



# P R F O O D S

**REPORT / Q1 2016**

20.05.2016

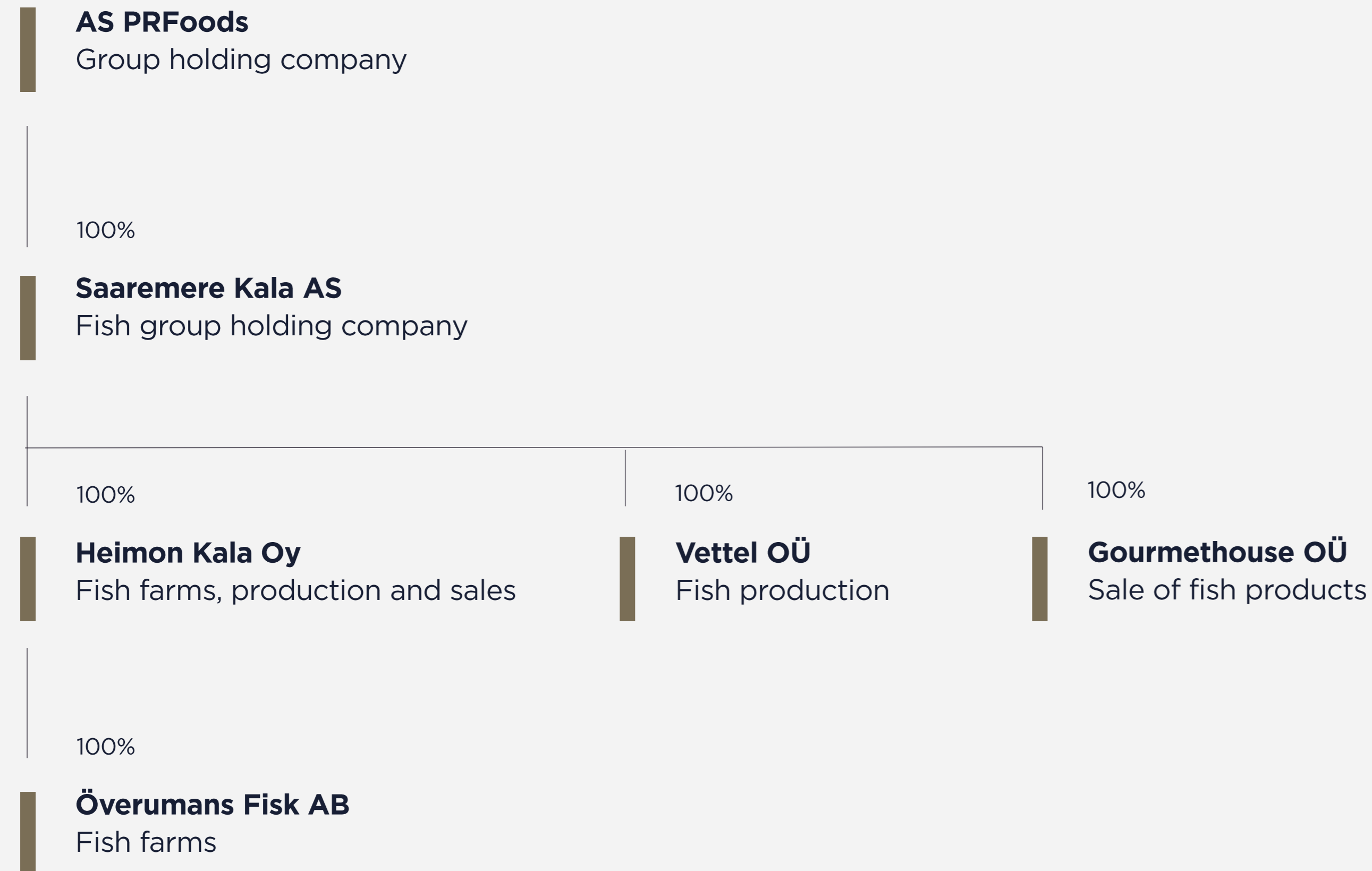


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# Structure of the PRFoods Group



**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 Group’s fish production is harvested in the company’s 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 raw fish is purchased from Norway and Denmark. To a smaller extent, the Company also purchases perch, pike perch, herring, vendance 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.

## Summary: Q1 2016

### UNAUDITED CONSOLIDATED REVENUE

10.2 million euros, decrease -0.06 million euros, i.e. -0.6%.

### GROSS MARGIN

9.5%, decrease -2.6 percentage points.

### THE NEGATIVE EFFECT OF REVALUATION OF BIOLOGICAL ASSETS

-0.4 million euros (Q1 2015: negative impact of -1.0 million euros).

### EBITDA FROM BUSINESS OPERATIONS

0.2 million euros, decrease -0.2 million euros, i.e. -47.6%.

### EBITDA

-0.2 million euros, improvement 0.4 million euros, i.e. 63.2%.

### OPERATING LOSS

-0.5 million euros, improvement 0.4 million euros, i.e. 39.8%.

### NET LOSS

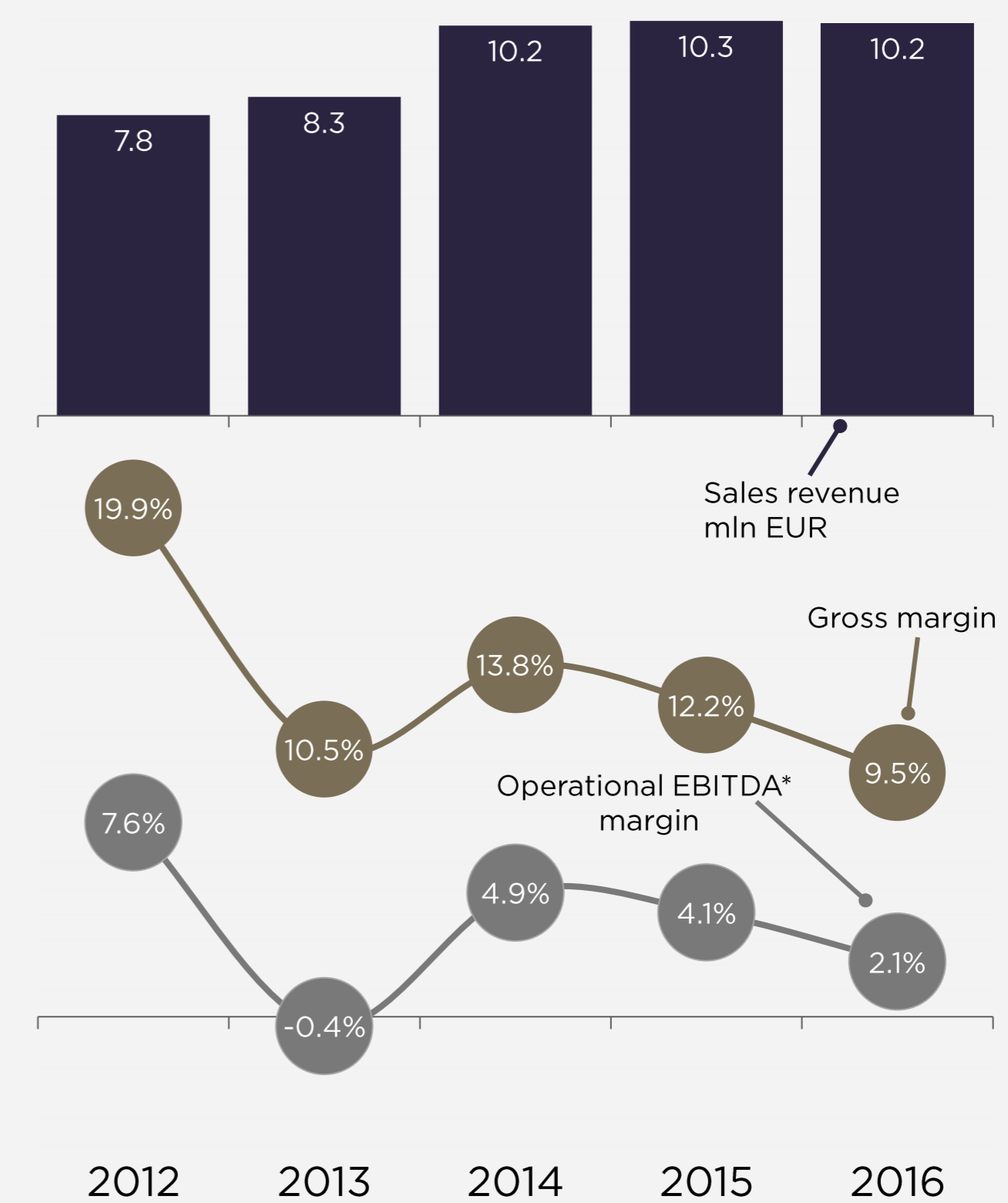
-0.5 million euros, improvement 0.08 million euros, i.e. 13.9%.



# Key ratios: income statement Q1 2012-2016

	Q1 2012	Q1 2013	Q1 2014	Q1 2015	Q1 2016	mIn EUR
<b>Sales revenue</b>	7.8	8.3	10.2	10.3	<b>10.2</b> ▼	
<b>Gross profit</b>	1.6	0.9	1.4	1.3	<b>1.0</b> ▼	
<b>EBITDA from business operations</b>	0.6	0.0	0.5	0.4	<b>0.2</b> ▼	
<b>EBITDA</b>	0.0	-0.2	-0.7	-0.6	<b>-0.2</b> ▲	
<b>EBIT</b>	-0.3	-0.5	-0.9	-0.9	<b>-0.5</b> ▲	
<b>EBT</b>	-0.2	-0.5	-1.2	-0.8	<b>-0.6</b> ▲	
<b>Net profit (-loss)</b>	0.0	-0.4	-0.9	-0.5	<b>-0.5</b> ▲	
<b>Gross margin</b>	19.9%	10.5%	13.8%	12.2%	<b>9.5%</b> ▼	
<b>Operational EBITDA* margin</b>	7.6%	-0.4%	4.9%	4.1%	<b>2.1%</b> ▼	
<b>EBITDA margin</b>	-0.1%	-2.8%	-6.5%	-5.9%	<b>-2.2%</b> ▲	
<b>EBIT margin</b>	-3.4%	-6.1%	-9.2%	-8.6%	<b>-5.2%</b> ▲	
<b>EBT margin</b>	-2.6%	-5.9%	-11.7%	-7.4%	<b>-5.5%</b> ▲	
<b>Net margin</b>	-0.5%	-5.2%	-9.2%	-5.2%	<b>-4.5%</b> ▲	
<b>Operating expense ratio</b>	16.4%	15.1%	12.6%	11.3%	<b>10.5%</b> ▲	

**Gross margin and operational EBITDA margin %**



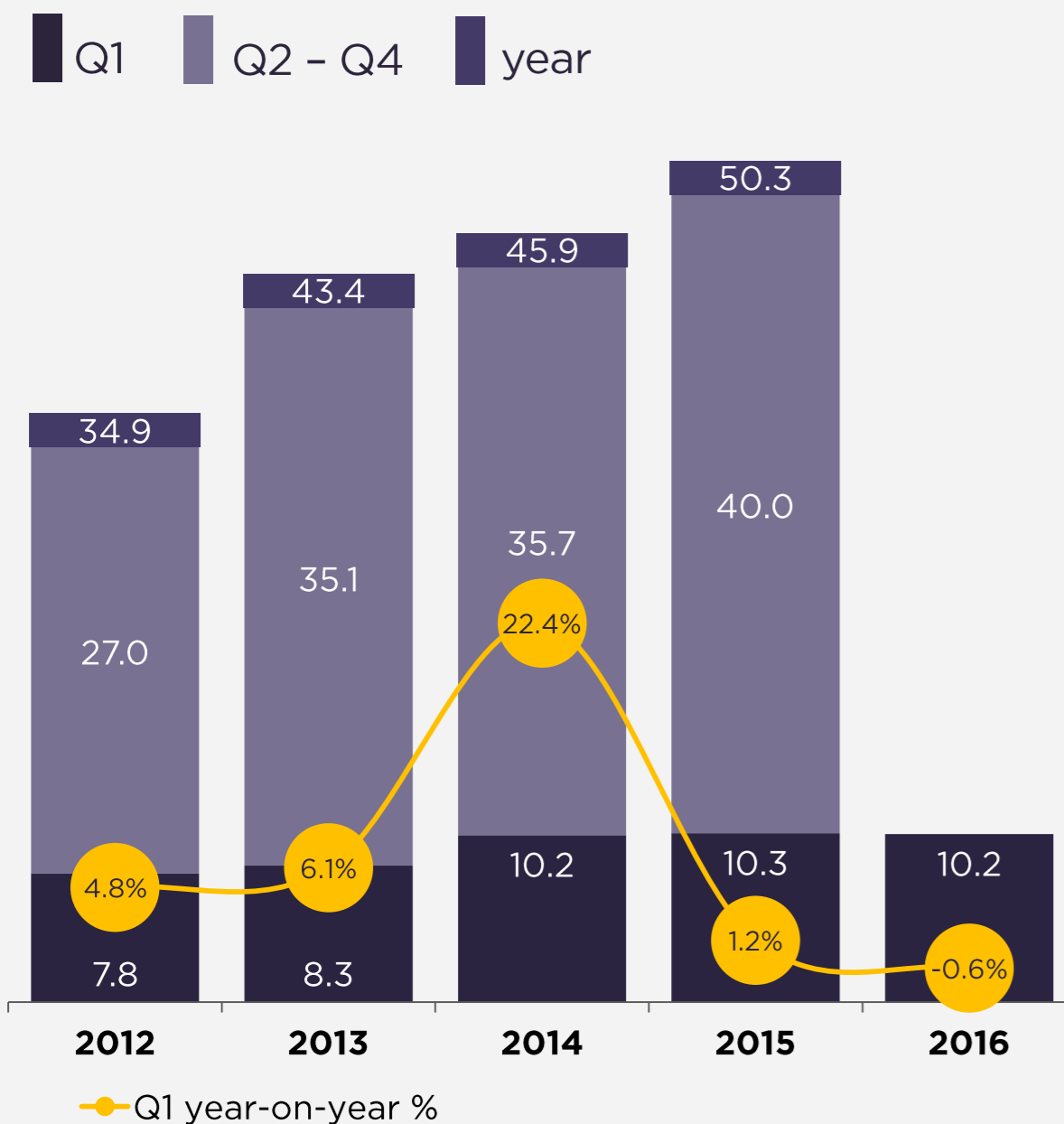
\* before one-offs and fair value adjustment of fish stock



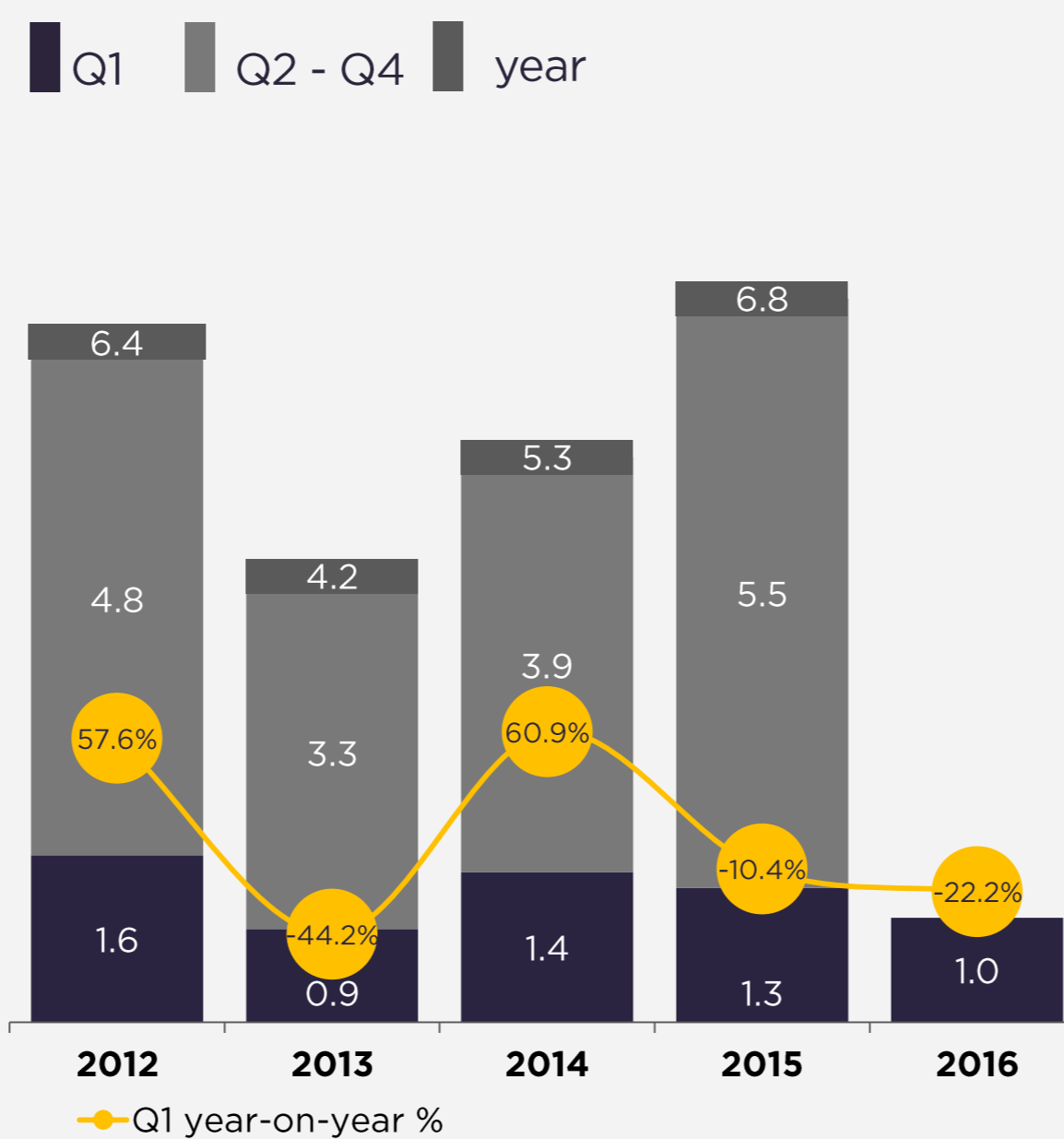
# Revenue and profitability Q1 2012-2016

Negative impact on Company's EBITDA from revaluation of biological assets was -0.4 million euros in Q1 of 2016, -1.0 million euros in Q1 of 2015.

**Sales revenue in 2012-2016**  
 mln EUR  
**Q1: -0.06 mln EUR, i.e. -0.6%**

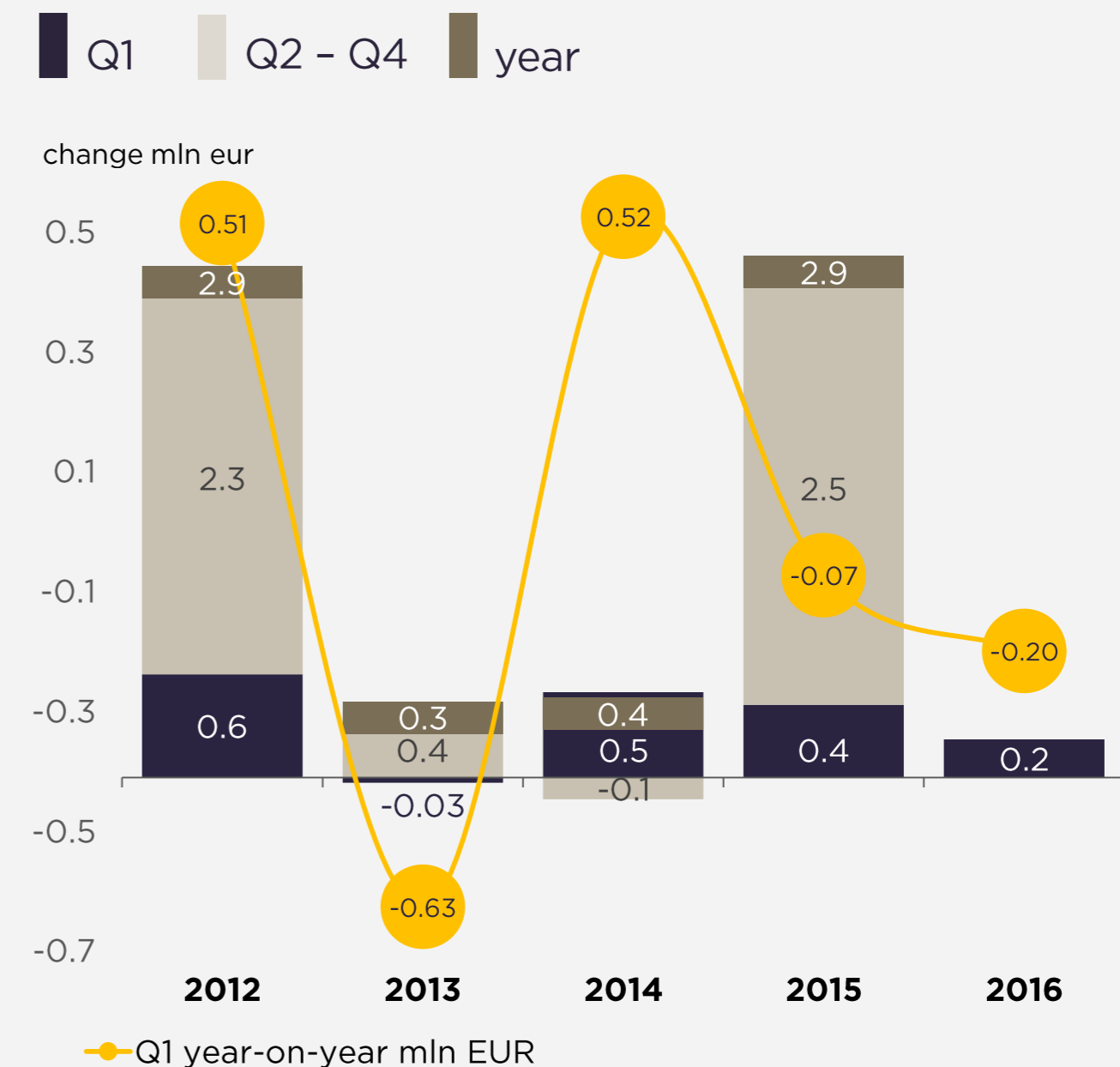


**Gross profit in 2012-2016**  
 mln EUR  
**Q1: -0.28 mln EUR, i.e. -22.2%**



**EBITDA from business operations\* in 2012-2016**  
 mln EUR  
**Q1: -0.20 mln EUR, i.e. -47.6%**

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





## Key ratios: balance sheet

	<b>31.03.2016</b> mln EUR	31.03.2015 mln EUR
<b>Net debt</b>	<b>-3.1</b>	-3.3
<b>Equity</b>	<b>22.7</b>	33.1
<b>Working capital</b>	<b>11.0</b>	21.6
<b>Assets</b>	<b>28.6</b>	39.5
<b>Liquidity ratio</b>	<b>3.7</b>	5.5
<b>Equity ratio</b>	<b>79.4%</b>	83.9%
<b>Gearing ratio</b>	<b>-15.7%</b>	-11.0%
<b>Net debt-to-EBITDA</b>	<b>-1.1</b>	-11.2
<b>ROE</b>	<b>4.5%</b>	-3.2%
<b>ROA</b>	<b>3.7%</b>	-2.1%

**As at the end of the reporting period, the Group's cash assets totalled 4.4 million euros (15.3% of the balance sheet volume). As at 31 March 2015, the Group bank accounts contained cash in the amount of 4.0 million euros (10.1% of the balance sheet volume).**

The financial position of the company is continuously solid and the financial risk is low. The working capital of the company was 11.0 million euros (31.03.2015: 21.6 million euros).

Liquidity ratio showing short time paying capacity was 3.7 (31.03.2015: 5.5).

As of closing date the net debt constituted of -3.1 million euros (31.03.2015: -3.3 million euros).

Financial gearing, i.e. net debt percentage from total capital was -15.7% as of 31.03.2016 (31.03.2015: -11.0%).

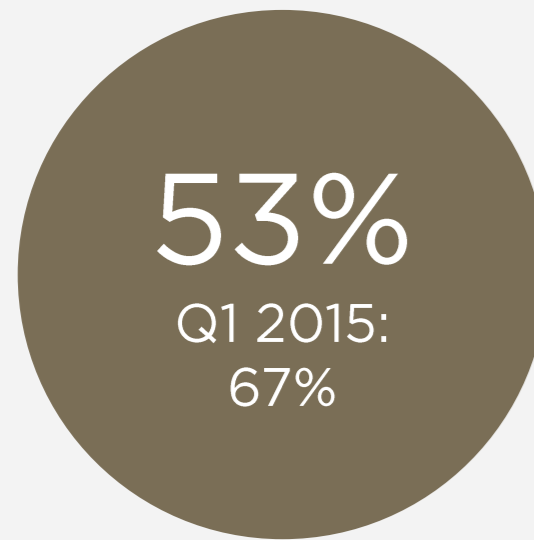
Net debt to EBITDA ratio was -1.1 as of 31.03.2016 (31.03.2015: -11.2).

The Group strong balance sheet gives a good position and a hold out to the market fluctuations.

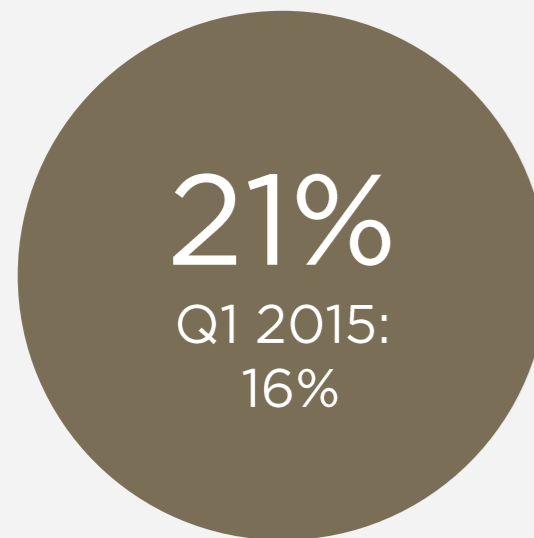
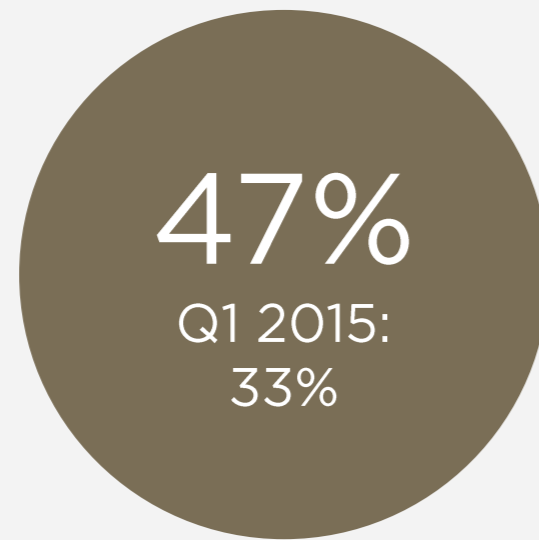
# Balance sheet analysis

AT THE END OF Q1 2016 THE BALANCE SHEET CONSISTED OF THE FOLLOWING:

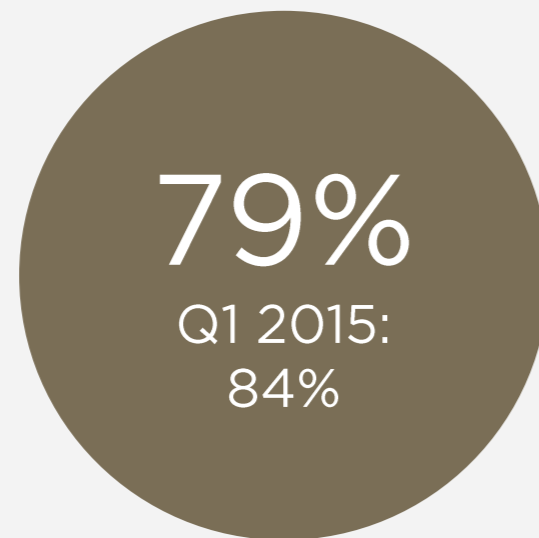
## CURRENT ASSETS



## FIXED ASSETS



## FOREIGN CAPITAL



## EQUITY

The Group consolidated balance sheet total was 28.6 million euros as of 31.03.2016, decreasing by -10.9 million euros within a year i.e. -27.5%. Decrease in the volume of balance sheet is caused by the decrease in share capital by -11.6 million euros in the end of previous year.

### CURRENT ASSETS

Company's total current assets were 15.0 million euros as of 31.03.2016 and the balance of cash and bank accounts was 4.4 million euros.

Accounts receivable and prepayments decreased -8.9 million euros within a year which is related to outstanding instalments from the sales of daughter companies. The balance of outstanding instalments as of 31.03.2016 was 8.0 million euros.

Inventories have decreased by -1.6 million euros year-on-year due to the decision that purchasing of raw fish in the same volume was not reasonable because of the changed market situation.

Biological assets decreased compared with the same period in previous year by -1.1 million euros because of the changes in production strategy.

### FIXED ASSETS

Non-current assets have increased by 0.5 million euros within a year, primarily due to the increase of tangible investment.

### FOREIGN CAPITAL

Accounts payable and prepayments amounted to 3.6 million euros as of 31.03.2016 (31.03.2015: 4.4 million euros), which have decreased by -0.8 million euros i.e. -18.0% compared with the same period in previous year.

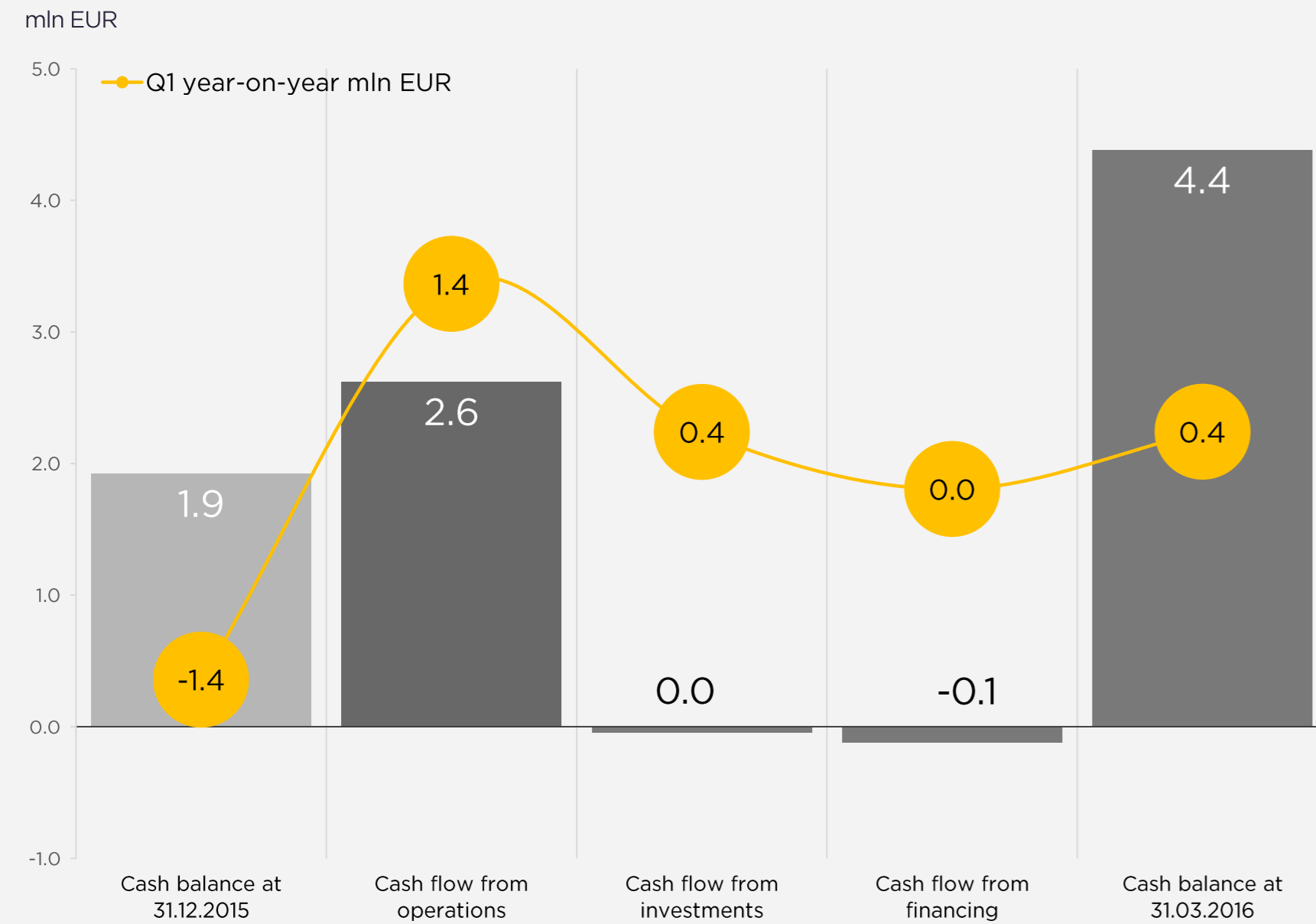
### EQUITY

The equity of PRFoods was 22.7 million euros as of 31.03.2016 (79.4% of the balance sheet volume). As of 31.03.2015 the equity was 33.1 million euros (83.9% of the balance sheet volume). The Company's registered share capital as of 31.03.2016 was 7.7 million euros (31.03.2015: 19.3 million euros), decreasing in total of -11.6 million euros. The reduction of the share capital and the related changes were entered in the Business Register on 2 October 2015. The reduction of share capital was related to the adjustment of the Group's capital structure with the goal of bringing the return on equity and other ratios to a more adequate level.



# Cash flows

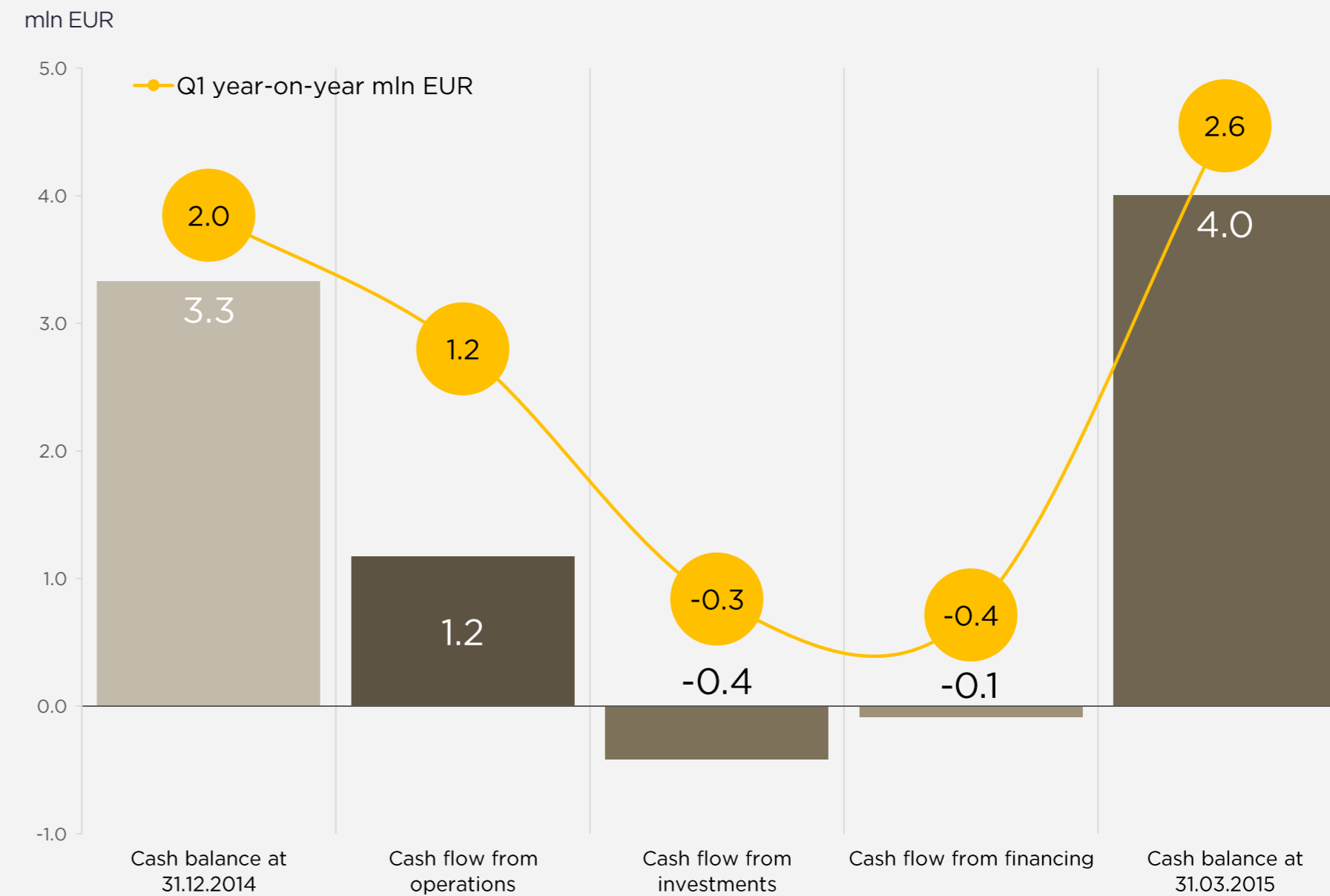
**CHANGE IN CASH AND CASH EQUIVALENTS Q1 2016**



**The change in financial assets of the Group in Q1 of 2016 was 2.5 million euros (Q1 2015: 0.7 million euros).**

Cash flow from operating activities in Q1 2016 was 2.6 million euros (Q1 2015: 1.2 million euros), increasing compared to the same period in previous year by more than twice - by 1.4 million euros i.e. 122.7%. Cash flow from operating activities was most influenced by the decrease of biological assets in the amount of 2.0 million euros and decrease of receivables in the amount of 1.2

**CHANGE IN CASH AND CASH EQUIVALENTS Q1 2015**



million euros.

Cash flow from investments was 0.0 million euros (Q1 of 2015: -0.4 million euros) and cash flow from financing was -0.1 million euros (Q1 2015: -0.1 million euros).

At present the Group has not used bank loans for financing.

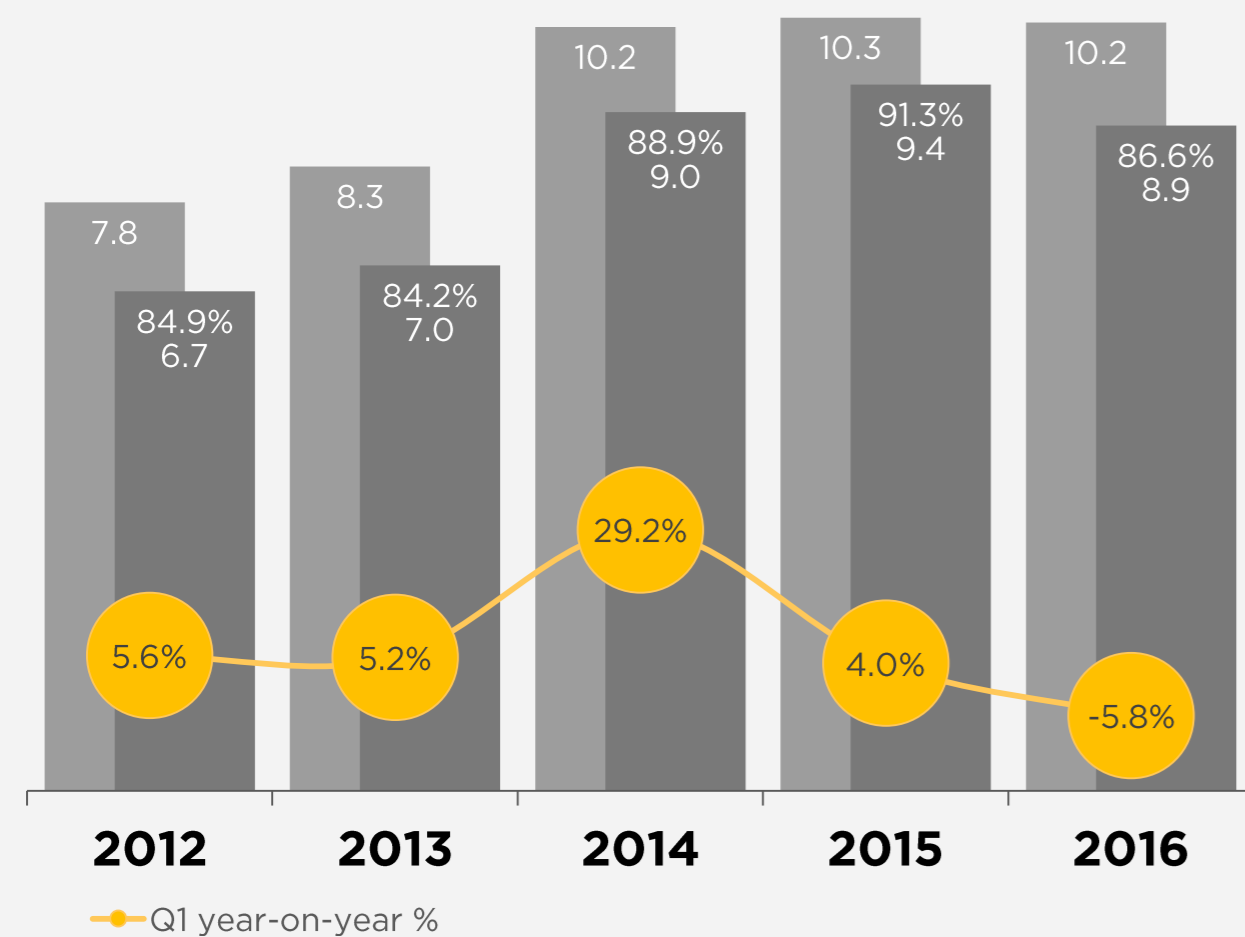
# Sales revenue Q1 2012-2016

Export turnover decreased by 0.5 million euros i.e. -5.8% in Q1 2016. Export share of total turnover decreased compared to the same period in previous year in total of -4.7 percentage points. The reason for decrease is the shrinkage of turnover in Finland target market in total amount of 1.0 million euros.

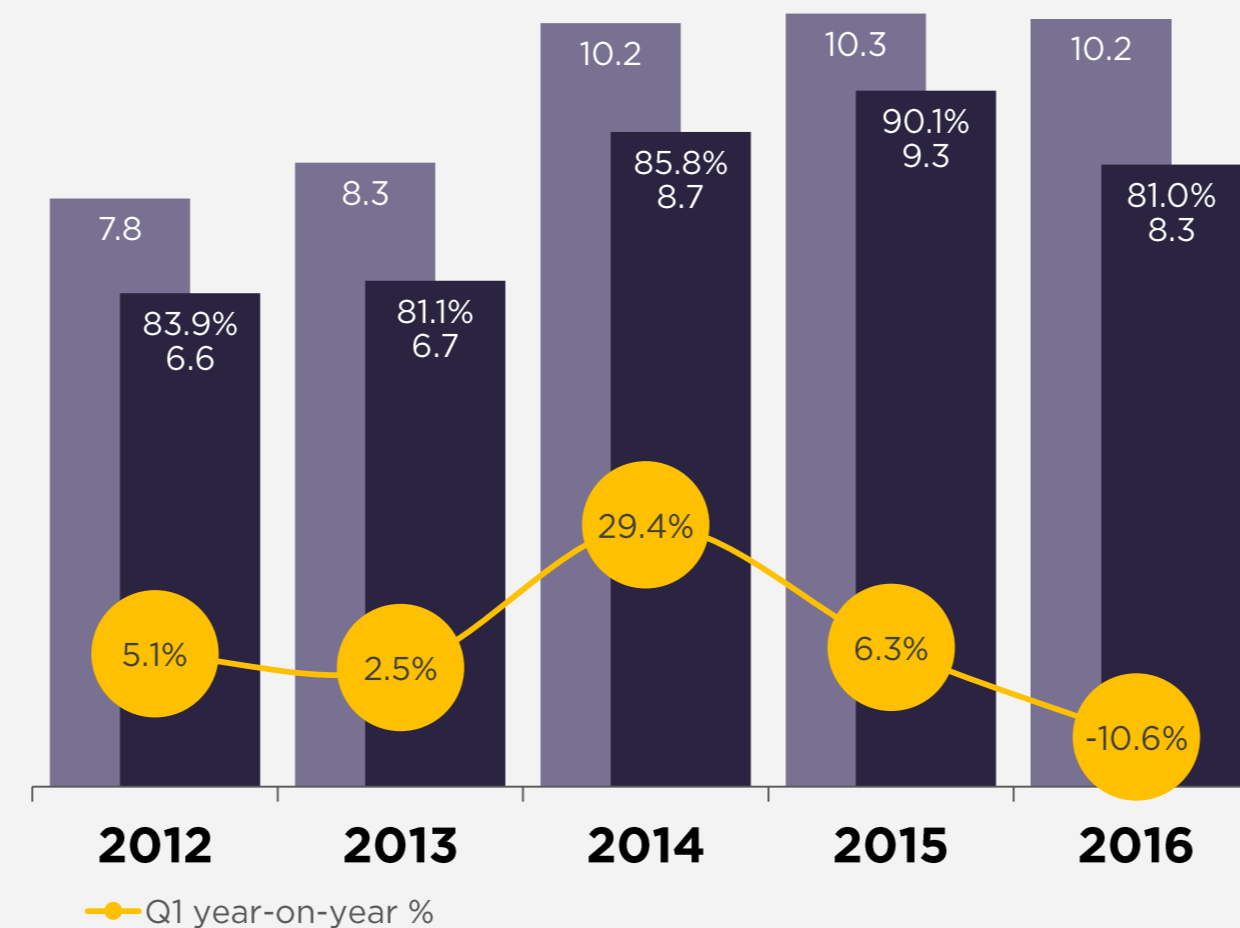
The main products of the Group are salmon and rainbow trout goods. The Company is mainly known as a seller of fresh fish in Estonia and also the biggest supplier of fish roe in Estonian stores. Last year the Group started marketing fish roe to Japan, where sales volumes are expected to increase in current year.

**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.**

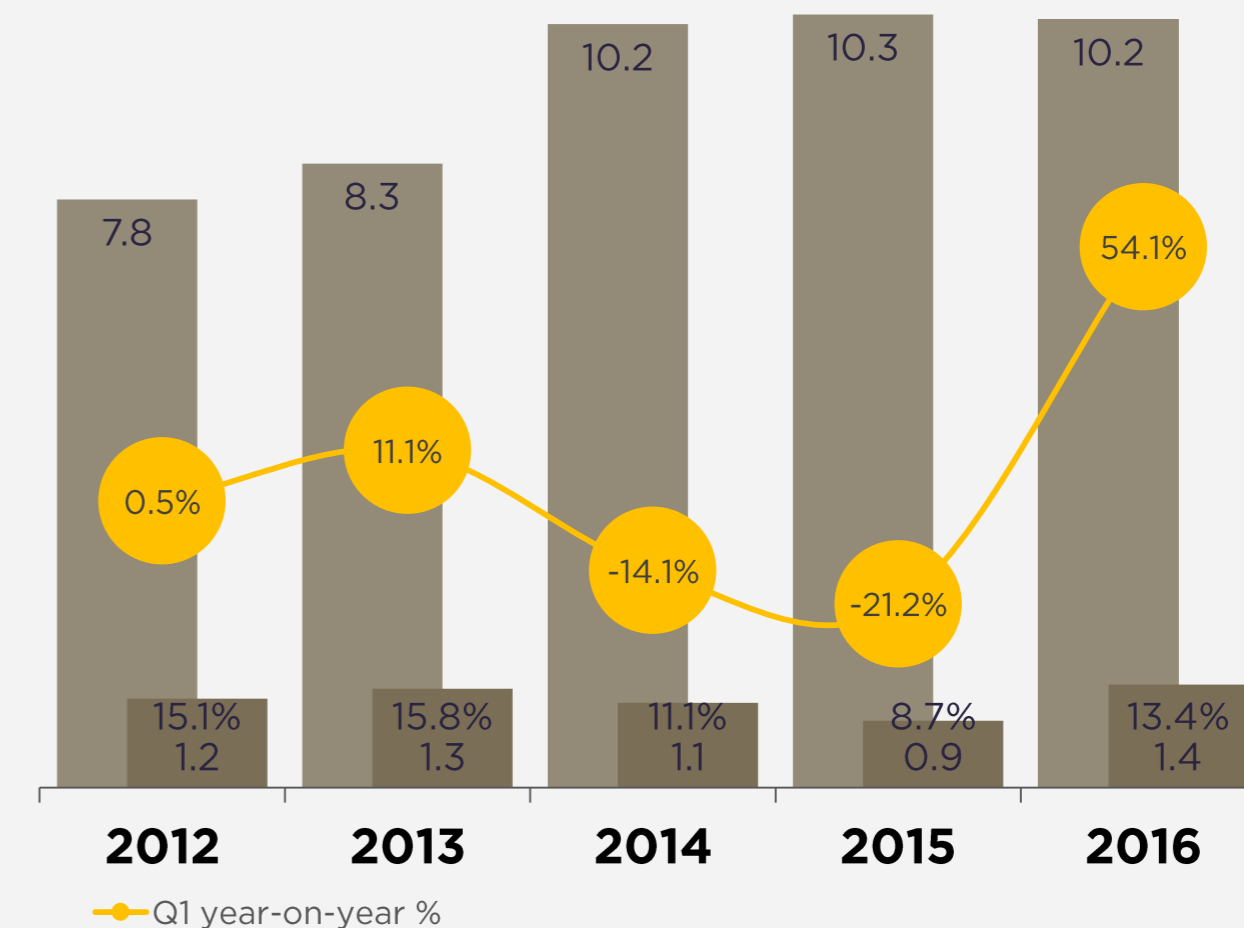
Share of exports revenue mln EUR







Share of Finnish revenue mln EUR



Share of Estonian revenue mln EUR

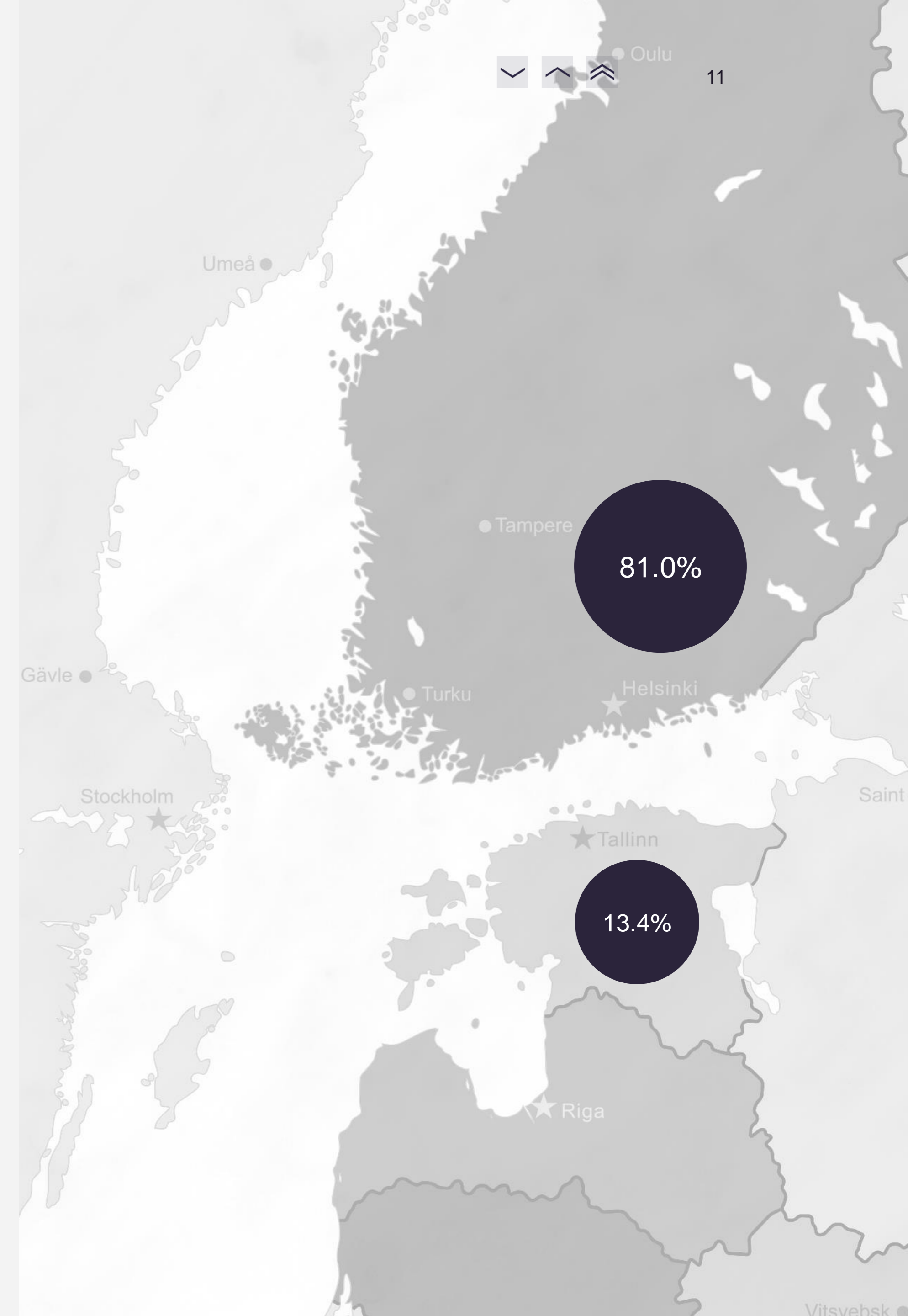


## Sales revenue by countries Q1 2016

		Sales <small>mln EUR</small>	Change	Structure
Finland		8.3	-10.6% ▲	81.0% 
Estonia		1.4	+54.1% ▼	13.4% 
Other		0.6	+331.3% ▼	5.6% 
<b>Total</b>		<b>10.2</b>	<b>-0.6% ▲</b>	

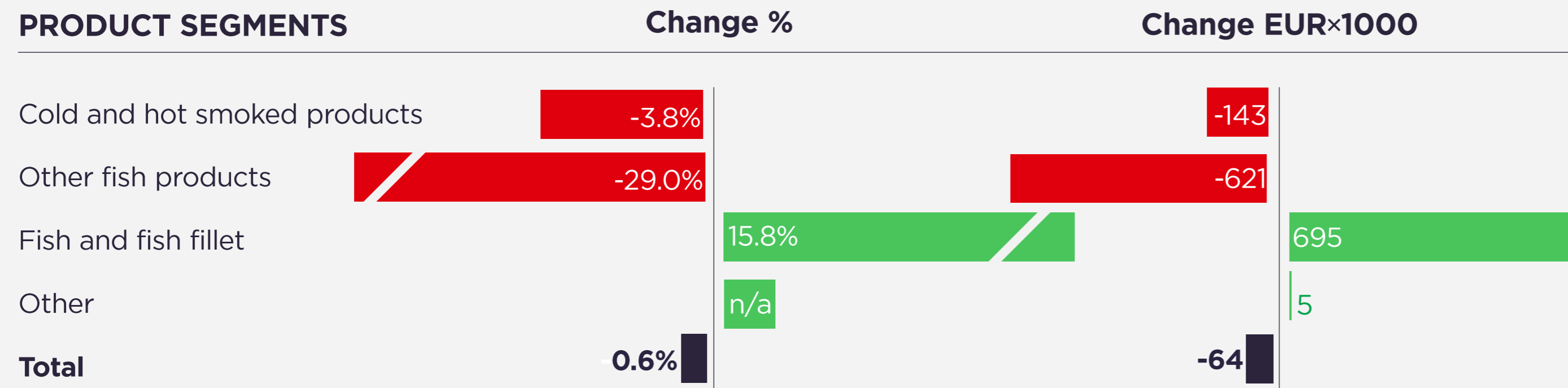
Finnish revenue decreased by 1.0 million euros i.e. -10.6% which is a result of the loss of several Private Label and HoReCa products. The decrease was slightly compensated by orders from couple of new clients. Finnish market revenue has decreased by -9.1 percentage points compared to the previous period and accounted 81.0% of the total revenue of Q1 2016.

The biggest increase in Q1 2016 came from Estonian market in total of 0.5 million euros. As a result the share of Estonian revenue from total revenue has increased by +4.8 percentage points compared to the same period in previous year. In other countries, mostly in Latvia, the revenue increased by 0.4 million euros. The increase of Estonia's and Latvia's market's revenue has mostly been affected by successful fresh fish and fish fillet's marketing.



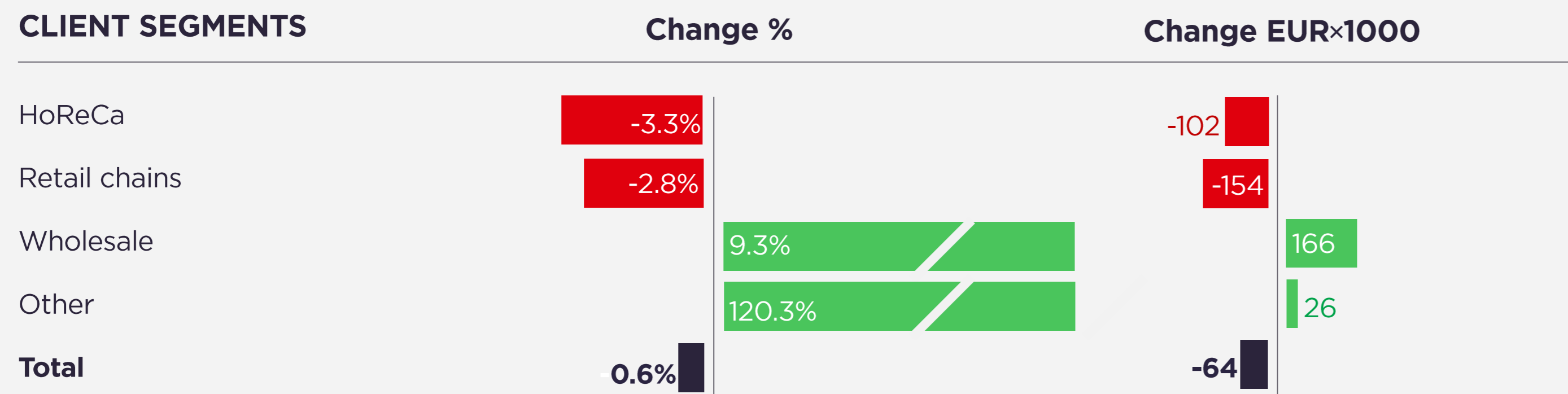


# Sales revenue by product and client segments Q1 2016



## Product segments

The biggest increase in revenue came from raw fish and fillets product group, increasing 0.7 million euros i.e. +15.8%. The biggest decrease in revenue came from other fish products group, decreasing -0.6 million euros i.e. -29.0%. The revenue from smoked products group decreased by -3.8%.

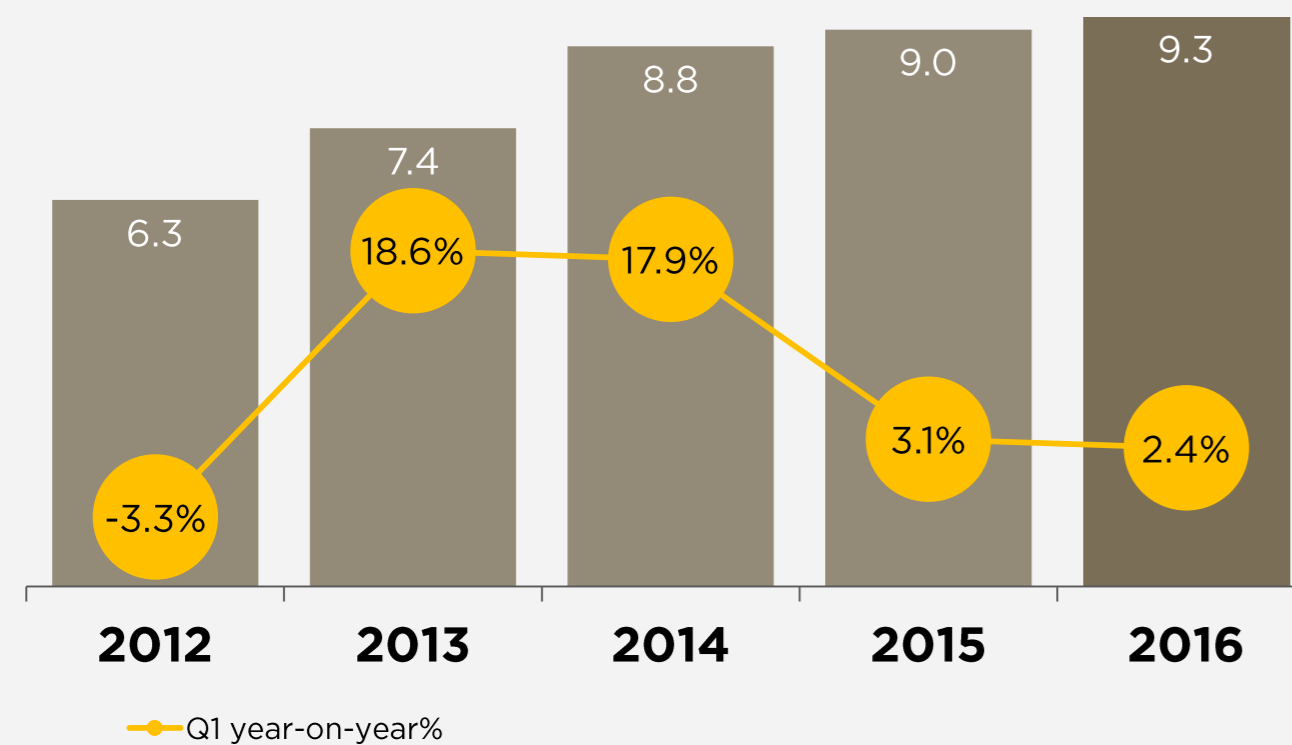


## Client segments

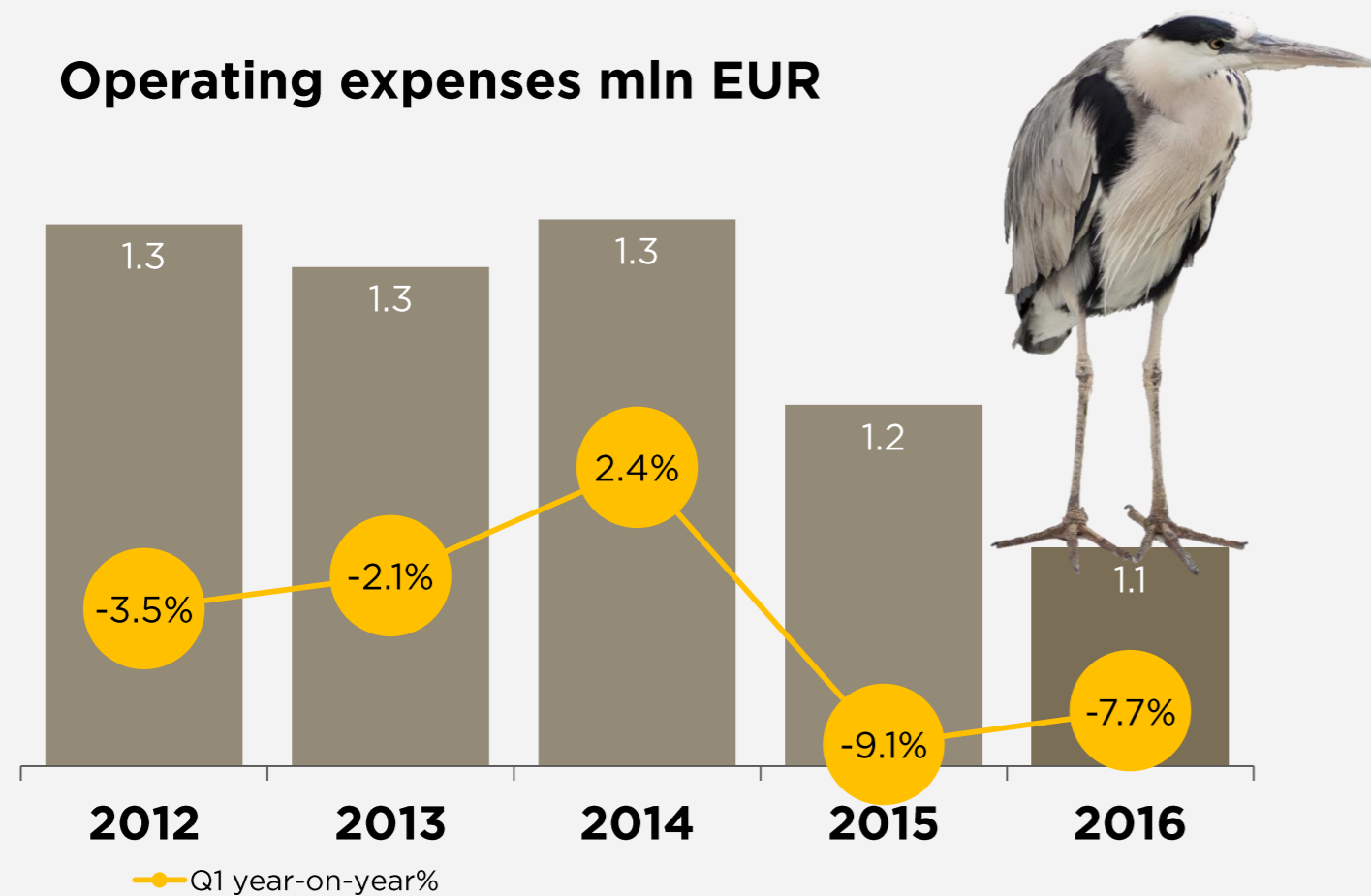
According to the client segments revenue in wholesale sector increased by +9.3% and decreased in both HoReCa and retail chains sector -3.3% and -2.8%, respectfully.

# Cost Q1 2012-2016

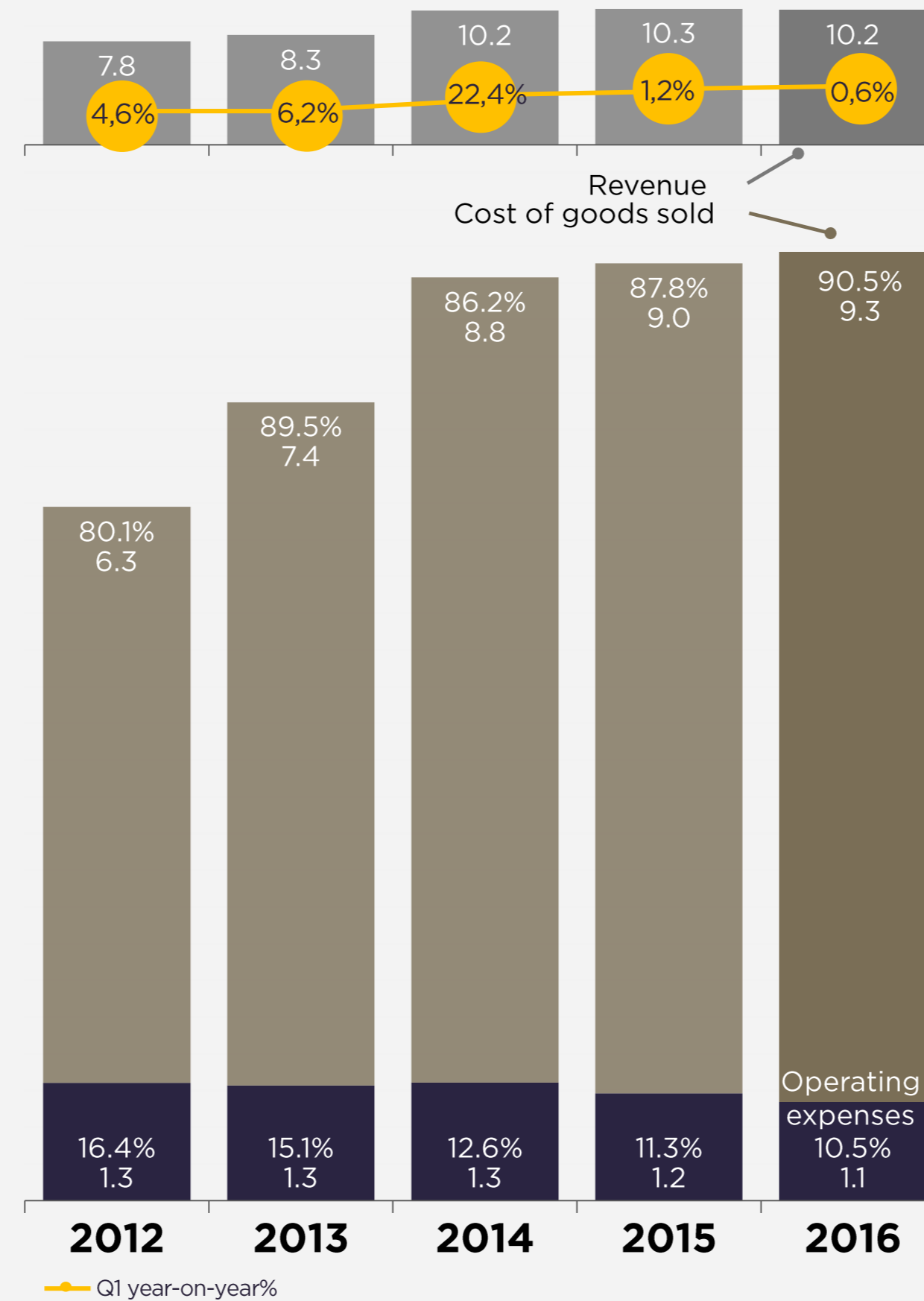
Cost of goods sold mln EUR



Operating expenses mln EUR



Cost structure and as % of sales



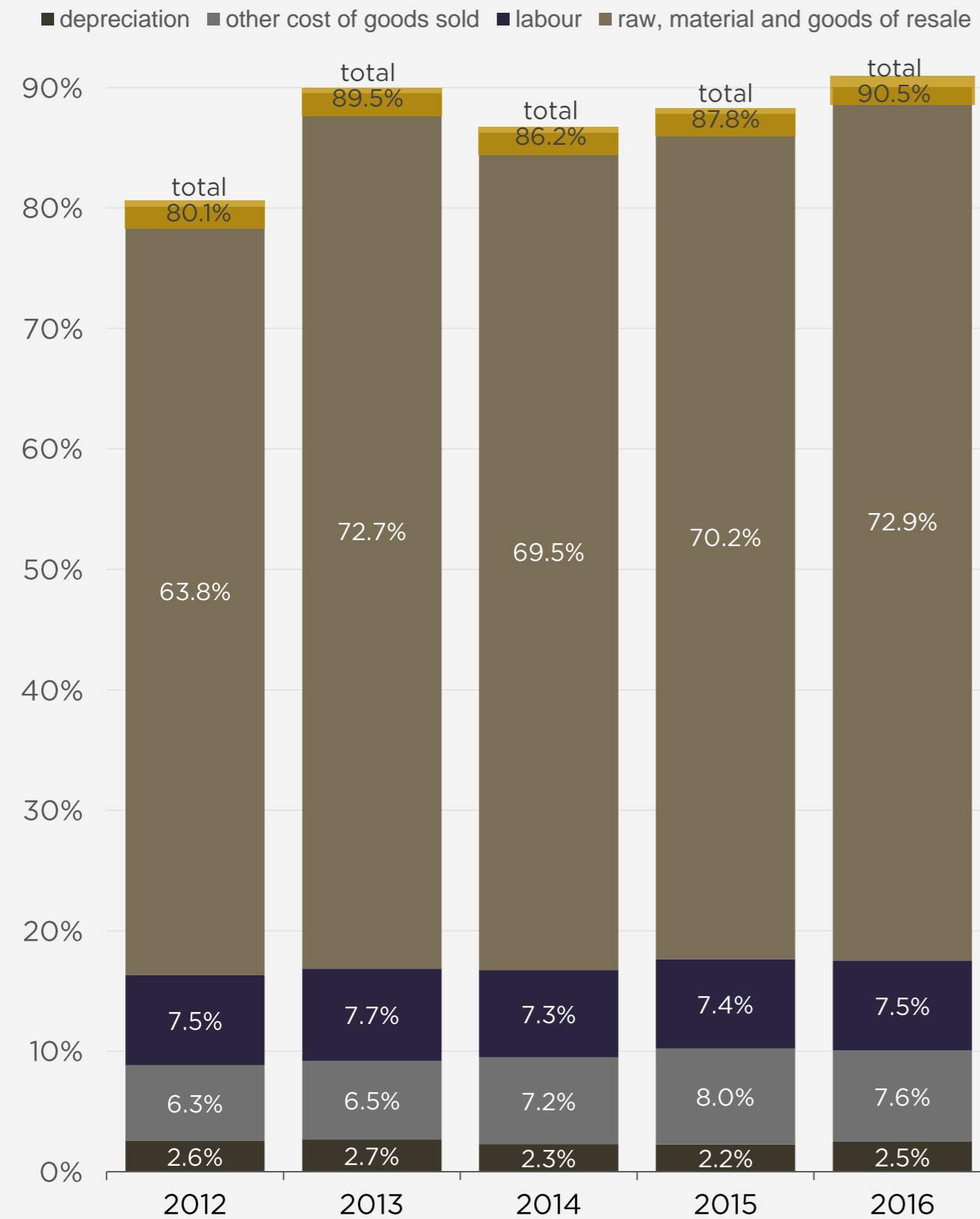
Sales revenue decreased by -0.06 million euros i.e. -0.6% in Q1 2016. During the same period cost of goods sold increased by 0.22 million euros i.e. 2.4% and its percentage from the revenue increased 2.7 percentage points compared to the same period in 2015.

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. The increase in costs of goods sold is due to the increase of raw fish market price. The average market price of salmon increased by 30.8% in Q1 2016 and the average market price of trout increased by 0.2% compared to the same period in 2015.

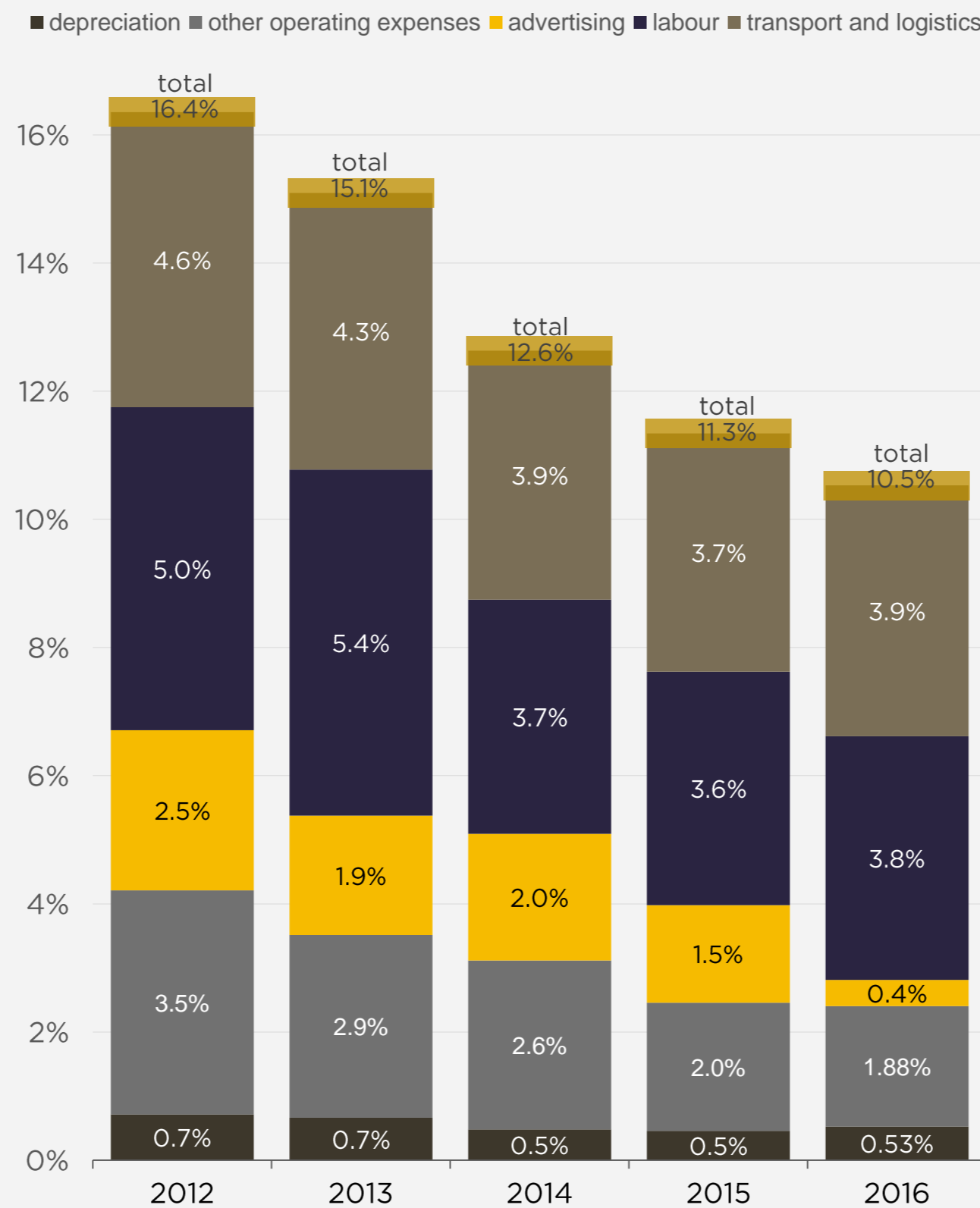
In Q1 2016 the percentage of operating costs from revenue was 10.5%, reducing by 90 thousand euros i.e. -7.7% compared to the same period last year, in total by -0.8 percentage point.

# Cost analysis Q1 2012-2016

**Cost of goods sold as % of sales**



**Operating expenses as % of sales**



**Salary costs of production and fish farm personnel accounted for 7.5% of revenue, increasing by 0.1 percentage point i.e. 10 thousand euros.**

The percentage of costs of other goods sold from revenue in Q1 2016 was 7.6% (Q1 2015: 8.0%), decreasing by -0.4 percentage point i.e. -47 thousand euros. The composition of other costs of goods sold includes costs on heating, electricity, rent and utility costs as well as auxiliary costs related to fish farming and production.

Depreciation costs of fixed assets increased by 31 thousand euros i.e. 0.3 percentage point within a year.

The percentage of operating costs from revenue has been decreasing year by year.



# Cost analysis Q1 2016

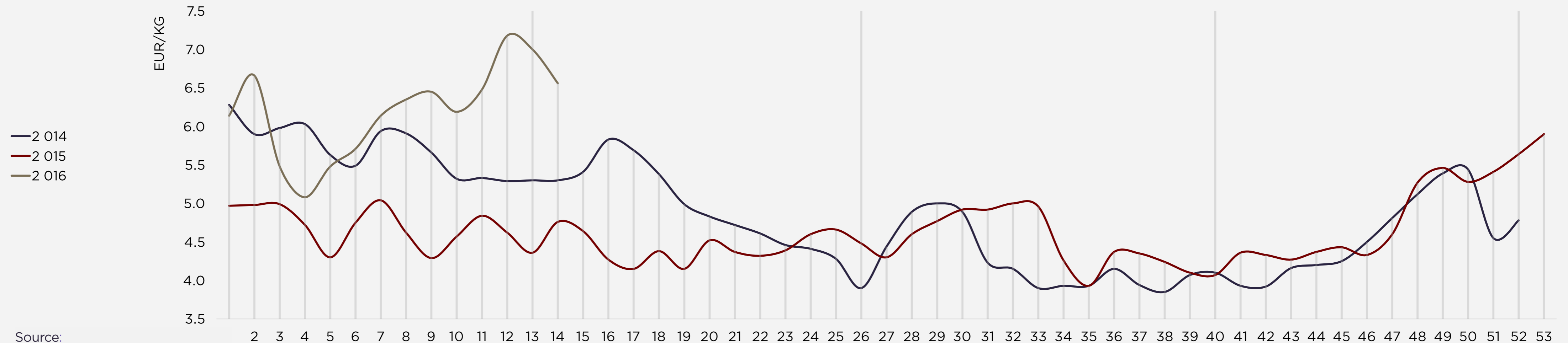


	Q1 2016 mln eur	Q1 2015 mln eur	change mln eur	Q1	Q12 016 % of sales	Q12 015 % of sales	change % of sales	Q1
<b>Sales revenue</b>	<b>10.24</b>	10.30	-0.06	↓	<b>100.00%</b>	100.00%		
<b>Cost of goods sold</b>	<b>-9.26</b>	-9.04	-0.22	↓	<b>90.45%</b>	87.81%	-2.64%	↓
materials in production and cost of goods purchased for resale	-7.46	-7.23	-0.23	↓	72.93%	70.18%	-2.75%	↓
labour costs	-0.76	-0.76	0.00		7.46%	7.41%	-0.05%	↓
depreciation	-0.26	-0.23	-0.03	↓	2.49%	2.24%	-0.25%	↓
other cost of goods sold	-0.78	-0.82	0.04	↑	7.57%	7.98%	0.41%	↑
<b>Operating expenses</b>	<b>-1.08</b>	-1.17	0.09	↑	<b>10.54%</b>	11.34%	0.80%	↑
labour costs	-0.39	-0.37	-0.02	↓	3.80%	3.64%	-0.16%	↓
transport and logistics services	-0.40	-0.38	-0.02	↓	3.93%	3.72%	-0.21%	↓
depreciation	-0.05	-0.05	0.00		0.53%	0.46%	-0.07%	↓
advertising, marketing and product development	-0.04	-0.16	0.12	↑	0.40%	1.52%	1.12%	↑
other operating expenses	-0.20	-0.21	0.01	↑	1.88%	2.00%	0.12%	↑
<b>Other income/-expenses</b>	<b>0.01</b>	0.05	-0.04	↓	<b>0.12%</b>	0.53%	-0.41%	↓
<b>Financial income/-expenses</b>	<b>-0.03</b>	0.12	-0.15	↓	<b>-0.31%</b>	1.16%	-1.47%	↓

# The market price of fish: Norwegian farmed 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.

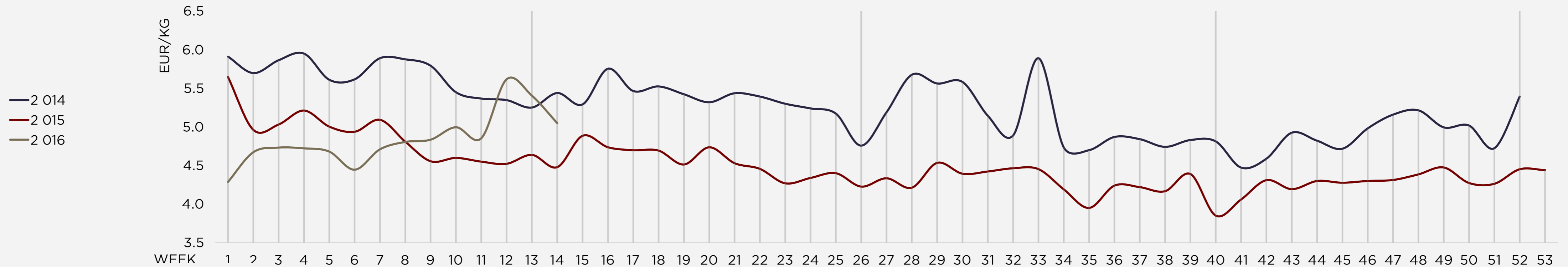
Fish market is extremely dependent on availability and market price of raw fish. The Group compensates the impact of external environment and volatility of salmon price through the changes of Company's production and sales strategy. The Group's main product is rainbow trout, which is cheaper than salmon. 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: Norwegian farmed rainbow trout



EXPORT PRICE OF NORWEGIAN RAINBOW TROUT



Source:  
akvafakta.no

Market price EUR/KG	31.03.2016	31.12.2015	31.03.2015	31.12.2014
Salmon	7.00	5.90	4.76	4.80
Rainbow trout	5.40	4.44	4.48	5.39
Market price change %	31.03.16/31.03.15	31.03.16/31.12.15	31.12.15/31.12.14	31.03.15/31.12.14
Salmon	47.1%	18.6%	22.9%	-0.8%
Rainbow trout	20.7%	21.7%	-17.6%	-17.0%

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.



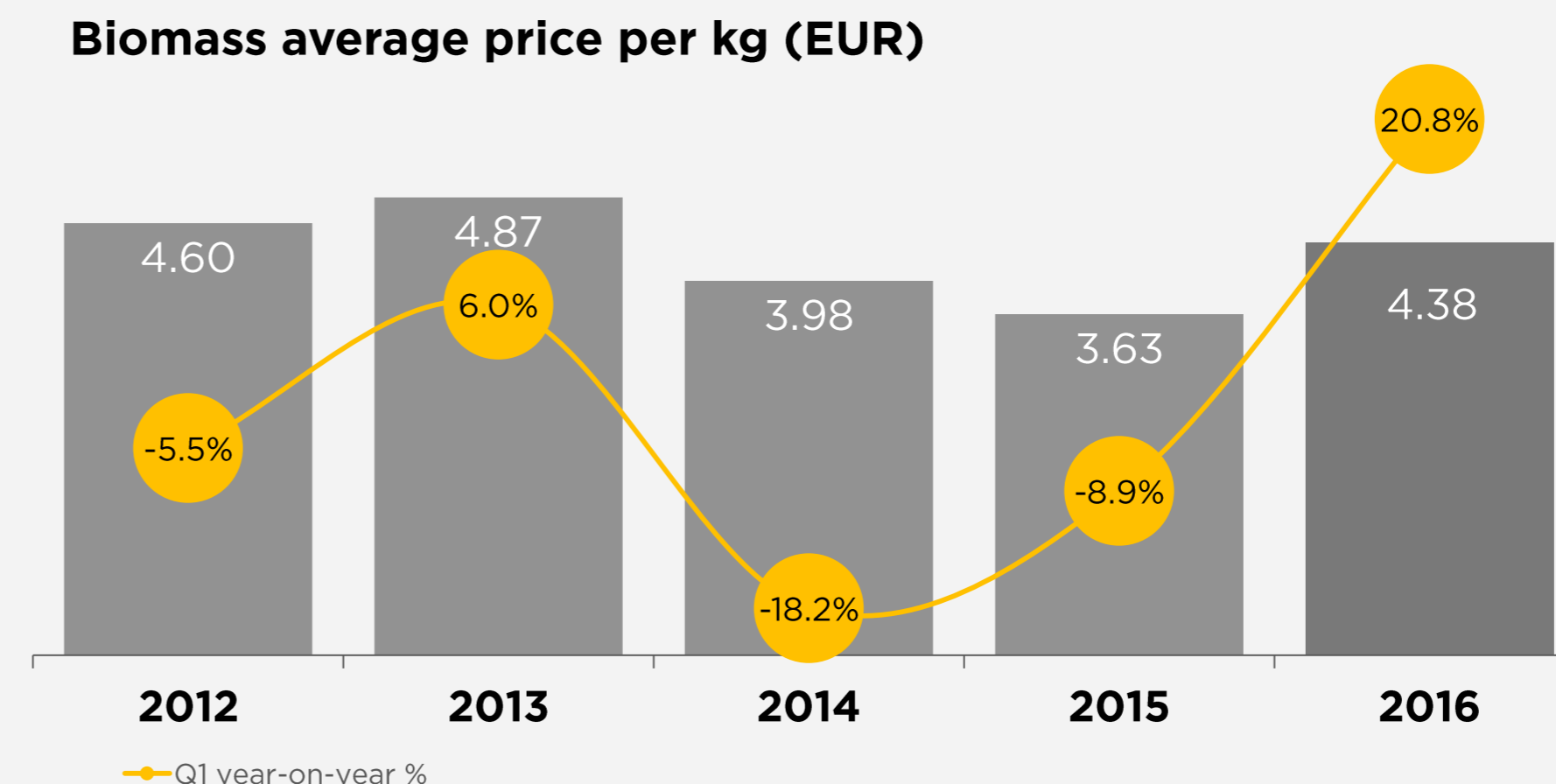
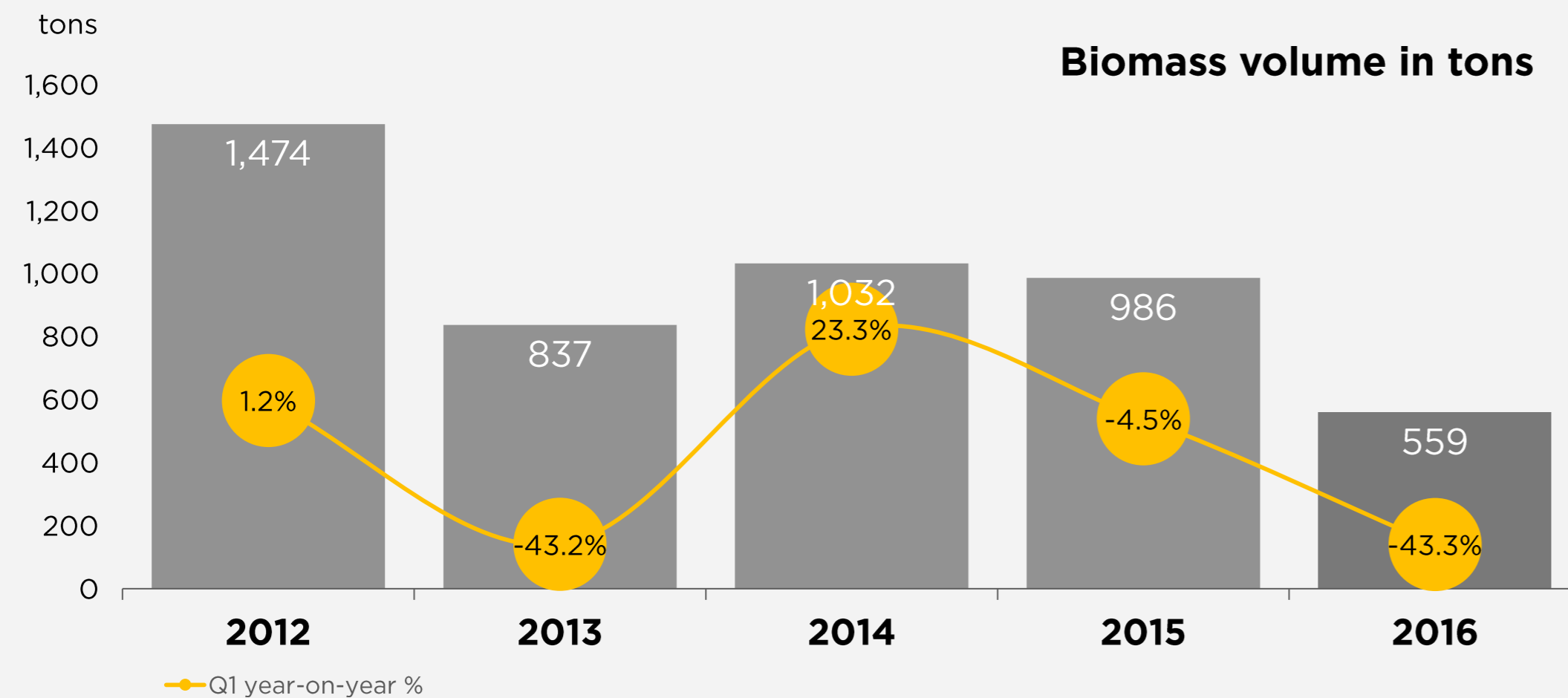
# Biological assets: biomass volume and average price per kilogram Q1 2012-2016

	Q1 2012	Q1 2013	Q1 2014	Q1 2015	Q1 2016
Biological assets (mln EUR)	6.78	4.08	4.11	3.58	2.45
Biomass volume in tons	1,474	837	1,032	986	559
Average price per kg (EUR)	4.60	4.87	3.98	3.63	4.38
Fair value adjustment on biological assets (mln EUR)	-0.60	-0.20	-1.13	-1.03	-0.44

Biological assets decreased by -427 tons compared to the same period in previous year (-43.3%) and monetary decreasing was -1.13 million euros i.e. -31.5%. The reason for this was the increase of market price, which as at 31.03.2016 is 20.7% higher compared to the market price at 31.03.2015.

The aggregate gain of biological assets was negative during the reporting period, amounting to -23 thousand euros (Q1 2015: -544 thousand euros).

As at 31.03.2016 the fair value of biological assets was 2.45 million euros (31.03.2015: 3.58 million euros).



# Biological assets: harvested volume Q1 2012-2016

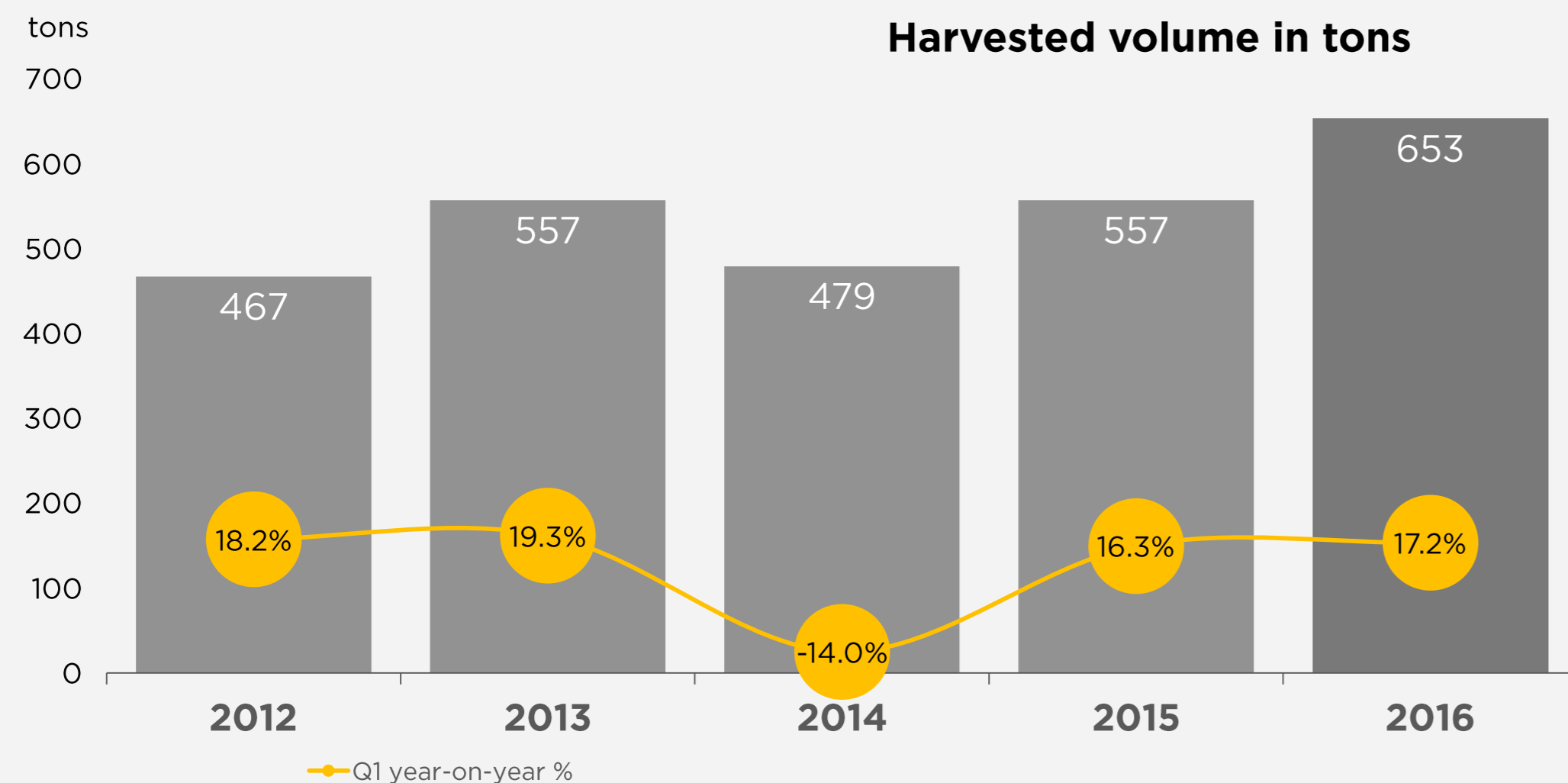


	Q1 2012	Q1 2013	Q1 2014	Q1 2015	Q1 2016
Sales revenue (mln EUR)	7.84	8.31	10.17	10.30	10.24
EBITDA from operations* (mln EUR)	0.60	-0.03	0.49	0.42	0.22
Harvested volume (tons)	467	557	479	557	653
EBITDA / kg* (EUR)	1.28	-0.06	1.03	0.75	0.34

During the reporting period agricultural produce in the amount of 653 tons was harvested, which has increased 17.2% compared to the same period in previous year. The same period in previous year, agricultural produce was harvested in the amount of 557 tonnes.

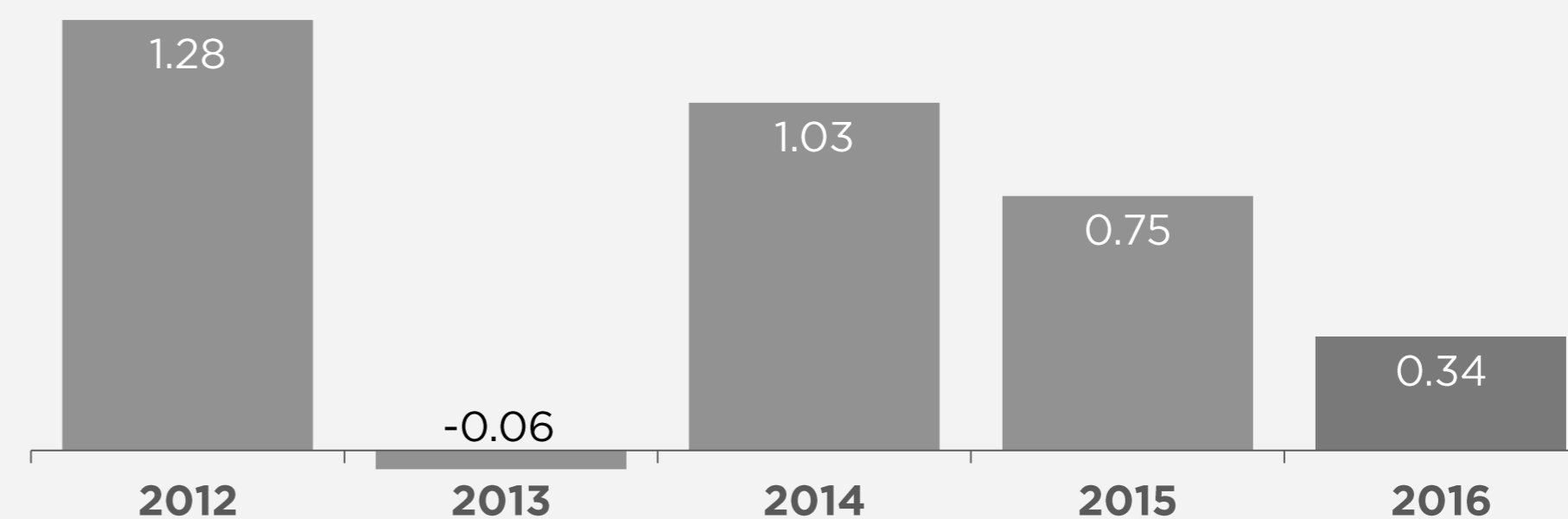
When the market price of raw fish increases or decreases, so does the value of fish harvested in fish farms of PRFoods, which has a positive or negative impact on the company's financial results.

The impact of market price to the company's EBITDA and operating revenue in Q1 2016 was amounting to -31 thousand euros, since as at 31.03.2016 the amount of fish suitable for harvesting was small. In Q1 2015 the impact of market price was -294 thousand euros..



## EBITDA from business operations\* / kg EUR

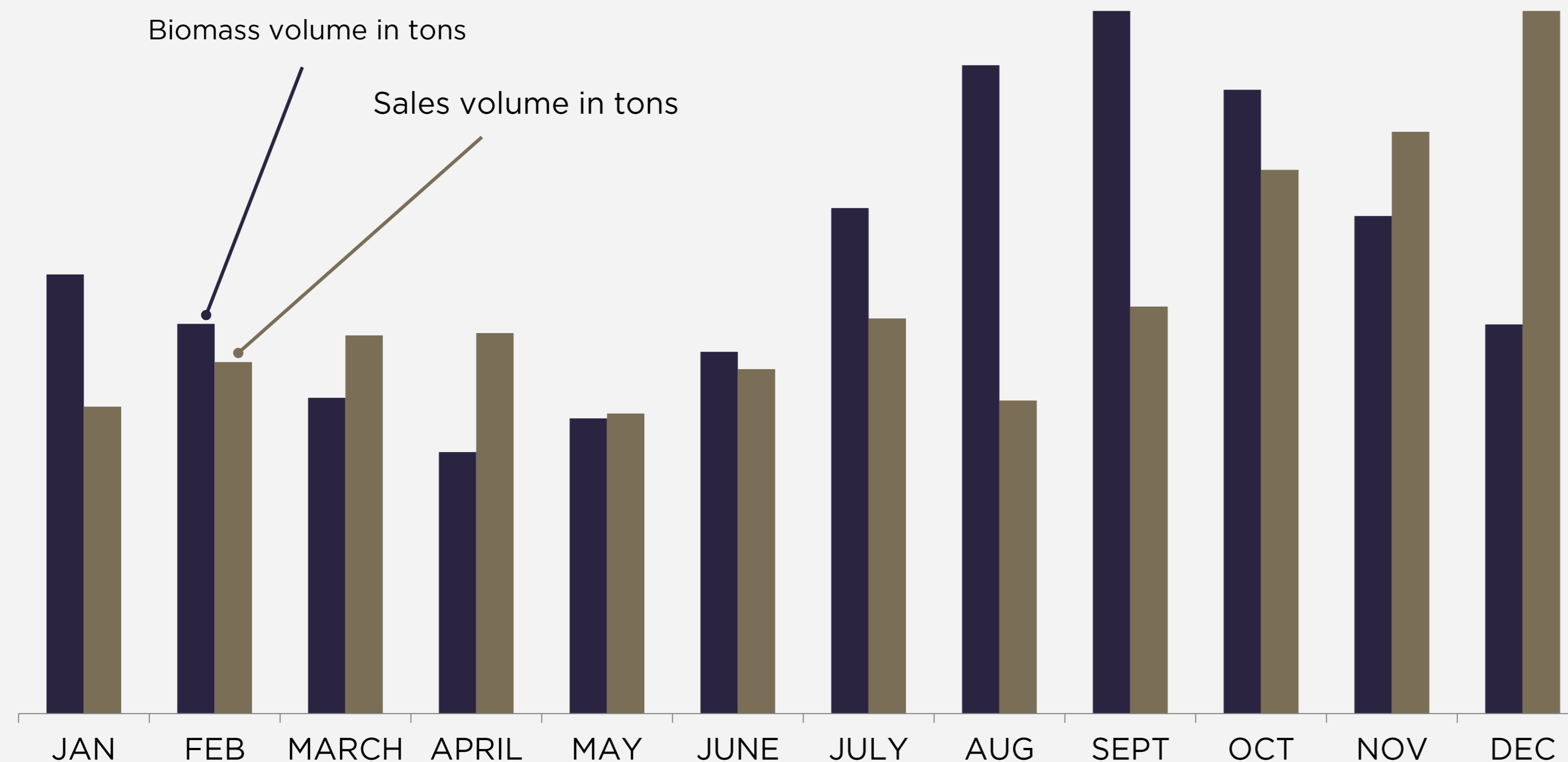
\* before one-offs and fair value adjustment of fish stock





# 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.



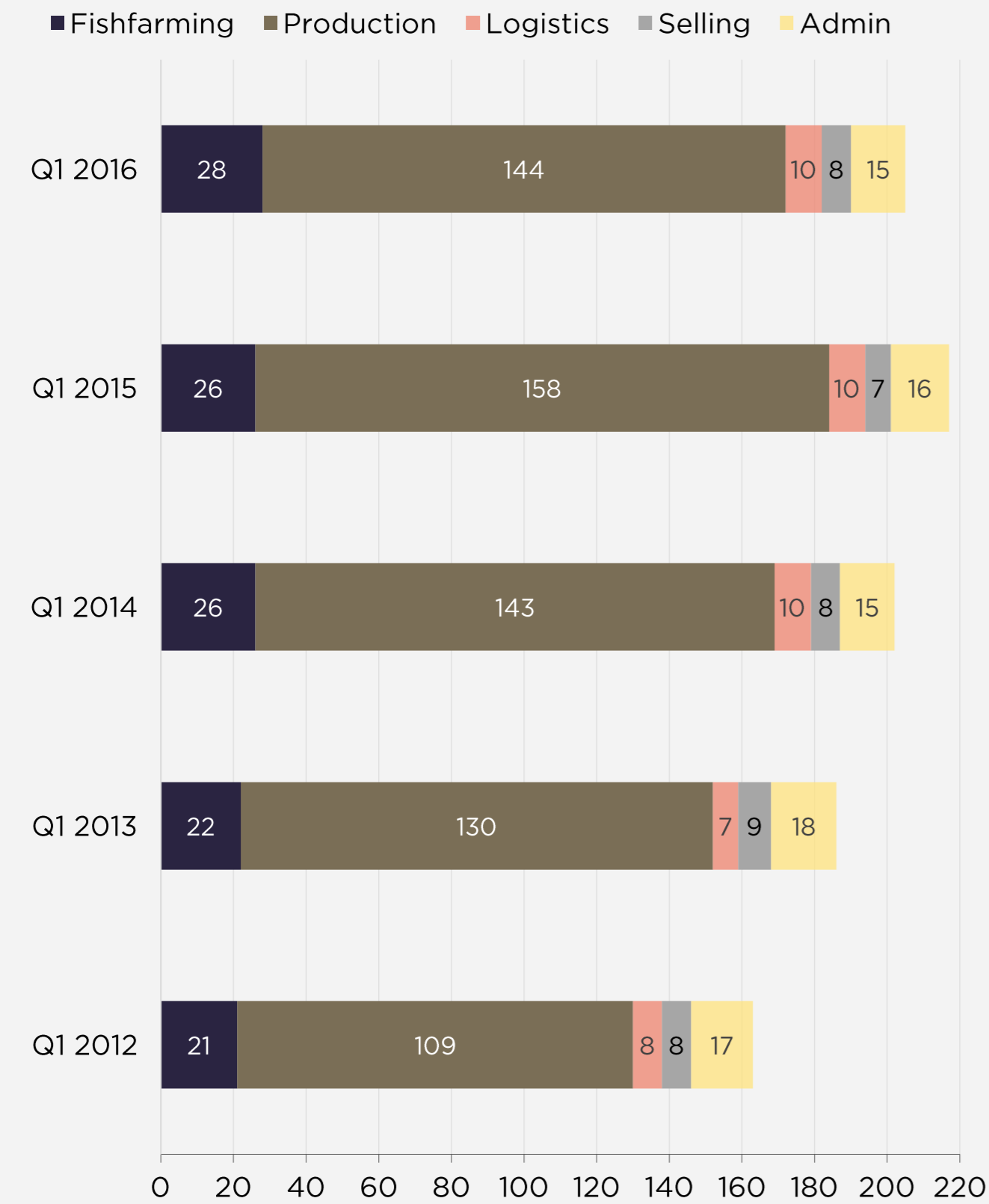
**Due to the growth of biomass, the low season in fish farming lasts from November until May, while the high season lasts from June to September. Biomass growth is being influenced by the temperature in seas and lakes. Trout, for instance, grows faster from summer until autumn when the water is warmer. 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.

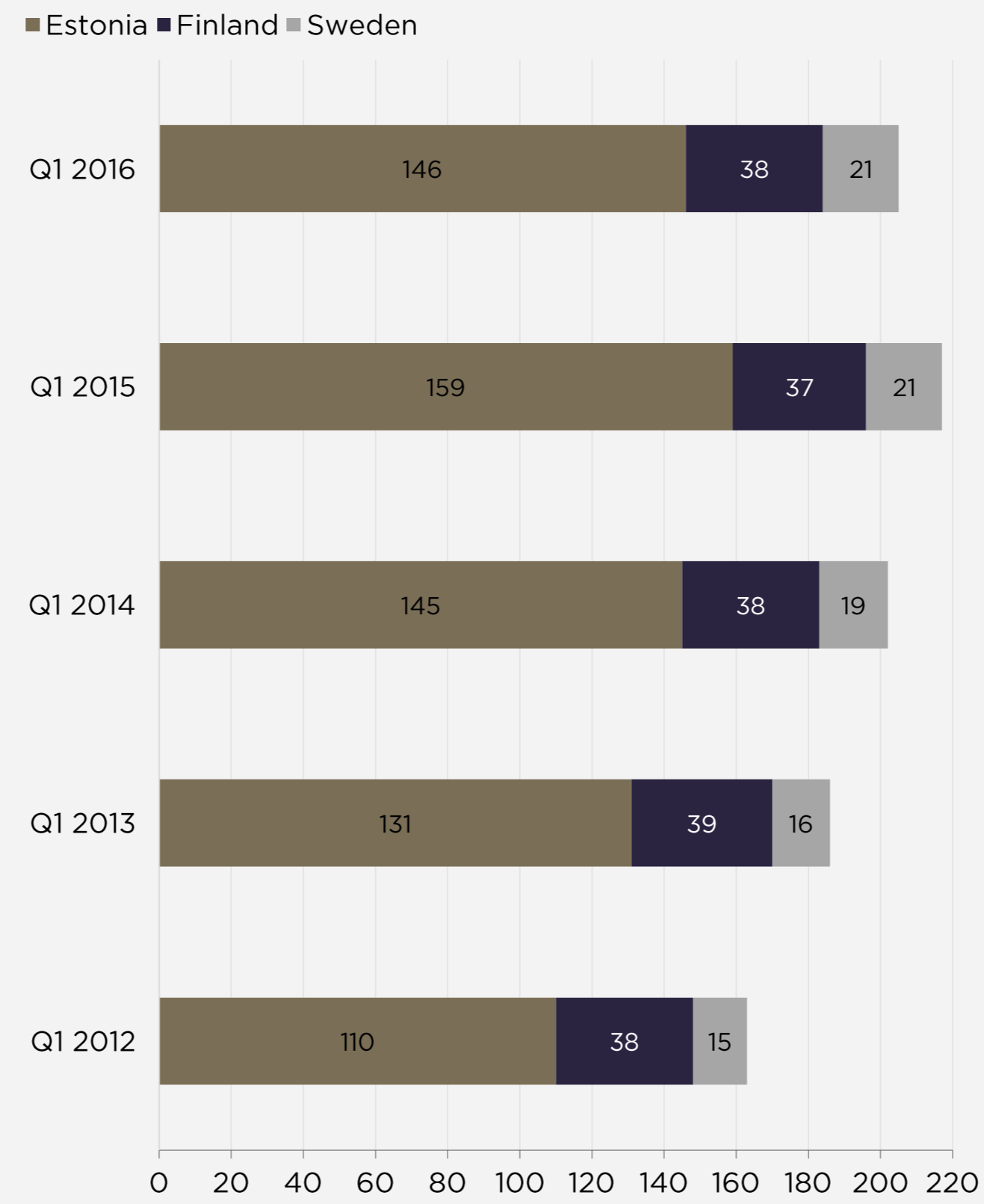


# Staff structure Q1 2012-2016

**Employees according to area of activity**



**Employees by country**



The average number of employees during Q1 of 2016 was 205. Compared to the same period of 2015, the average number of employees reduced by -5.5%. The average number of employees during Q1 of 2015 was 217.

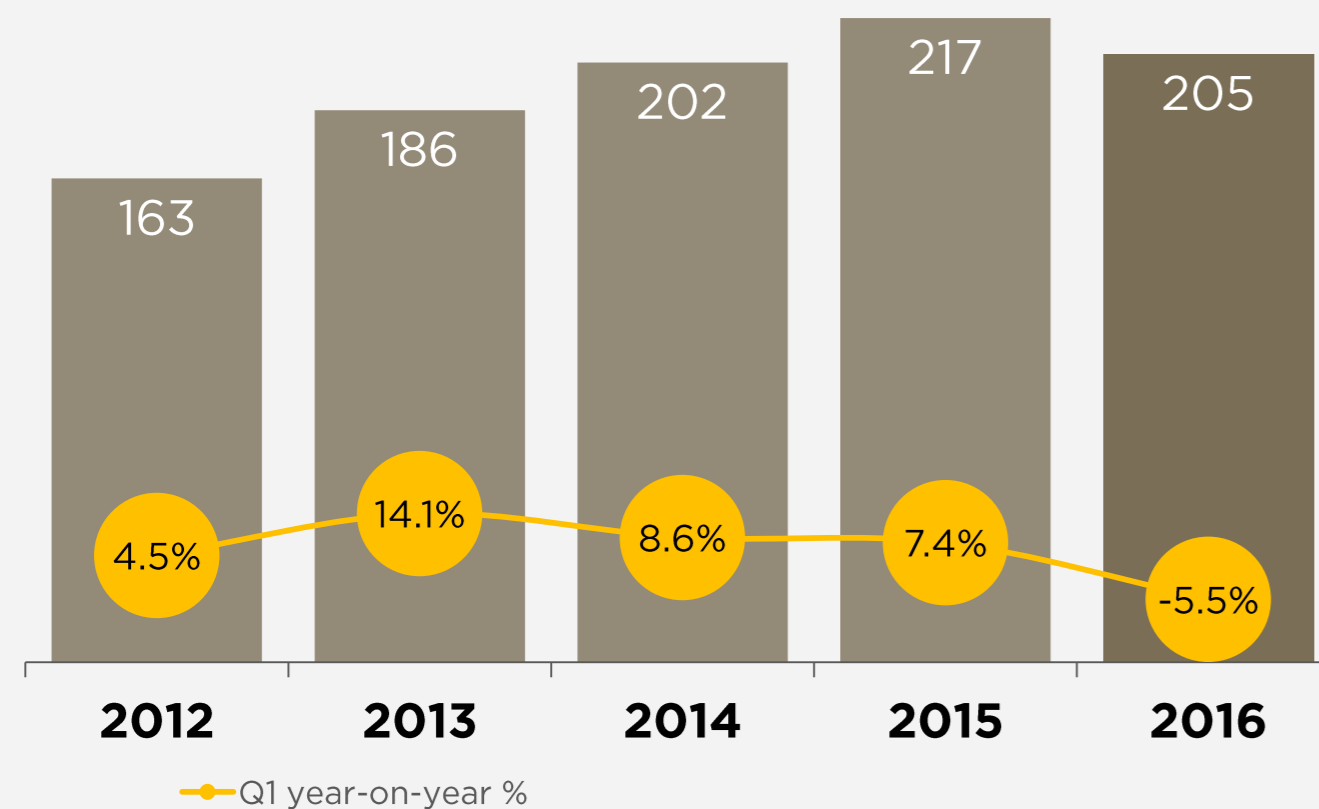


# Labour cost Q1 2012-2016

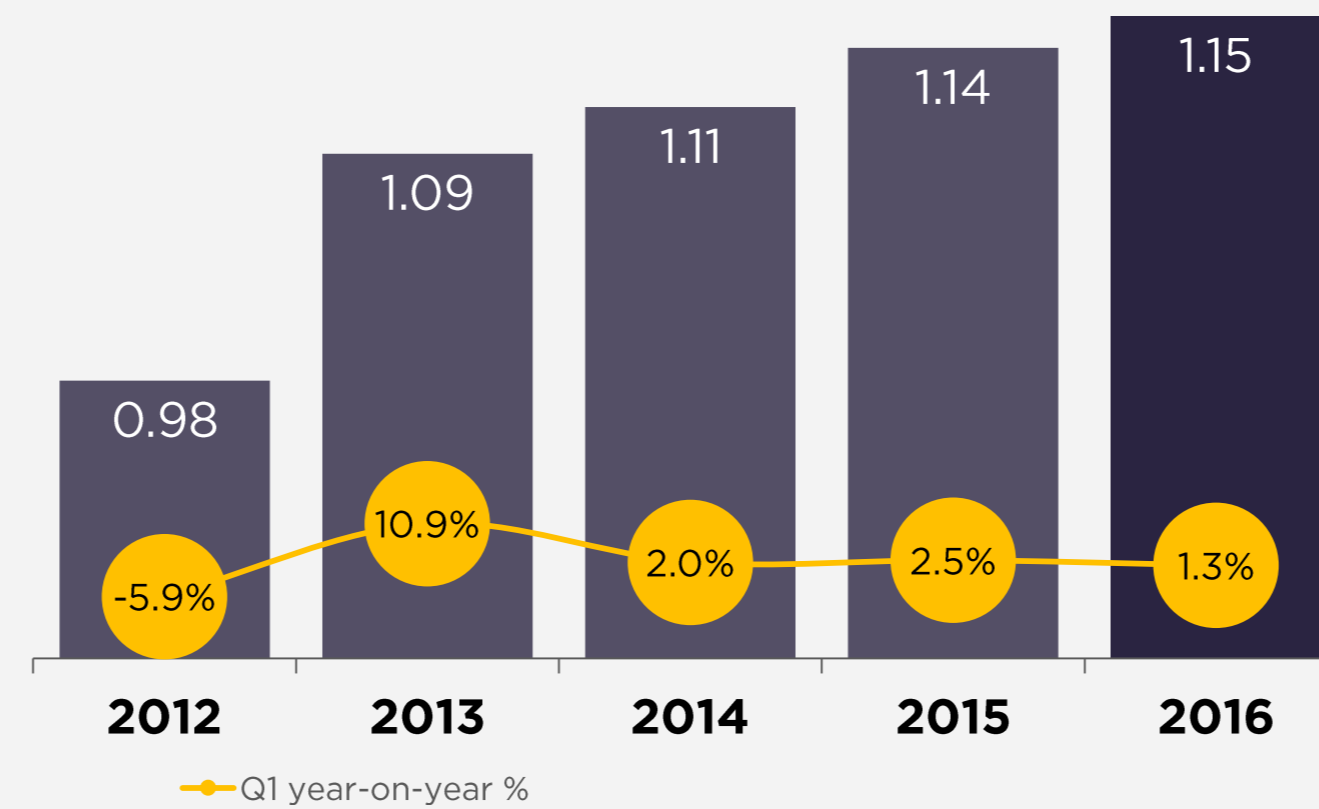
For us, every employee is important

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.

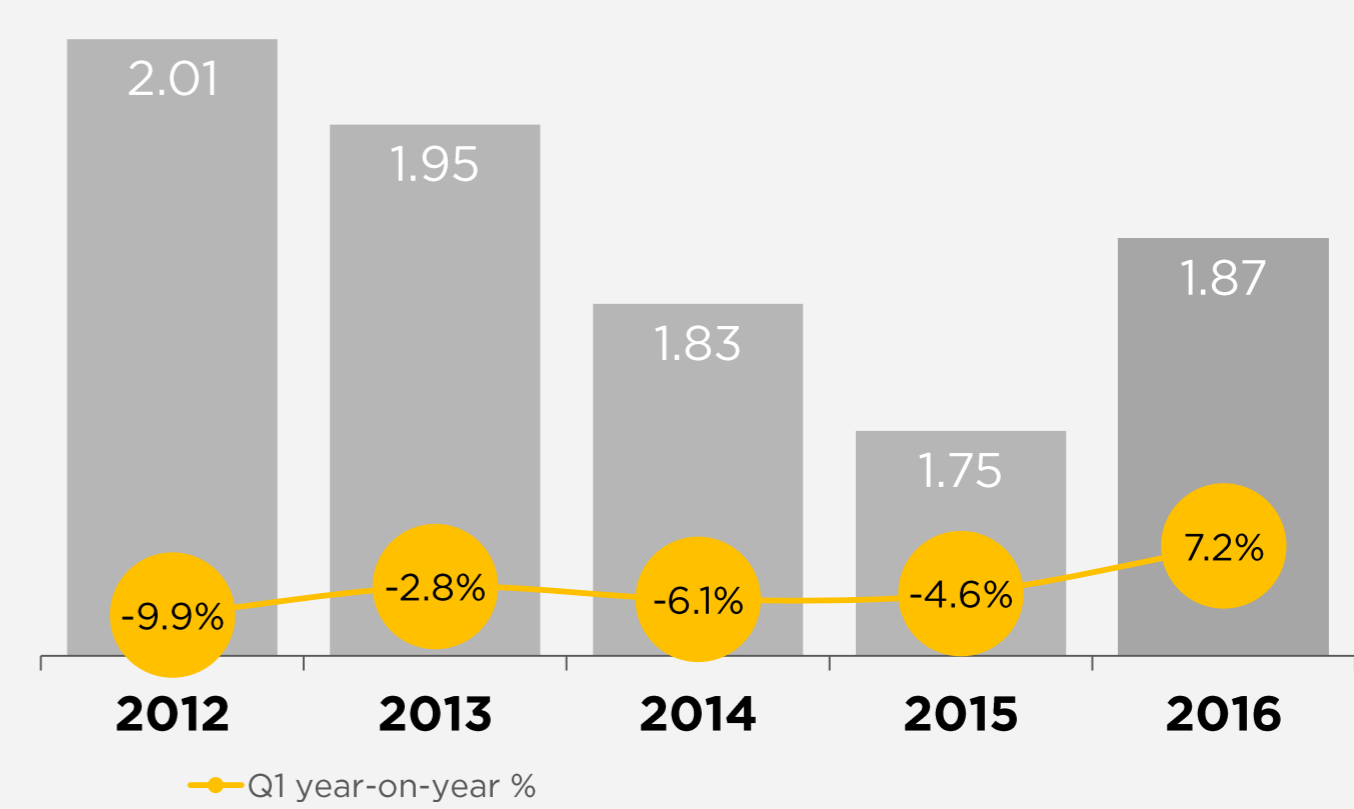
**Number of employees**



**Labour cost mln EUR**



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



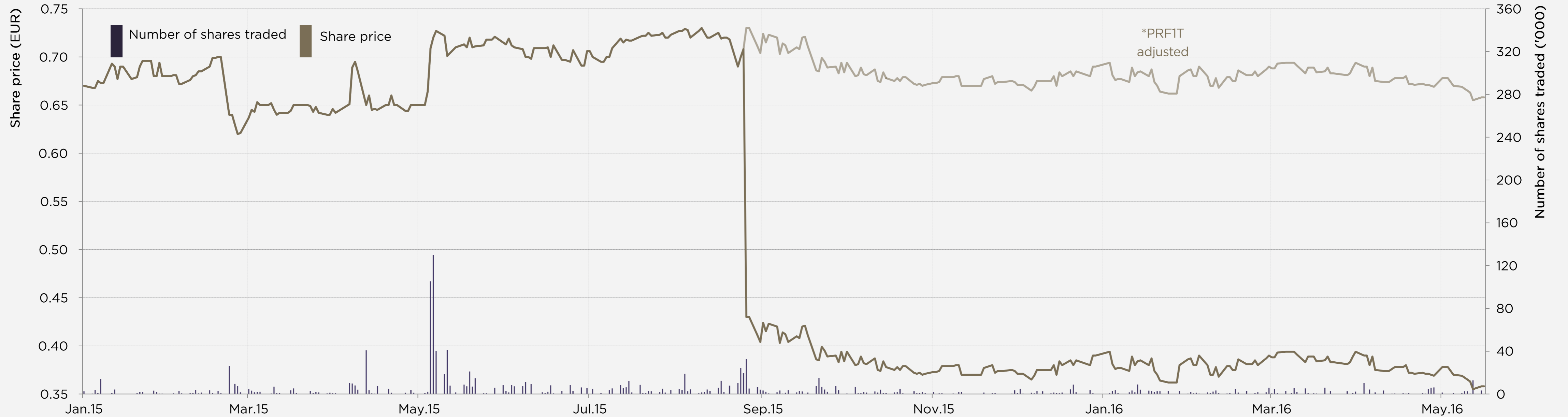
The labour costs in production during Q1 2016 were 0.76 million euros, which was on the same level compared to the same period last year. The labour costs of supportive staff were 0.39 million euros, increasing by 3.7% within a year.

The Group's labour costs during Q1 2016 were 1.15 million euros, increasing by 1.3% i.e. 15 thousand euros compared to the same period last year. The percentage of labour costs from revenue was 11.3% (Q1 2015: 11.0%).

# Dynamics of share price and major shareholders

## MAJOR SHAREHOLDERS AS AT 31 MARCH 2016:

<b>ING Luxembourg S.A.</b>	62.71%	<b>Compensa Life Vienna Insurance Group SE</b>	1.85%
<b>LHV Pensionifond L</b>	4.56%	<b>Firebird Avrora Fund Ltd</b>	1.68%
<b>OÜ Rododendron</b>	3.36%	<b>LHV Pensionifond XL</b>	1.52%
<b>Ambient Sound Investments OÜ</b>	3.20%	<b>OÜ Footsteps Management</b>	1.30%
<b>Firebird Republics Fund Ltd</b>	3.09%	<b>OÜ Freespirit</b>	0.94%



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 nominal value of PRFoods share is currently 20 euro cents.

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





# P R F O O D S

PREMIUM FISH PRODUCTS AND FISH FARMING

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