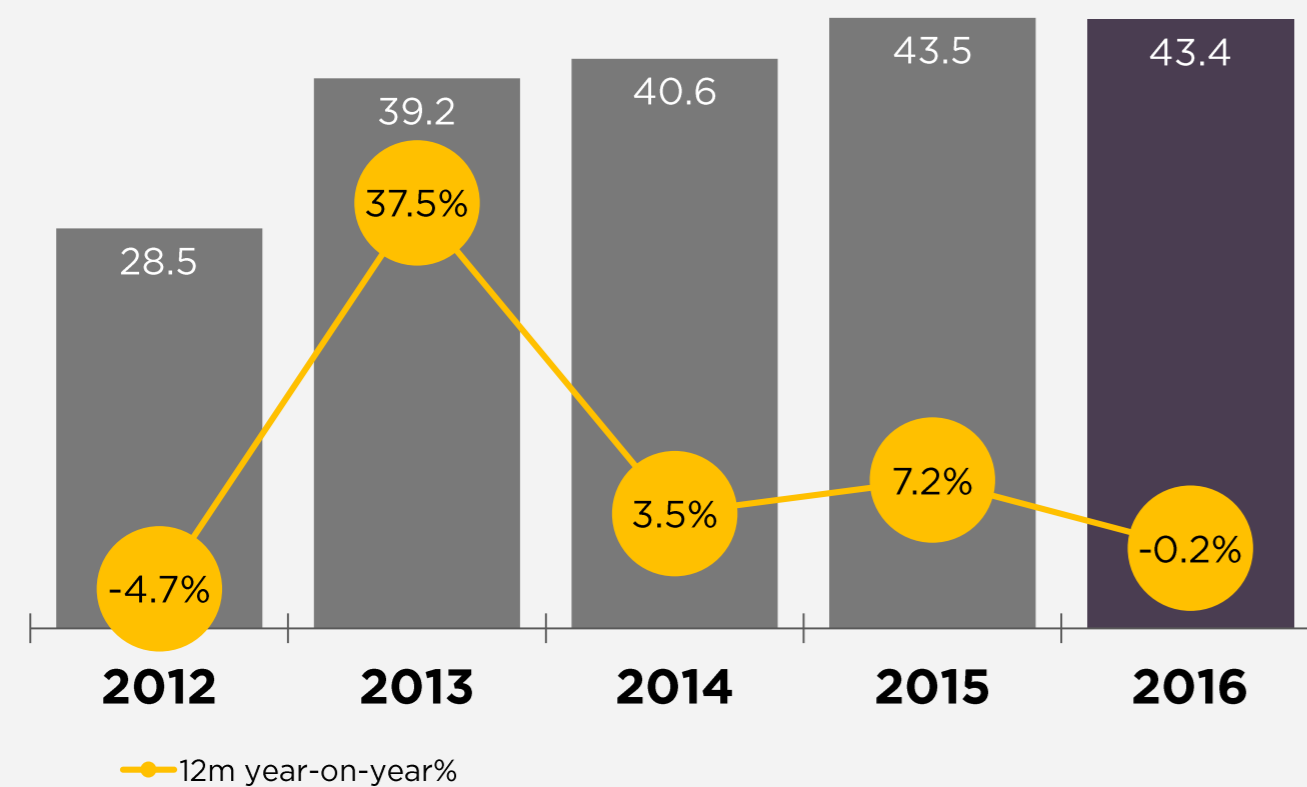


## CLIENT SEGMENTS

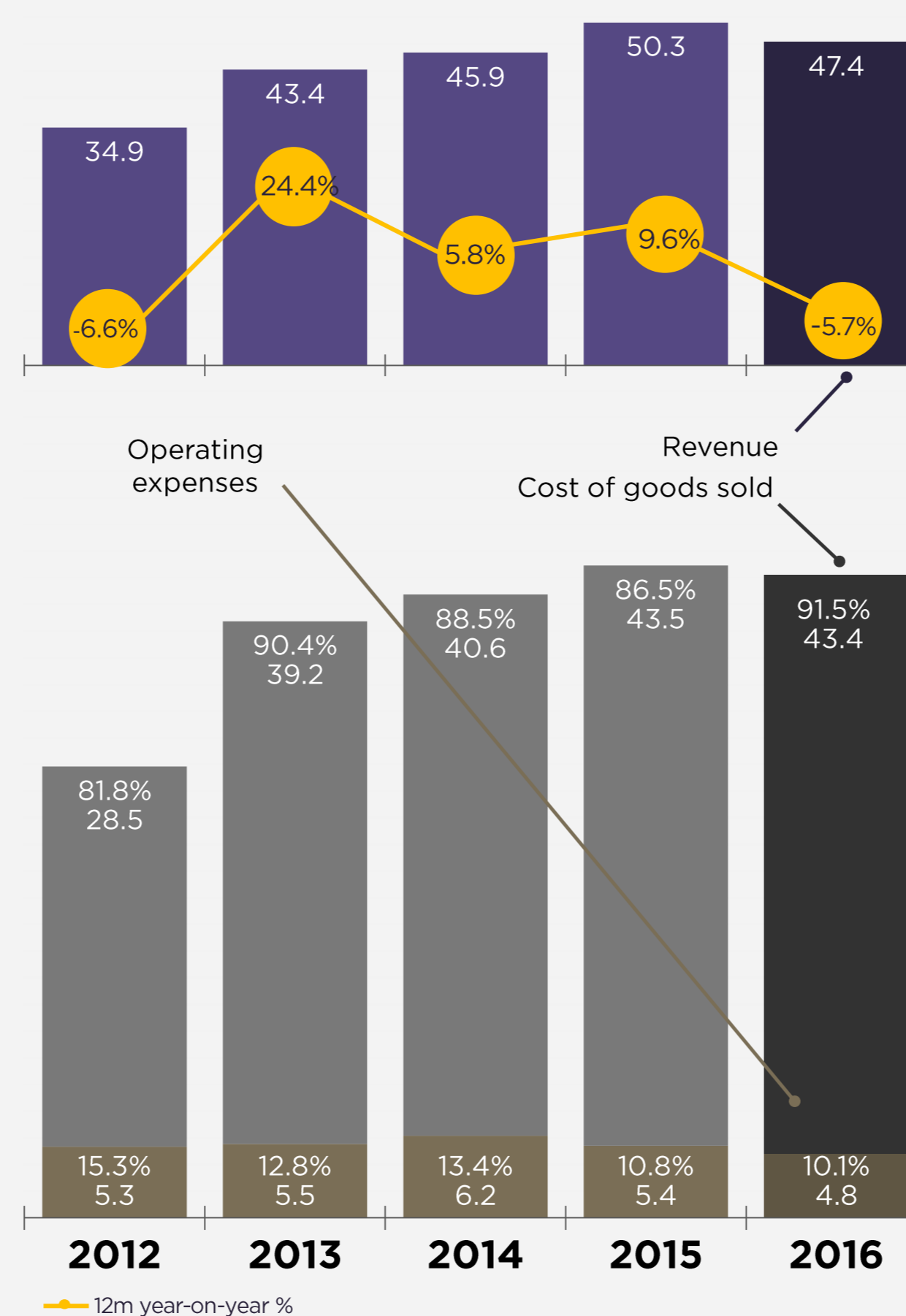


# COST 12 MONTHS 2012-2016

Cost of goods sold mln EUR



Cost structure and as % of sales



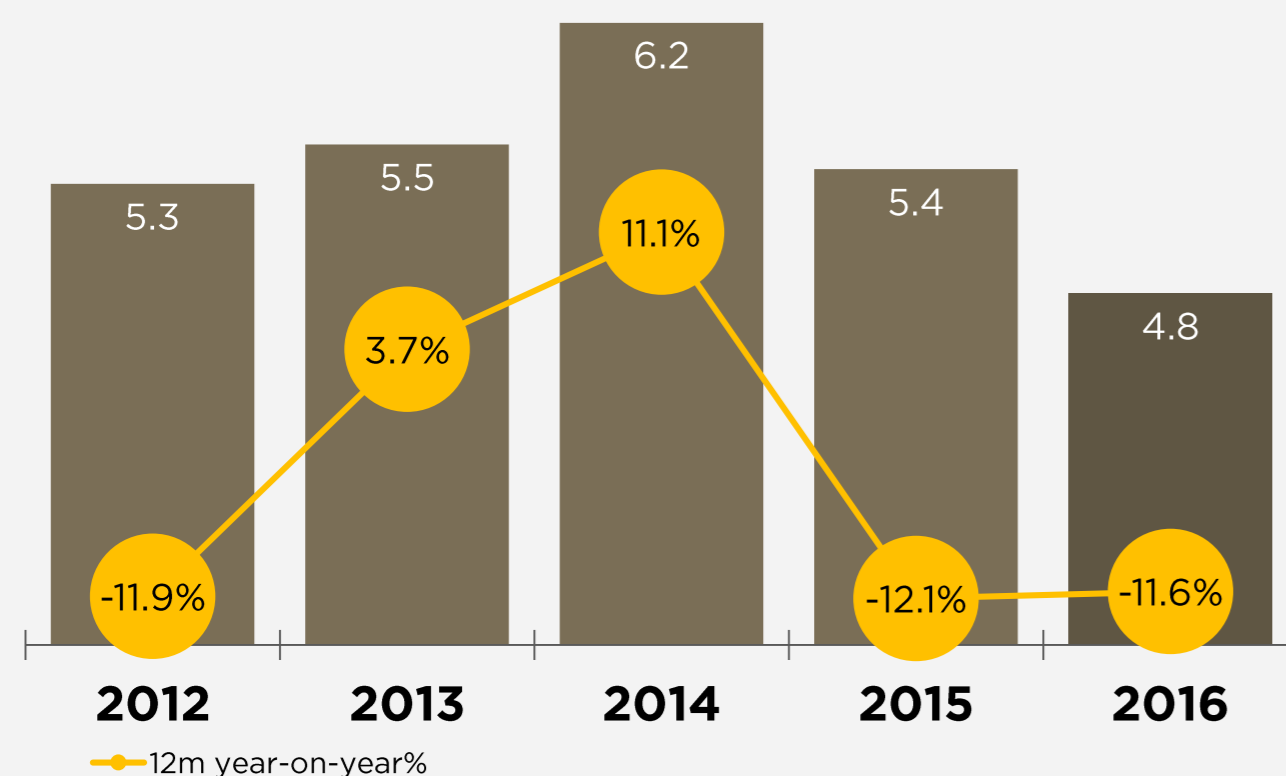
Sales revenue decreased by -2.8 million euros, i.e. -5.7%, in the 12 months of 2016. Cost of goods sold decreased by -0.1 million euros, i.e. -0.2%, and the percentage of cost of goods from the revenue increased 5.0 percentage points compared to the same period in 2015.

The increased percentage of cost of goods from the revenue is caused by the higher market price of raw fish. The average market price of salmon grew by 45.5% and the average market price of trout by 29.6% in the 12 months of 2016 compared to the same period in 2015.

As the price of raw material has been very volatile this year, the Company is focused on abandoning low margin product groups.

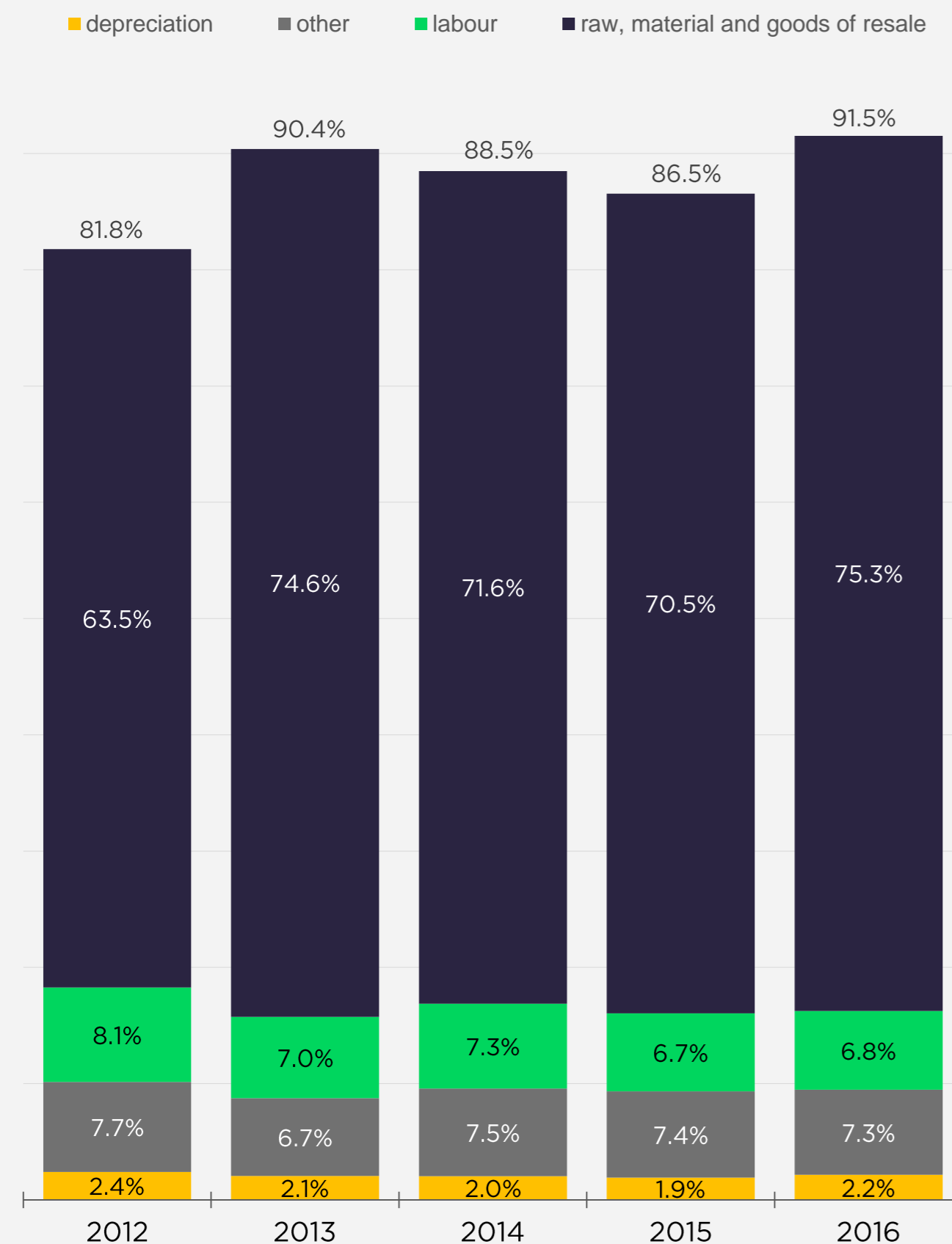
Main proportion, more than 80%, of costs of goods sold constitutes of raw material (raw fish). The rest is mainly packaging and fish feed costs.

Operating expenses mln EUR

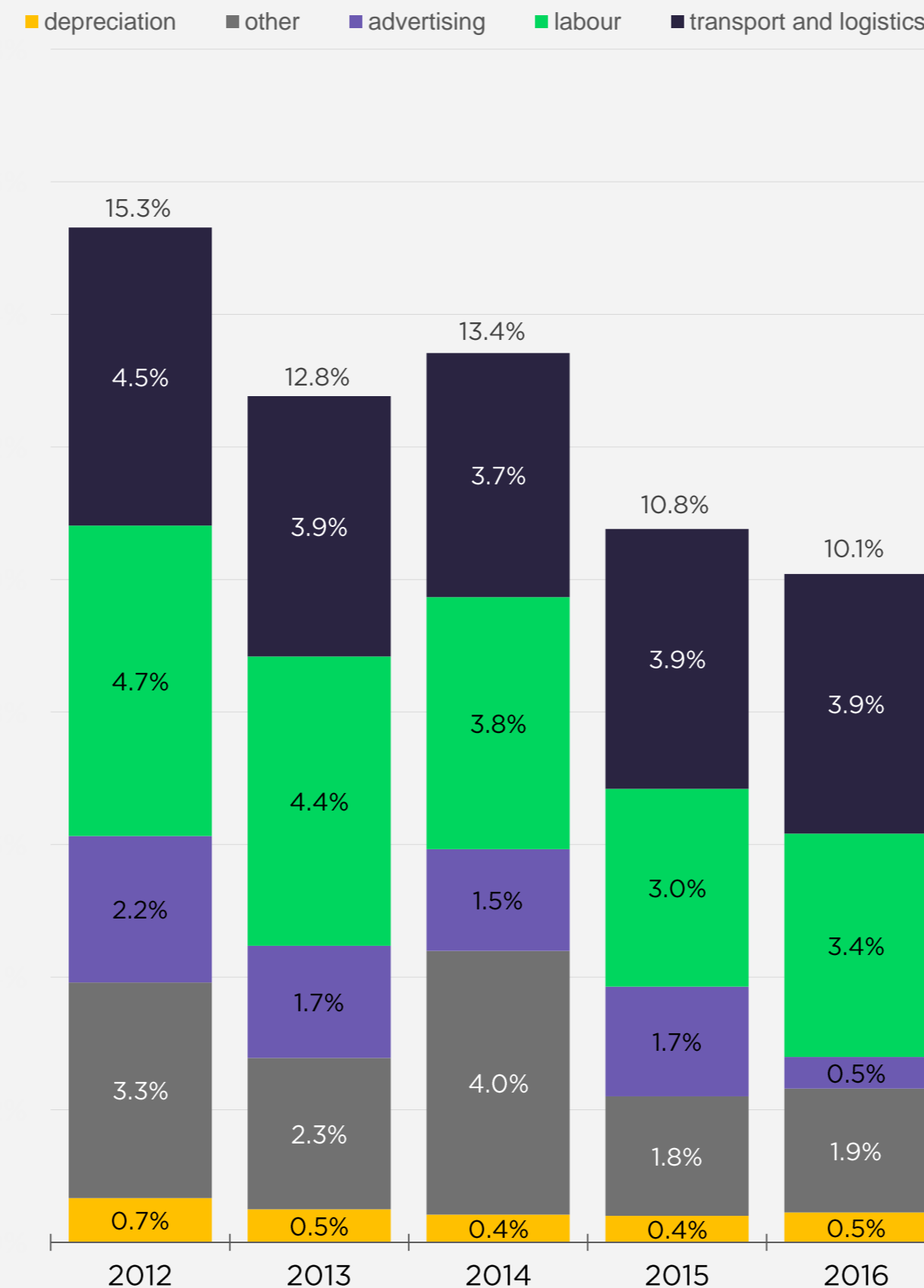


# COST STRUCTURE OVERVIEW 12 MONTHS 2012-2016

**The portion of operating cost of goods sold in the revenue**



**The portion of operating costs in the revenue**



The percentage of cost of goods sold in the sales revenue was 91.5% (12 months in 2015: 86.5%) and the percentage of operating costs was 10.1% (12 months in 2015: 10.8%) in the reporting period.


The ratio of other cost of goods sold to the sales revenue was 7.3% in the 12 months of 2016 (12 months in 2015: 7.4%), showing a decrease of -0.1 percentage points. The composition of other cost of goods sold include heating, electricity, rent and utilities costs, and costs incurred in relation to fish farming and auxiliary activities in production. Salary costs of production and fish farms' personnel accounted for 6.8% of the revenue, which has grown year-on-year by 0.1 percentage points, while decreasing by 159 thousand euros in total.

The operating costs of the 12 months of 2016 decreased year-on-year by -629 thousand euros in total, i.e. -11.6%. Depreciation cost of fixed assets increased by 73 thousand euros, i.e. 6.3%.

The objective of the Company is to reduce consistently the portion of operating costs in the revenue year after year.

# COST ANALYSIS

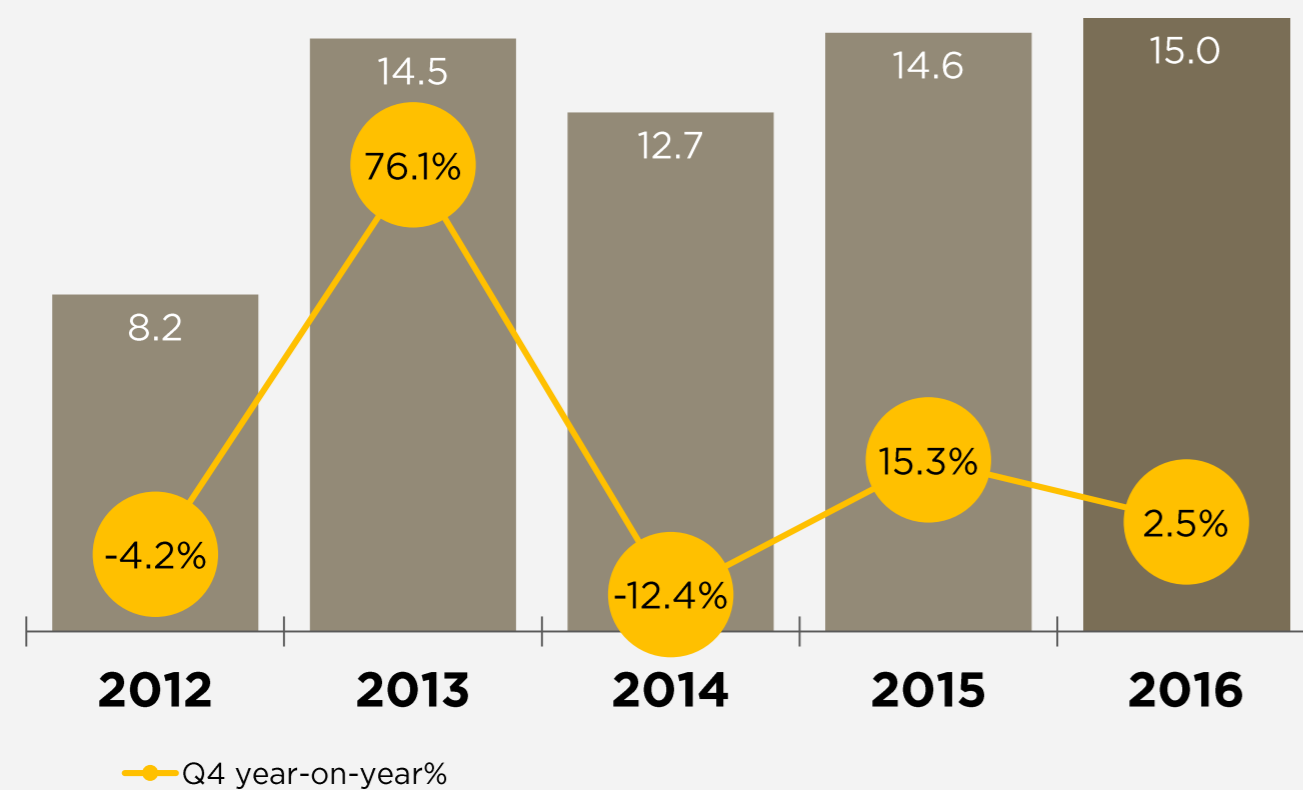
## THE 12 MONTHS OF 2016 COMPARED TO THE 12 MONTHS OF 2015



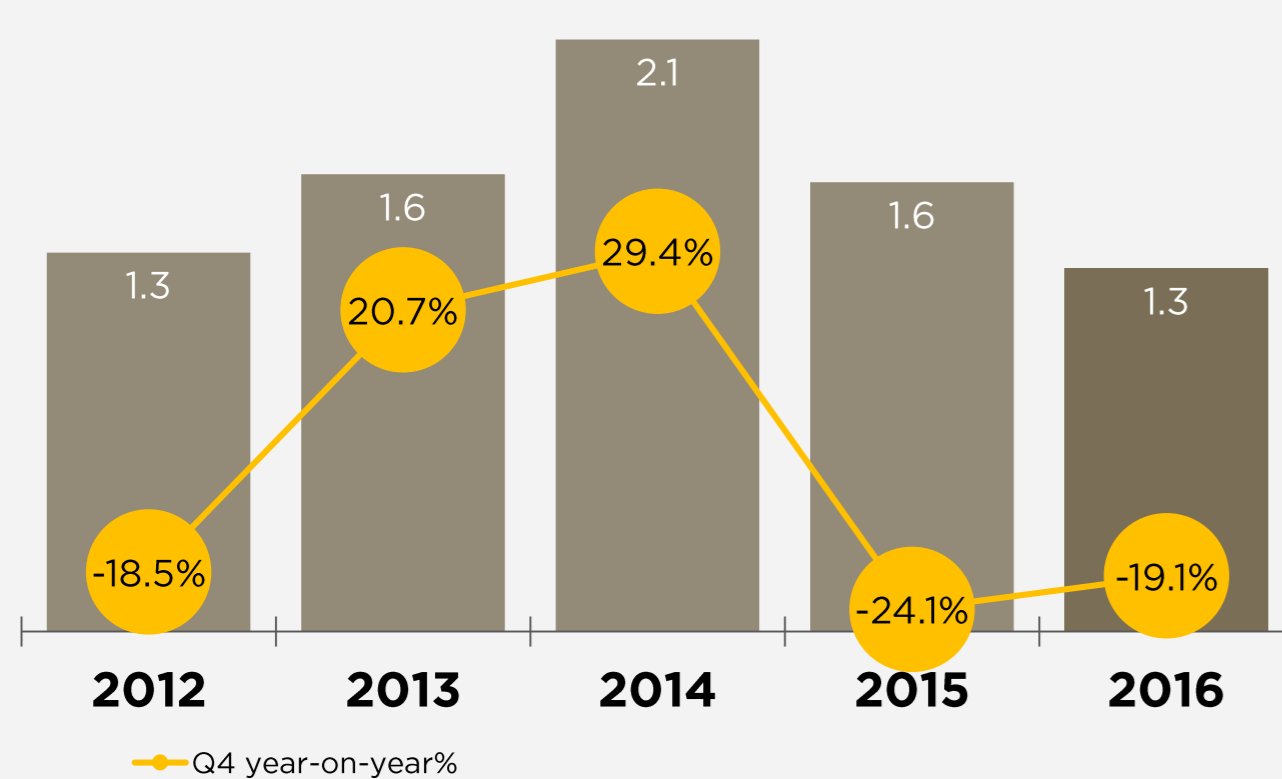
	12m 2016 mln eur	12m 2015 mln eur	change mln eur	12m	12m 2016 % of sales	12m 2015 % of sales	change % of sales	12m
<b>Sales revenue</b>	<b>47.43</b>	<b>50.27</b>	<b>- 2.84</b>	↓	<b>100.00%</b>	100.00%		
<b>Cost of goods sold</b>	<b>- 43.41</b>	<b>- 43.51</b>	<b>0.10</b>	↑	<b>91.52</b>	<b>86.55</b>	<b>- 4.97%</b>	↓
materials in production and cost of goods purchased for resale	- 35.70	- 35.44	-0.26	↓	75.27%	70.50%	- 4.77%	↓
labour costs	- 3.22	- 3.38	0.16	↑	6.78%	6.72%	- 0.06%	↓
depreciation	- 1.02	- 0.96	- 0.06	↓	2.15%	1.91%	- 0.24%	↓
other cost of goods sold	- 3.47	- 3.73	0.26	↑	7.32%	7.43%	0.11%	↑
<b>Operating expenses</b>	<b>- 4.78</b>	<b>- 5.41</b>	<b>0.63</b>	↑	<b>10.08%</b>	<b>10.77%</b>	<b>0.69%</b>	↑
labour costs	- 1.60	- 1.50	- 0.10	↓	3.37%	2.99%	- 0.38%	↓
transport and logistics services	- 1.86	- 1.97	0.11	↑	3.92%	3.93%	0.01%	↑
depreciation	- 0.21	- 0.20	- 0.01	↓	0.45%	0.40%	- 0.05%	↓
advertising, marketing and product development	- 0.23	- 0.83	0.60	↑	0.48%	1.65%	1.17%	↑
other operating expenses	- 0.88	- 0.91	0.03	↑	1.85%	1.82%	- 0.03%	↓
<b>Other income/-expenses</b>	<b>- 0.12</b>	<b>0.41</b>	<b>- 0.53</b>	↓	<b>- 0.25%</b>	<b>0.81%</b>	<b>- 1.06%</b>	↓
including one-off expenses	- 0.40	0.00	- 0.40	↓	- 0.85%	0.00%	- 0.85%	↓
<b>Financial income/-expenses</b>	<b>- 0.24</b>	<b>0.20</b>	<b>- 0.43</b>	↓	<b>- 0.50%</b>	<b>0.39%</b>	<b>- 0.89%</b>	↓

# COST Q4 2012-2016

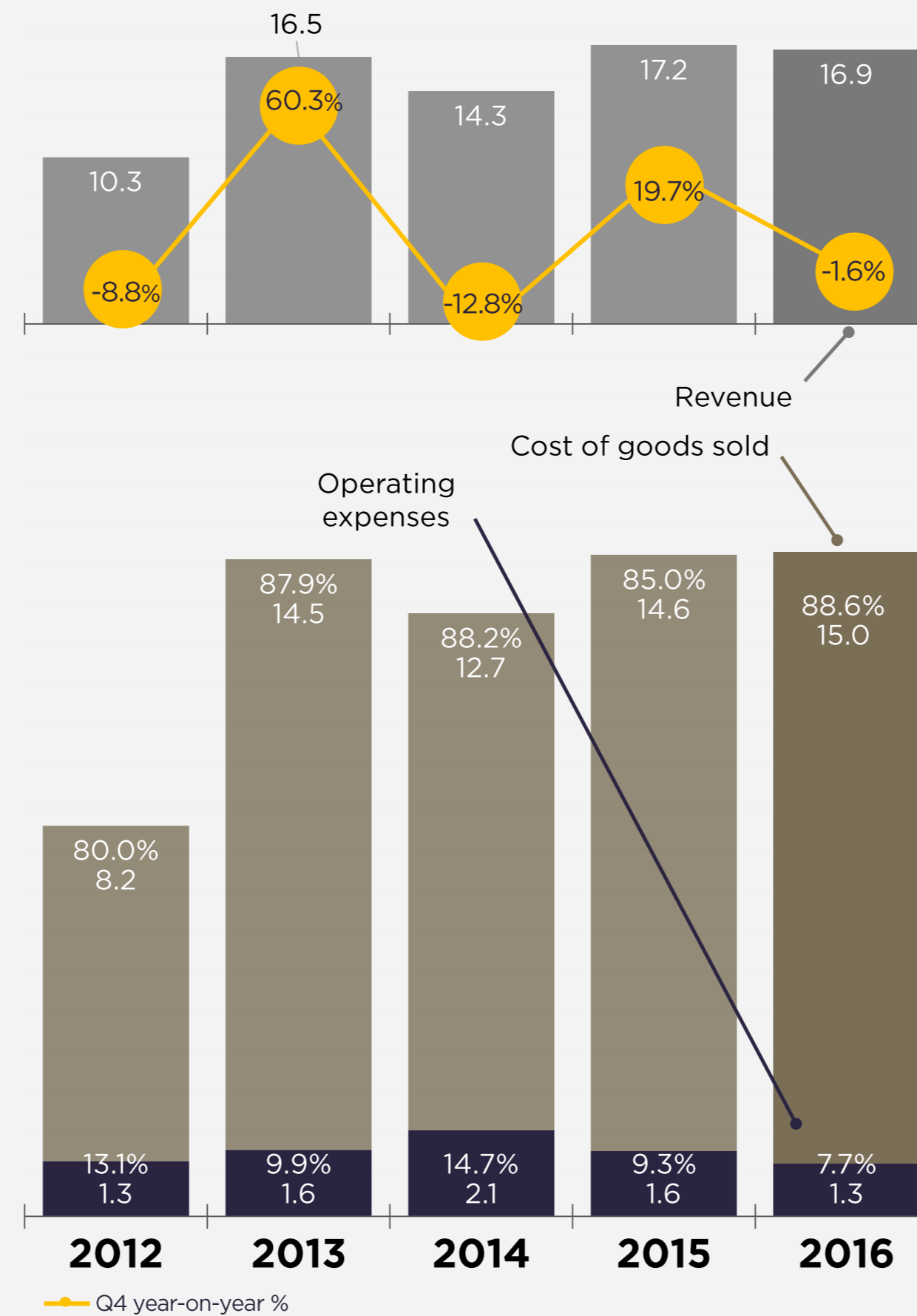
Cost of goods sold mln EUR



Operating expenses mln EUR



Cost structure and as % of sales



Sales revenue decreased by -0.3 million euros i.e. -1.6% in Q4 2016. During the same period cost of goods sold increased by 0.4 million euros, i.e. 2.5% and its percentage from the revenue increased 3.6 percentage points compared to the same period in 2015.

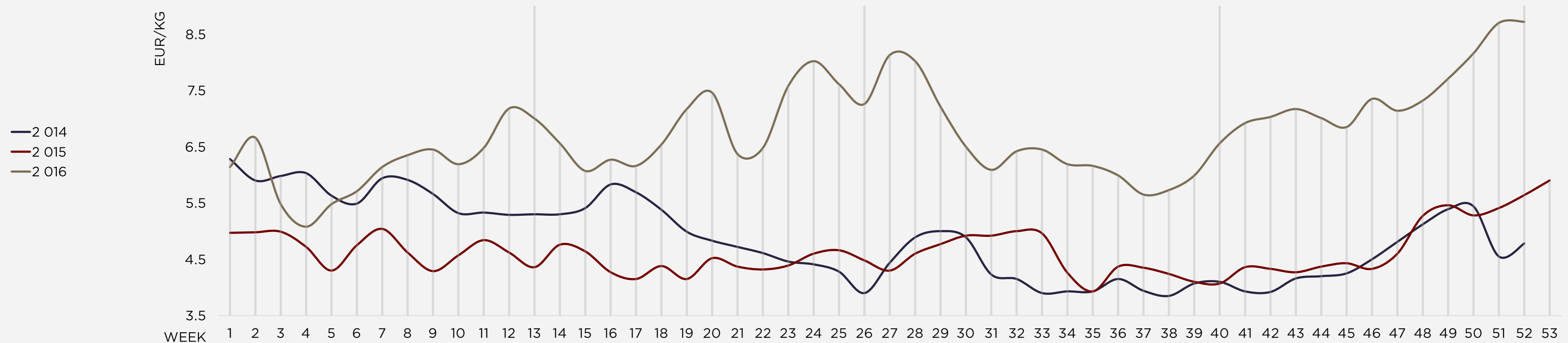
The increase in costs of goods sold is due to the rapid increase of raw fish market price. The average market price of salmon increased by 52.2% in Q4 2016 and the average market price of trout increased by 62.5% compared to the same period in 2015.

The operating costs of the 4<sup>th</sup> quarter of 2016 decreased year-on-year by -305 thousand euros in total, i.e. -19.1%. The percentage of operating costs from revenue was 7.7%, decreasing in total by 1.7 percentage points.

# THE MARKET PRICE OF FISH: SALMON



EXPORT PRICE OF NORWEGIAN SALMON



Source:  
NASDAQ Salmon Index

Large producers establish their production plans for three years in advance since it is difficult and more expensive to use a shorter production cycle in fish farms dependent of market needs. Therefore, the supply of fish in the world market is extremely rigid in the short-term, while market demand is shifting depending on the season. This is causing an imbalance in the supply and demand of fish on

the world market which is why the market price of raw fish is always fluctuating. Fish market is extremely dependent on availability and market price of raw fish. The Group compensates the impact of external environment and volatility of salmon price through the changes of Company's production and sales strategy.

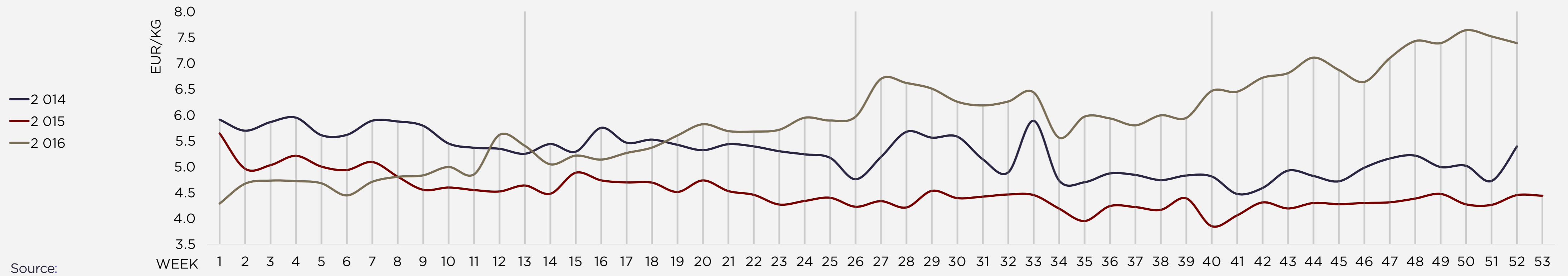
The Group's main product is rainbow trout, which is cheaper than salmon. Consumers start to buy cheaper salmon species, including rainbow trout, when the market price of salmon increases. In addition, high quality fish which is produced in its own fish farming helps to mitigate the increase of market price of salmon.



# THE MARKET PRICE OF FISH: RAINBOW TROUT



EXPORT PRICE OF NORWEGIAN RAINBOW TROUT



Source: akvafakta.no

Market price EUR/KG	31.12.2016	31.12.2015	31.12.2014
Salmon	8.72	5.90	4.80
Rainbow trout	7.39	4.44	5.39
Market price change %	31.12.16/31.12.15	31.12.15/31.12.14	31.12.16/31.12.14
Salmon	47.8%	22.9%	81.7%
Rainbow trout	66.4%	-17.6%	37.1%

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

## THE AVERAGE MARKET PRICE OF FISH



This year has seen a very rapid increase in the price of salmon and rainbow trout in the world market, which on the one hand positively affects our fish farming operations, but at the same time, the increase has not yet been translated into end prices.

The high price of salmon had a direct impact on the Company`s financial results of the year 2016. The positive effect of the market price on the Company`s EBITDA and operating profit in the mentioned period was estimated to amount to 2.3

million euros. In February, at the time of preparing this report, the price of Norwegian trout has remained on very high level. The prices of Finnish and Danish markets are also significantly higher compared to same period last year.

Average market price EUR/KG	Q4 2016	12m 2016	Q4 2015	12m 2015	12m 2014
Salmon	7.32	6.68	4.81	4.59	4.85
Rainbow trout	6.97	5.73	4.29	4.42	5.26

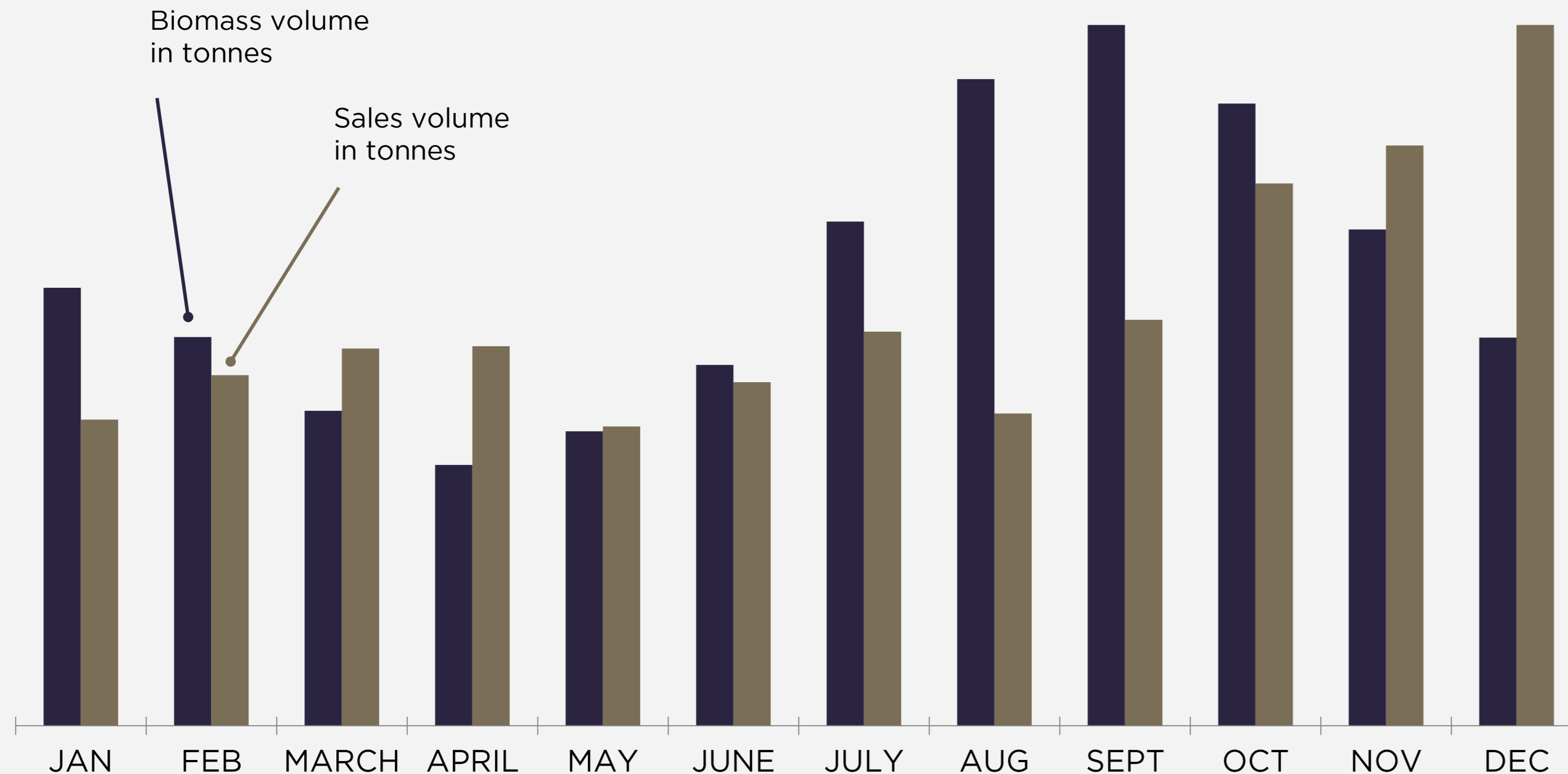
Average market price change %	Q4 16/Q4 15	12m 16/12m 15	Q4 16/12m 15	Q4 15/12m 14	12m 15/12m 14
Salmon	52.2%	45.5%	58.1%	-0.8%	-5.4%
Rainbow trout	62.5%	29.6%	55.2%	-18.4%	-16.0%

The average market price of salmon has increased by 52.2% in the 4<sup>th</sup> quarter of 2016 compared to the 4<sup>th</sup> quarter of 2015 and during the named period the average market price of rainbow trout has increased by 62.5%.

The average market price of salmon has increased by 45.5% in the 12 months of 2016 compared to the same period from the previous year and the average market price of rainbow trout has increased by 29.6%.

# SEASONALITY OF THE BUSINESS

The graph shows the seasonal character of business by month, reflecting the growth of biomass volume in fish farming and sales volume in production.



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

The long production cycle and the need to balance the volatility of market prices of raw materials require notably bigger investments in net working capital as compared to some other food industry businesses. In the high season of harvesting, there is a considerable need for working capital for purchasing feed and livestock. In addition, day-to-day production operations require sufficient stocks. For instance, in the autumn period when the supply of raw fish exceeds the market demand and the price level is the lowest during the year, companies consider purchasing large quantities of favourably priced raw materials (mainly trout) that are 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.



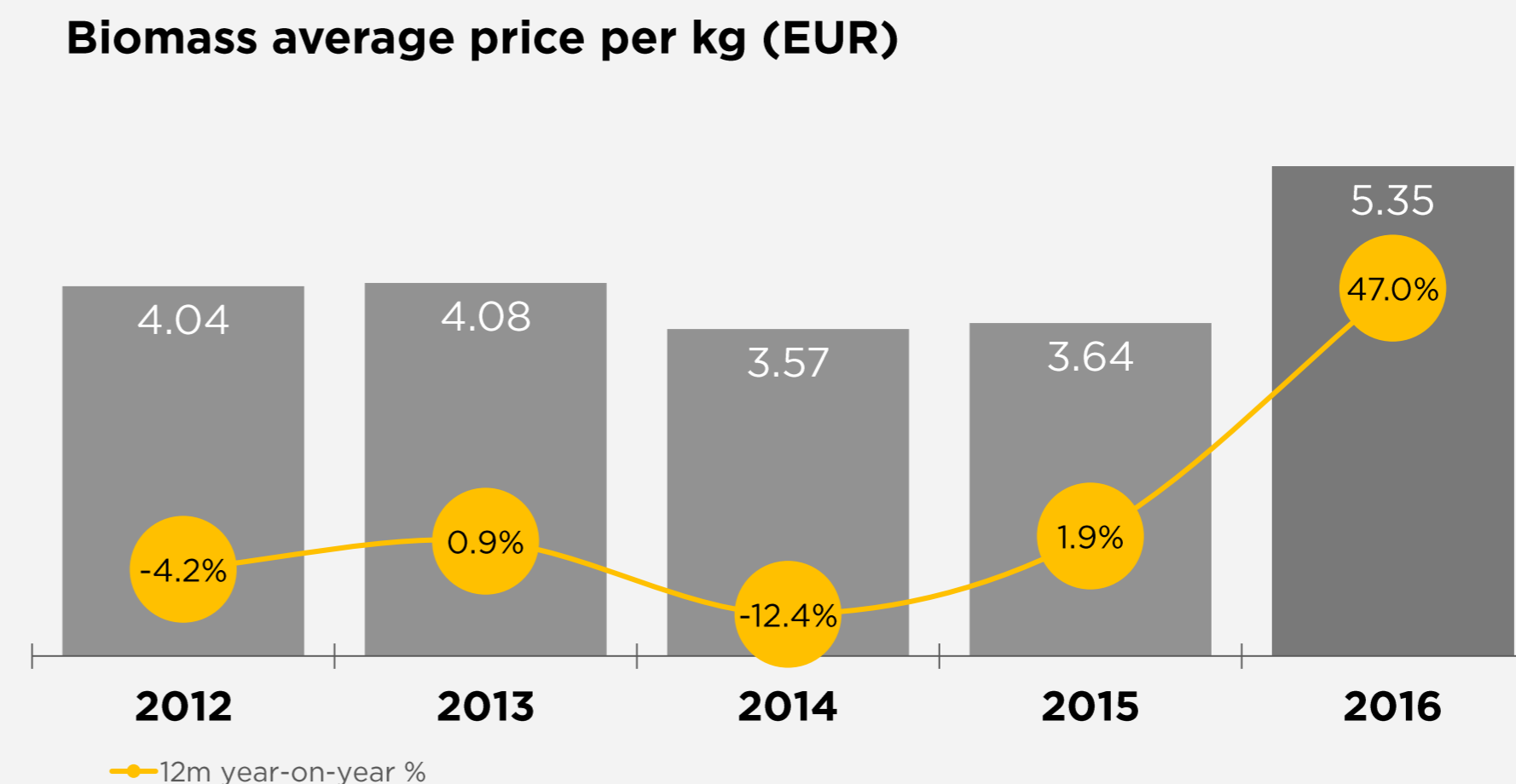
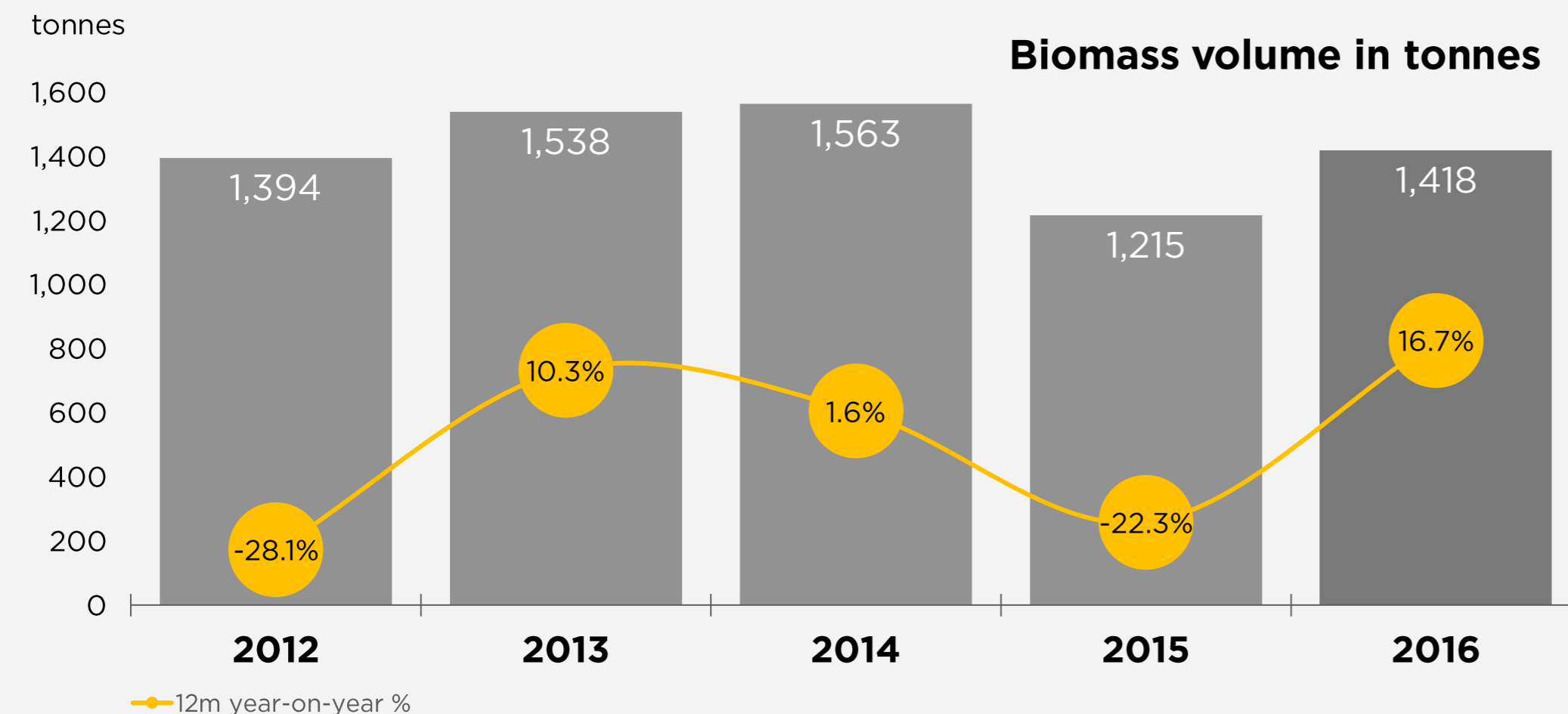
# BIOLOGICAL ASSETS: BIOMASS VOLUME AND AVERAGE PRICE PER KG 12 MONTHS 2012-2016

	12m 2012	12m 2013	12m 2014	12m 2015	12m 2016
Biological assets (milj EUR)	5.63	6.27	5.58	4.42	7.58
Biomass volume in tonnes	1,394	1,538	1,563	1,215	1,418
Average price per kg (EUR)	4.04	4.08	3.57	3.64	5.35
Fair value adjustment on biological assets (milj EUR)	-1.36	0.74	-0.57	-0.89	2.26

The amount of biological assets has grown by 203 tonnes, i.e. 16.7% compared to the same period in previous year and in monetary terms has increased by 3.16 million euros, i.e. +71.5%. This is caused by the higher market price of rainbow trout, which is 66.4% higher as at 31.12.2016 compared to the market price of 31.12.2015.

The aggregate growth of biological assets was positive during the reporting period, amounting to 7.9 million euros (12 months in 2015: 4.1 million euros).

As at 31.12.2016, the fair value of biological assets was 7.58 million euros (31.12.2015: 4.42 million euros).



# BIOLOGICAL ASSETS: HARVESTED VOLUME 12 MONTHS 2012-2016

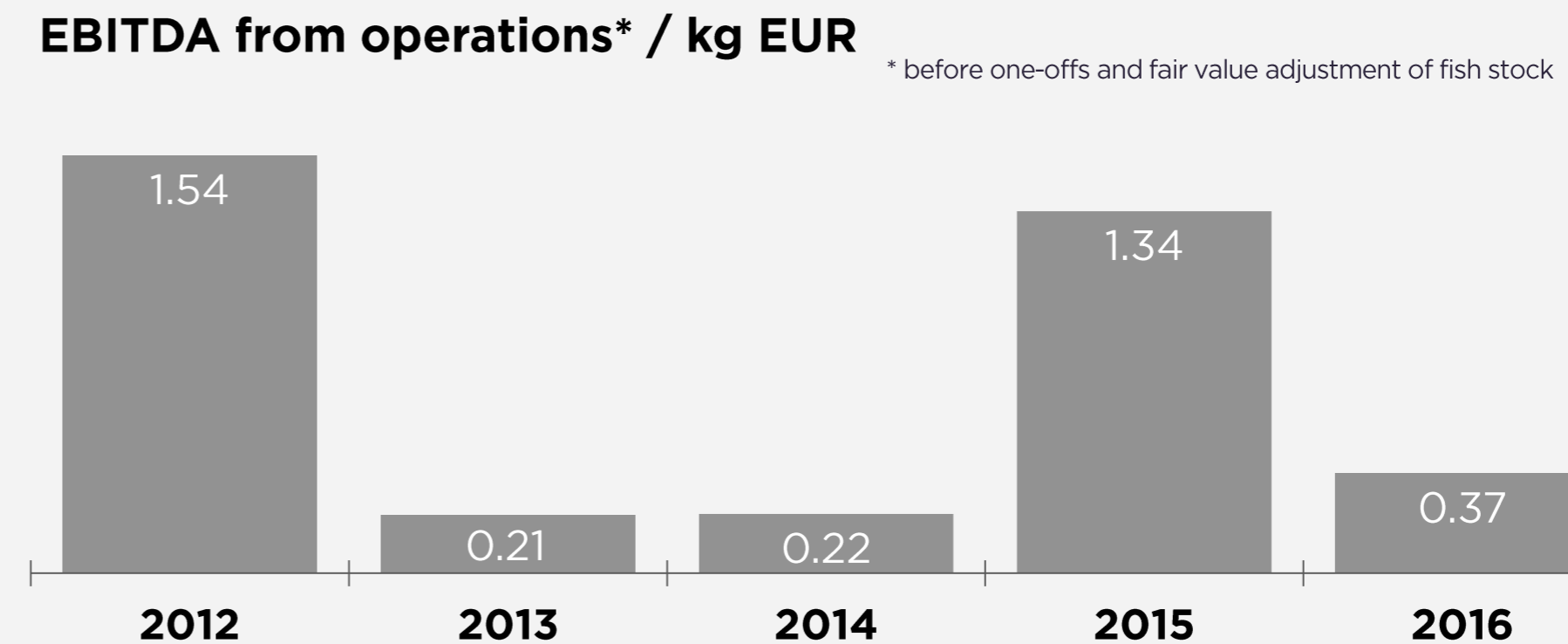
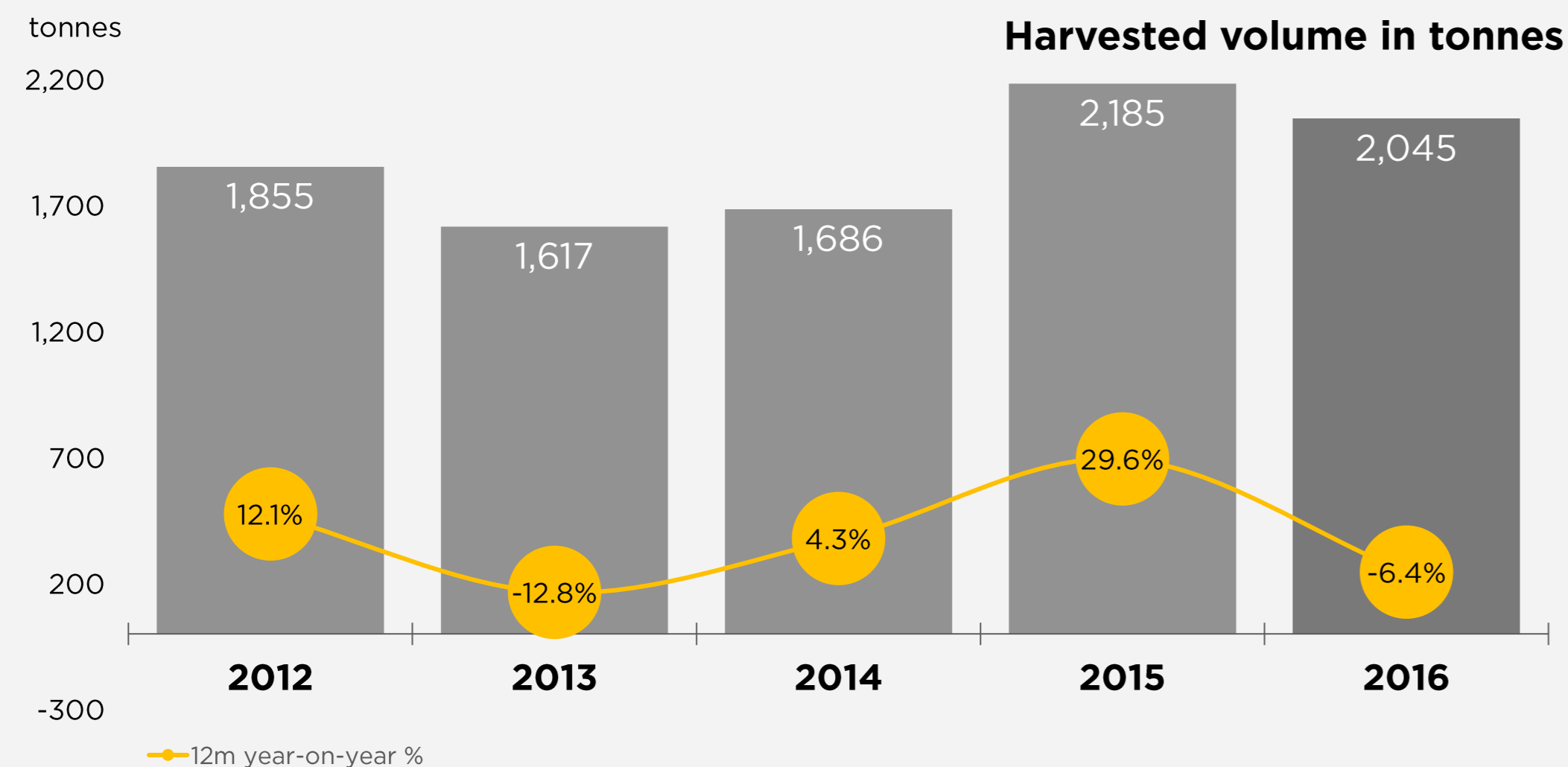


	12m 2012	12m 2013	12m 2014	12m 2015	12m 2016
Sales revenue (milj EUR)	34.86	43.36	45.86	50.27	47.43
EBITDA from operations* (milj EUR)	2.86	0.35	0.37	2.92	0.75
Harvested volume (tonnes)	1,855	1,617	1,686	2,185	2,045
EBITDA / kg* (EUR)	1.54	0.21	0.22	1.34	0.37

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

**During the reporting period agricultural produce in the amount of 2,045 tonnes was harvested, which has decreased -6.4% compared to the same period in previous year. Produce in the amount of 2,185 tonnes was recorded at the same period in the previous year.**

When the market price of raw fish increases or decreases, so does the value of fish harvested in fish farms of PRFoods, which has a positive or negative impact on the company's financial results.



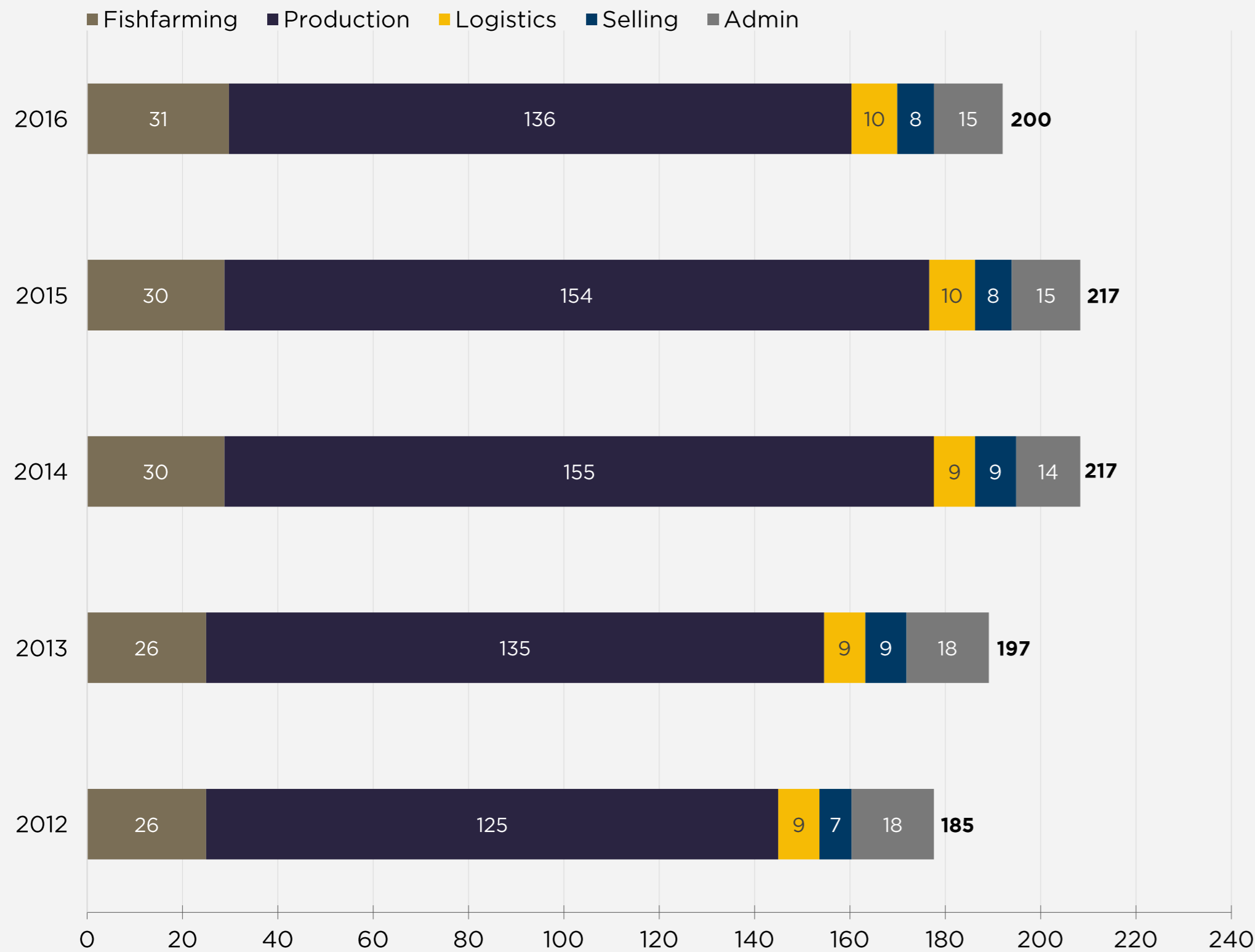
## TEAM

FOR US, EVERY EMPLOYEE IS IMPORTANT  
The average number of employees employed by PRFoods in the 12 months of 2016 was **200** people.

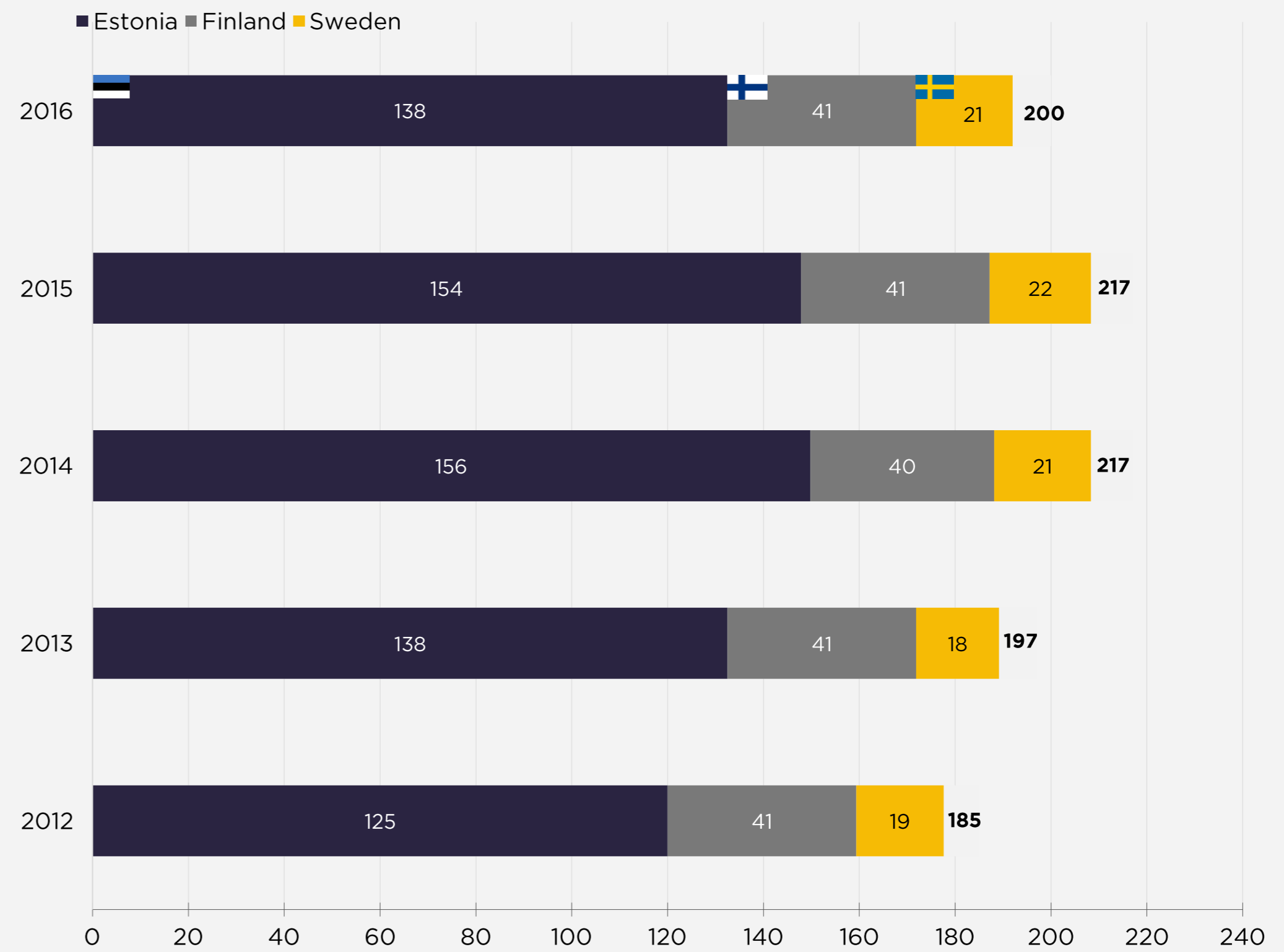


# STAFF STRUCTURE 12 MONTHS 2012-2016

Employees according to area of activity



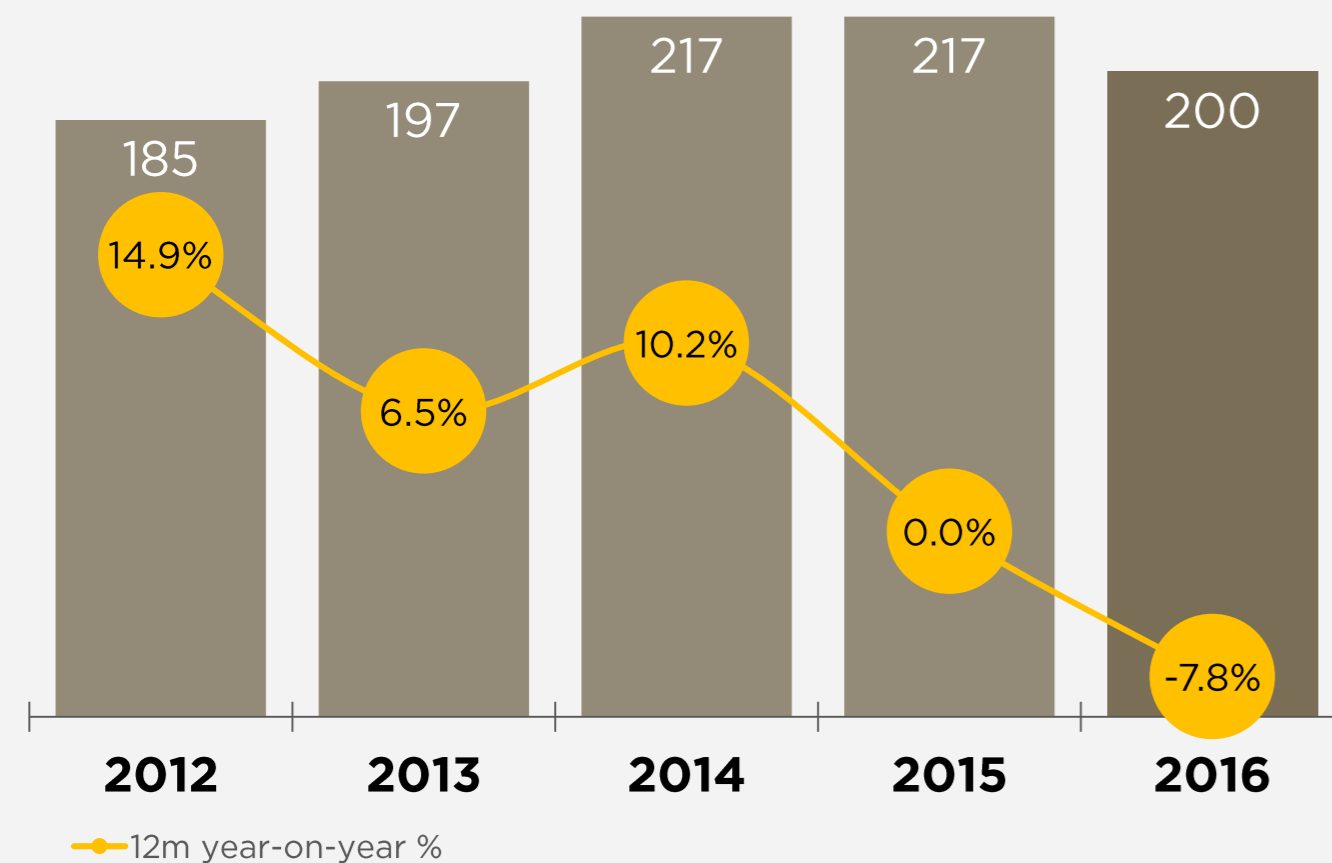
Employees by country



# LABOUR COST 12 MONTHS 2012-2016

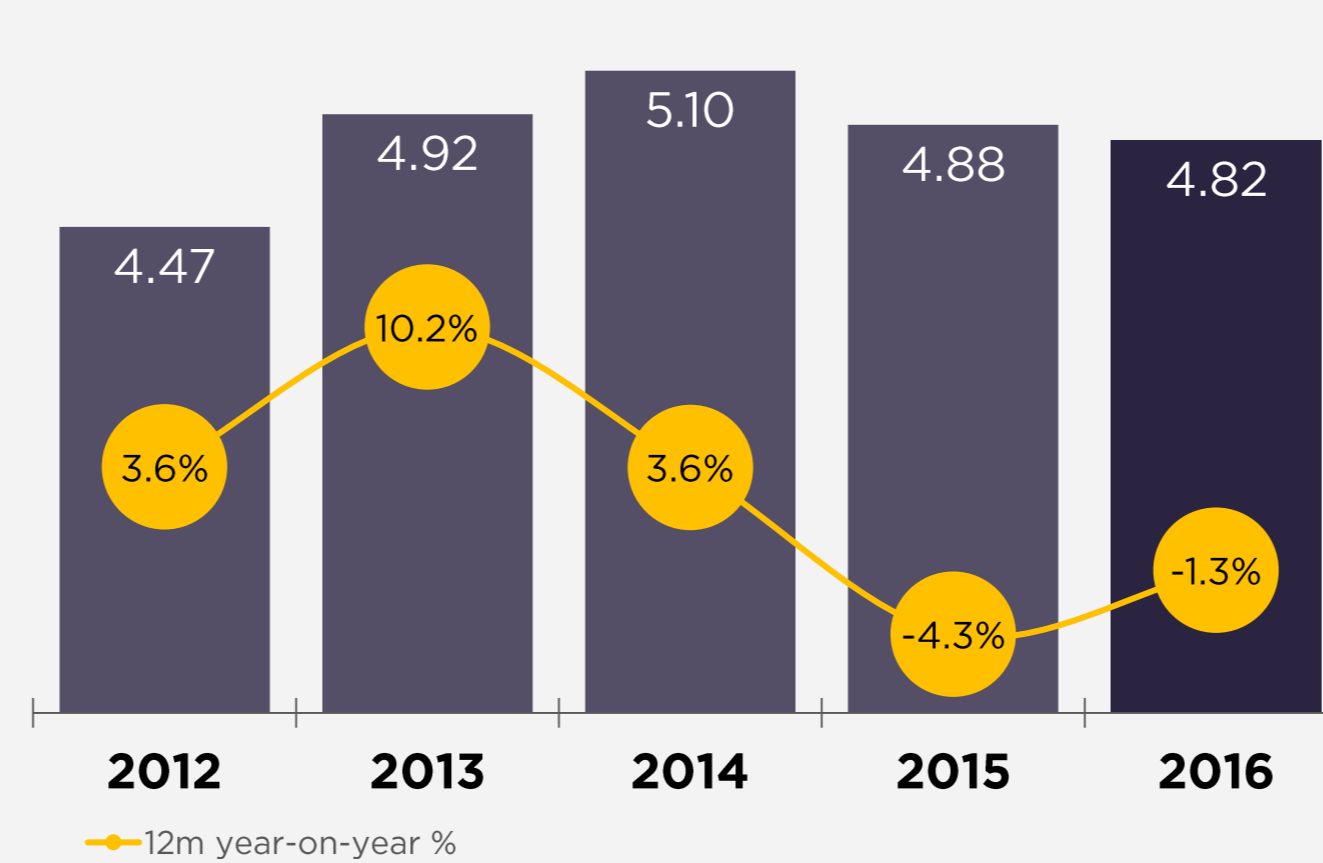
We are determined and passionate about what we do. It is our objective to serve our customers through quality and delicious products, offering only the best, most innovative and healthiest choice of food. Being close to consumers, we understand their needs and, by constantly developing our product range, focus on offering products of higher added value. We are competitive in the joint European economic area, we are able to feed the local population with our healthy domestic food and be successful in foreign markets.

**Number of employees**



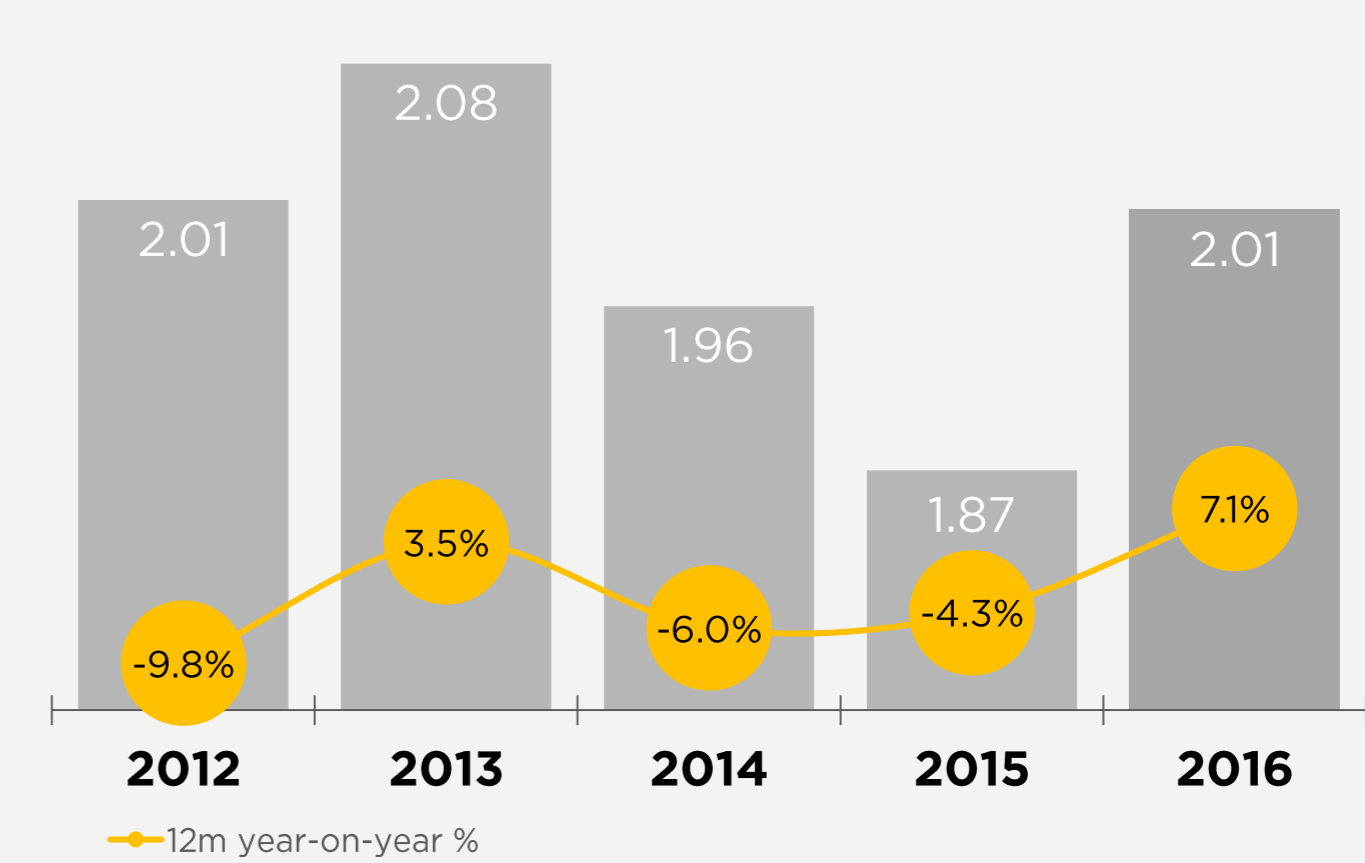
Labour costs in production were 3.22 million euros in the 12 months of 2016, decreasing year-on-year by -4.7%, i.e. -0.16 million euros.

**Labour cost mln EUR**



Labour costs of supportive personnel were 1.60 million euros in the reporting period, increasing by 6.5% compared to the same period in the previous year.

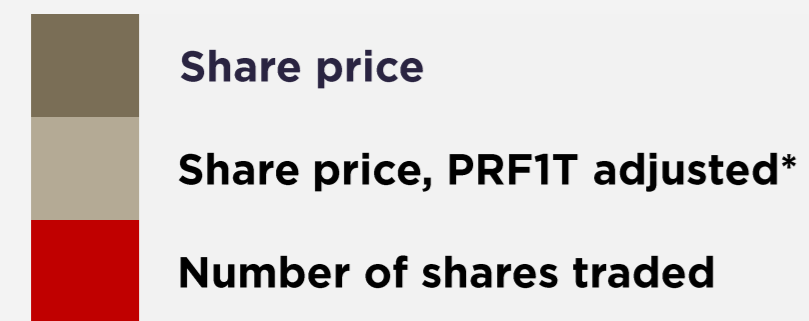
**Monthly average payroll expenses per employee (thousand EUR)**



The Group's labour costs were 4.82 million euros in the 12 months of 2016, decreasing year-on-year by -1.3%, i.e. -62 thousand euros. The percentage of labour costs in the sales revenue was 10.2% (the percentage was 9.7% in the 12 months of 2015).



# DYNAMICS OF SHARE PRICE



According to decision of the shareholders meeting held on 28 May 2015, company's share capital was decreased by decreasing the nominal value of the share with making payments to the shareholders. As a result, the nominal value of PRFoods share as of 28 August 2015 at 23.59 was decreased by 30 euro cents, from the earlier 50 euro cents to 20 euro cents. The calculated value of PRFoods share is currently 20 euro cents.

\*Dynamics of PRFoods's share price adjusted by the capital reduction payments.







## SHAREHOLDERS OF PRFOODS AS AT 31.12.2016

Shareholder	Number of shares	% of total 31.12.2016	% of total 31.12.2015	Change
ING Luxembourg S.A. (Nominee account)	24,258,366	62.71%	62.71%	-
OÜ Rododendron	1,298,705	3.36%	3.36%	-
Ambient Sound Investments OÜ	1,239,116	3.20%	3.20%	-
Firebird Republics Fund Ltd.	1,195,270	3.09%	3.09%	-
LHV Pensionifond L	1,055,863	2.73%	4.56%	- 709,483
Lindermann, Birnbaum & Kasela OÜ	1,041,823	2.69%	0.05%	+ 1,023,073
Compensa Life Vienna Insurance Group SE	743,058	1.92%	1.58%	+ 132,000
Firebird Aurora Fund Ltd	648,220	1.68%	1.68%	-
OÜ Footsteps Management	503,701	1.30%	1.30%	-
LHV Pensionifond XL	365,511	0.94%	1.52%	- 223,100
<b>Total largest shareholders</b>	<b>32,349,633</b>	<b>83.62%</b>	<b>83.05%</b>	<b>+ 222,490</b>
Other minority shareholders	5,680,045	14.69%	15.84%	- 446,117
Treasury shares	653,182	1.69%	1.11%	+ 223,627
<b>Total</b>	<b>38,682,860</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>

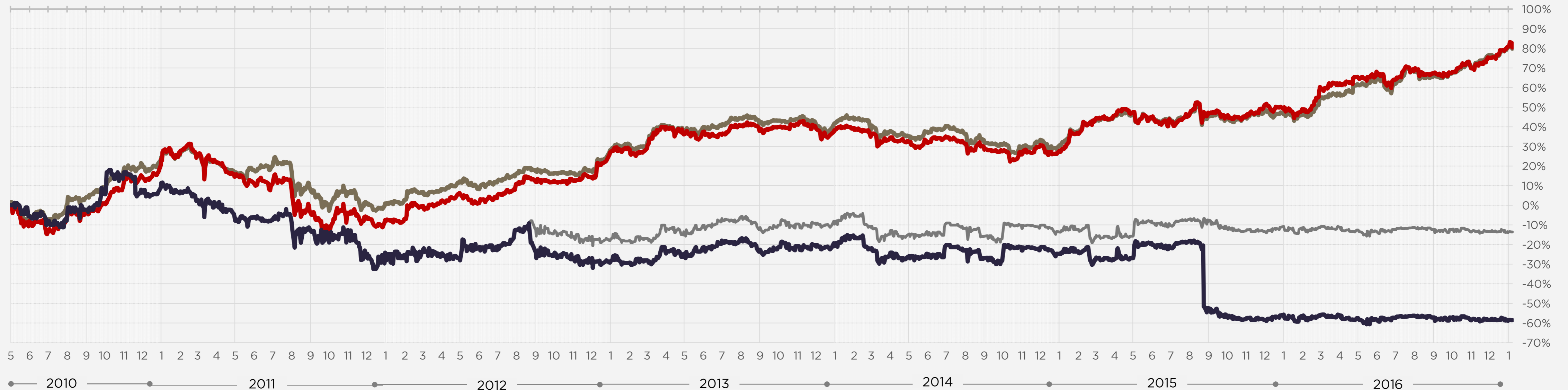


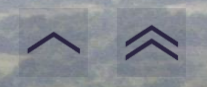
# CHANGE OF PRFOODS SHARE AND PROFITABILITY INDEXES FROM DATE OF LISTING

Indeks/share	5.05.2010	31.12.2016	change %
 <b>OMX Baltic Benchmark GI</b>	439.91	788.17	<b>+79.17%</b>
 <b>OMX Tallinn</b>	598.34	1,075.5	<b>+78.75%</b>
 <b>PRFoods share</b>	0.890	0.367	<b>-58.76%</b>
 <b>PRFoods share price adjusted*</b>	0.890	0.767	<b>-13.82%</b>

**PRFoods has distributed to its shareholders a total amount of 16.9 million euros in dividends and share capital reduction since its shares were publicly listed.** Baltic comparison index increased +79.17% during the given period, Tallinn Stock Exchange All-Share index increased +78.75% and PRFoods share price decreased -58.76%, due to the decrease of the share nominal value in August of 2012 and 2015 in the total amount of 40 euro cents.

\*The decrease of PRFoods's share, adjusted by the capital reduction payments during the named period was -13.82%.





# PRFOODS

PREMIUM FISH PRODUCTS AND FISH FARMING

[prfoods.ee](http://prfoods.ee)

Vettel OÜ

Fish manufacturing production buildings in Saaremaal