PRFOODS

AS PRFoods

Consolidated Audited Annual Report 2018/2019
(translation from the Estonian original)

30.10.2019

2018/2019
ANNUAL REPORT

PRFOODS

Business name	AS PRFoods
Commercial register number	1150713
Address	Pärnu mnt 141, Tallinn, Estonia
Phone	+372 452 1470
Website	prfoods.ee
Main activities	Production and sale of fish products Fish farming
Reporting period	1 July 2018 – 30 June 2019
Auditor	AS PricewaterhouseCoopers

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CORPORATE PROFILE

AS PRFoods (“Parent Company”) and its subsidiaries (together "Group") is a company engaged in fish farming, processing and sales, and its shares are listed on the main list of NASDAQ Tallinn Stock Exchange since 5 May 2010.

Main activity of the Group is fish manufacturing that is done in four contemporary production buildings in Renko and Kokkola (Finland), in Saaremaa (Estonia), and in Aberdeen (Great Britain). The Group aims to increase production capacity and to boost sales volumes of fish products.

The company’s key market is Finland, where it is amongst the three largest fish production companies. 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, which in turn would increase the profitability of the company.

Since the acquisition of John Ross Jr. and Coln Valley Smokery in the summer of 2017, the Group has sales experience to 37 countries in Europe, North and South America, and Asia. The best-known trademarks of AS 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”.

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, Turku Archipelago area in Finland and in coastal waters of Saaremaa in Estonia, assuring the highest quality and reliable deliveries. In addition to procuring the main raw material – raw fish – a notable volume of red caviar is made from fish harvested in the Group’s own fish farms. The rest of raw fish is purchased mainly from Norway and Denmark.

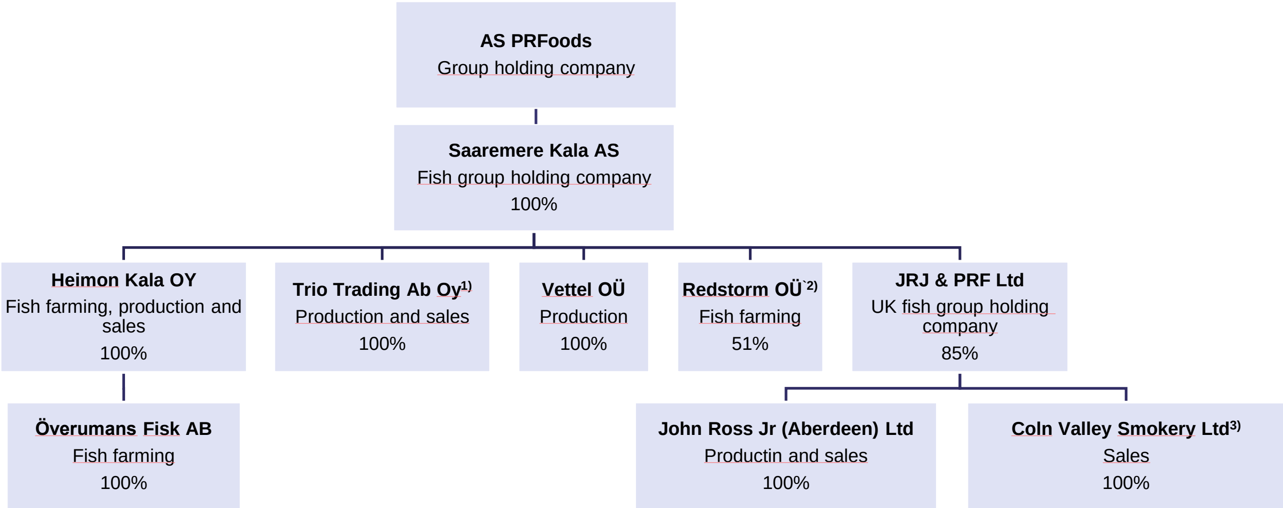
The most popular products are hot and cold smoked fish and low-salt fish products from rainbow trout, salmon and whitefish.

In addition, the product portfolio includes:

- Fried fish (Baltic herring fillet, salmon balls, fried fish fillets);
- Grilled fish (salmon);
- Salted fish (herring, Baltic herring);
- Fresh fish (unpacked or in a vacuum package);
- Fish roe and caviar (rainbow trout, salmon, whitefish, vendace);
- Ready-made meals (fishballs, fish patés);
- Frozen products (shrimp, fillet sections, fillet cubes).

The Group is actively involved in developing new products for expanding also to new export markets. 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.

GROUP STRUCTURE AS AT 30.06.2019



1) *Consolidated from 01.09.2017; the merger with Heimon Kala Oy planned by 31.01.2019 postponed due to technical reasons. The companies operate as subsidiaries with overlapping management.*

2) *Consolidated from 01.07.2018*

3) *64% of Coln Valley Smokery Ltd shares owned by JRJ & PRF Ltd and 36% by John Ross Jr (Aberdeen) Ltd*

In addition, Saaremere Kala AS holds a 50% share of Avamere Kalakasvatus OÜ and AS PRfoods holds a 20% share of AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology).

THE GEOGRAPHY OF PRODUCTION AND SALES

Fish farming	Finland Sweden Estonia
Purchase of raw fish	Finland Sweden Norway Denmark
Production	Estonia Finland Great Britain
Sales	Finland Great Britain Estonia

MISSION

PRFoods produces a variety of tasty, healthy and innovative fish products. With our high quality products, we are a reliable partner for both end users and stores. PRFoods is caring and innovative, socially responsible and modern. Environmental friendliness is very important to us, and we are trying to minimize our environmental footprint with innovative packaging lines and materials and renewable energy solutions.

VISION

We wish to be the best and well-known dealer and producer of delicious eco-friendly fish and fish products in the Scandinavian, British and Baltic markets and the seller of high value premium fish products worldwide.

STRATEGIC OBJECTIVES

- 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

- Determined - objective-driven organisational development and competent employees.
- Well-known -leading brands in the Scandinavian, Baltic markets and in the Great Britain.
- History and competence - well-established products on the Finnish and Great Britain market for more than 30 years.
- Sustainability -geographically suitable scope and diversified product portfolio ensure sustainable development.
- Strong financial position of the company.

RISKS

- High volatility of raw material prices.
- Significant increase of private label products on the Finnish market.
- High dependence on large retail chains dominating the Finnish retail market.
- Risks related to biological assets.

MANAGEMENT REPORT

MANAGEMENT REPORT

OVERVIEW OF ECONOMIC ACTIVITIES

MANAGEMENT COMMENTARY

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

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

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

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

2018/2019 full year EBITDA from operations was 4.0 million euros, EBITDA including impacts of biomass revaluation and one-offs was 1.7 million euros. 2018/2019 net loss was 1.5 million euros, which was mainly triggered by decrease of biomass fair value caused by lower volume of fish farming and trout price drop. Additionally, decrease of sales volumes and increase of labour costs had a negative impact on the result.

The main activities of 2018/2019 have been related to amending our product portfolio, to reduce low-margin products for more value-added products, which has caused drop in sales. Higher margins do not yet compensate for total gross profit loss from decreased sales.

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

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

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

From positive side, we can remark:

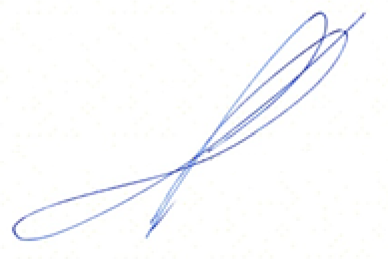
- Improvement in operational cash flow.
- Finishing of large-scale investment programme in production in Estonia, UK and in fish farms.

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

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

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

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



Sincerely,

Indrek Kasela

KEY RATIOS OF THE GROUP

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

KEY RATIOS*

INCOME STATEMENT mln EUR (unless stated otherwise)	Formula / Comment	2018/ 2019	2017/2018	2016/2017	2015/2016	2014/2015
Sales		85.7	94.9	51.1	48.5	46.1
Gross profit	Net sales – Cost of goods sold	11.9	13.2	3.9	5.8	5.5
EBITDA from operations	Profit before one-offs and fair value adjustment on biological assets	4.0	6.0	0.6	2.1	0.8
EBITDA	Profit (-loss) before financial income and costs, tax, depreciation and amortisation	1.7	4.4	2.0	2.5	0.0
EBIT	Operating profit (-loss)	-0.5	2.3	0.7	1.3	-1.1
EBT	Profit (-loss) before tax	-1.2	1.4	0.5	1.2	-1.4
Net profit (-loss)		-1.5	1.0	0.2	1.0	-1.4
Gross margin	Gross profit / Net sales	13.9%	13.9%	7.7%	12.0%	11.8%
Operational EBITDA margin	EBITDA from operations/Net sales	4.7%	6.3%	1.2%	4.3%	1.7%
EBITDA margin	EBITDA /Net sales	2.0%	4.7%	3.8%	5.2%	0.0%
EBIT margin	EBIT / Net sales	-0.5%	2.5%	1.4%	2.7%	-2.4%
EBT margin	EBT / Net sales	-1.4%	1.5%	1.1%	2.4%	-3.1%
Net margin	Net profit (-loss) / Net sales	-1.7%	1.1%	0.4%	2.1%	-3.1%
Operating expense ratio	Operating expenses / Net sales	12.5%	10.5%	9.6%	10.8%	12.8%
BALANCE SHEET mln EUR (unless stated otherwise)	**Formula / Comment**	**30.06.2019**	**30.06.2018**	**30.06.2017**	**30.06.2016**	**30.06.2015**
Net debt	Short- and long-term loans and borrowings - Cash	20.5	18.1	1.0	-1.4	-6.5
Equity		21.9	23.3	22.7	22.7	33.3
Working capital	Current assets - Current liabilities	-3.1	2.8	11.5	11.2	21.7
Assets		62.5	65.5	33.5	29.3	39.4
Liquidity ratio	Current assets / Current liabilities	0.9x	1.1x	2.3x	3.4x	5.9x
Equity ratio	Equity / Total assets	35.0%	35.6%	67.8%	77.6%	84.6%
Gearing ratio	Net debt / (Equity + Net debt)	48.3%	43.7%	4.1%	-6.7%	-24.1%
Debt to Asset	Total debt/Total assets	0.7x	0.6x	0.3x	0.2x	0.2x
Net debt-to-EBITDA from operations	Net debt / EBITDA from operations	5.1x	3.0x	1.6x	-0.7x	-8.2x
ROE	Net profit (-loss) / Average equity	-6.5%	4.3%	0.9%	3.6%	-3.9%
ROA	Net profit (-loss) / Average assets	-2.3%	2.0%	0.6%	2.9%	-2.6%

** consolidating unit is a holding company and forms insignificant part of operations of the Group, thus the consolidating unit's ratios are not presented*

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

REVENUE

The Group's revenue in the 12 months of the financial year 2018/2019 totalled 85.7 million euros, down by 9.1 million euros, i.e. 9.6% compared to the same period year ago.

The largest market of the Group has throughout years been Finland sales of which accounted for ca 70% of the total last financial year's revenue of the Group. Since the acquisition of fish companies in Great Britain, it has been the second largest market of the Group with 12-15% of total sales. Sales in Estonia, the third largest market ranges between 5-7%.

GEOGRAPHIC SEGMENTS

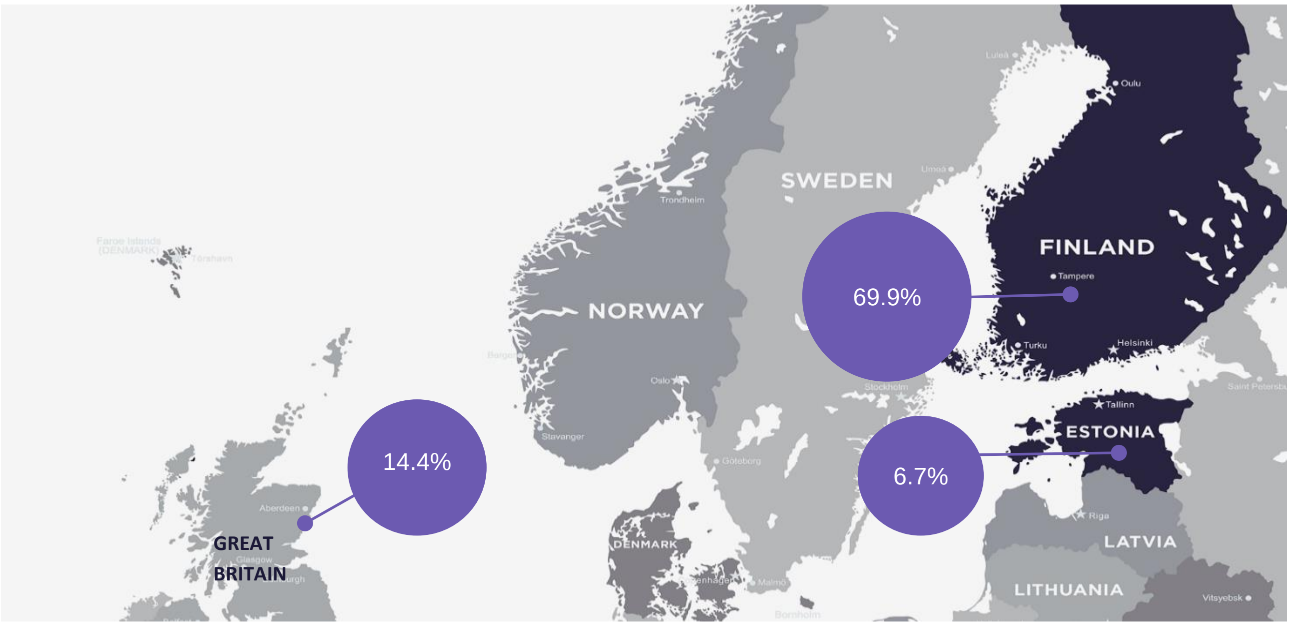
mln EUR	12m 18/19	Share, %	12m 17/18	Share, %	Change, mln EUR	12m 18/19 vs 12m 17/18	Imp.
Finland	59.9	69.9%	66.9	70.5%	-7.0	-10.5%	▼
Great Britain	12.1	14.1%	13.2	14.0%	-1.1	-8.6%	▼
Estonia	5.7	6.7%	5.0	5.2%	0.7	14.9%	▲
Other	8.0	9.4%	9.8	10.3%	-1.7	-17.9%	▼
Total	**85.7**	**100.0%**	**94.9**	**100.0%**	**-9.1**	**-9.6%**	▼

Finland's revenue in the last financial year was 59.9 million euros compared to 66.9 million euros in the previous 12-month period of 2017/2018. The market formed 69.9% of total revenue (12 months 2017/2018: 70.5% of total revenue), down by 0.6 percentage points.

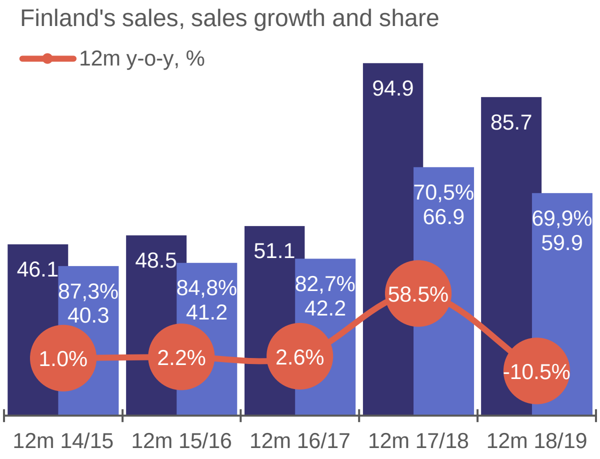
Revenue from Estonia increased by 0.7 million euros to 5.7 million euros (12 months 2017/2018: 5.0 million euros) and the share of total revenue increased by 1.5 percentage points to 6.7% compared to 12-months period of 2017/2018 (12 months 2017/2018: 5.2% of total revenue).

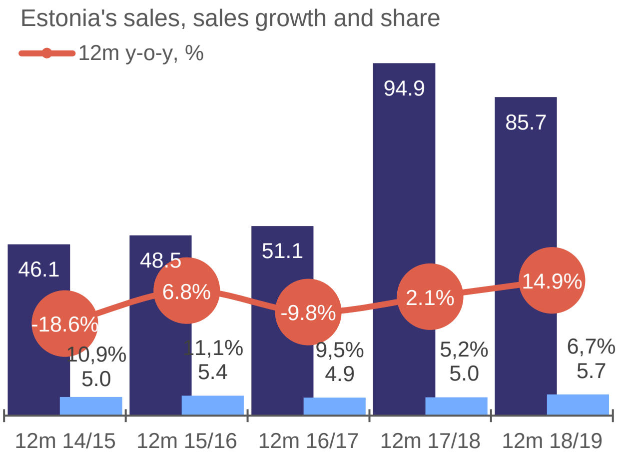
Revenue of the new main market Great Britain was 12.1 million euros in the financial year, and it accounted for 14.1% of total revenue (12 months 2017/2018: 13.2 million euros, 14.0% of total revenue).

Sales to other countries amounted to 8.0 million euros in the financial year accounting for 9.4% of total revenue (12 months 2017/2018: 9.8 million euros, share 10.3% of total revenue).



The graphs below show the dynamics of the Group's two main markets over a five-year period. The dynamics of the third largest market of the Group has not been presented in the same manner as the Great Britain units were acquired in 2017 and thus, the dynamics of revenue is not presentable over the 5-year period.





PRODUCT SEGMENTS

mln EUR	12m 18/19	Share, %	12m 17/18	Share, %	Change, mln EUR	12m 18/19 vs 12m 17/18	Imp.
Hot & cold smoked fish	36.9	43.0%	39.1	41.2%	-2.3	-5.8%	▼
Raw fish and fillets	35.8	41.7%	43.7	46.0%	-7.9	-18.1%	▼
Other fish products	12.9	15.0%	11.3	11.9%	1.6	14.0%	▲
Other	0.2	0.2%	0.8	0.9%	-0.6	-75.3%	▼
Total	**85.7**	**100.0%**	**94.9**	**100.0%**	**-9.1**	**-9.6%**	▼

Hot and cold smoked fish products continue to account for the largest share of sales. A total of 36.9 million euros was generated by the product group and it accounted for 43.0% of total revenue during the financial year. In the same period last year, the sales of the product group totalled 39.1 million euros, down by 2.3 million euros, and accounted for 41.2% of the total. Raw fish and fillets product group generated sales of 35.8 million euros, down by 7.9 million euros and accounted for 41.7% of total. During the same period last year, the sales of the product group, amounted to 43.7 million euros accounting for the largest share of total – 46.0%. Sales of other fish products amounted to 12.9 million euros and accounted for 15.0% of total. The sales of the product group amounted to 11.3 million euros and accounted for 11.9% of the total in the previous period. The sales of the product group have increased by 1.6 million euros i.e. 14% over the period.

CLIENT SEGMENTS

mln EUR	12m 18/19	Share, %	12m 17/18	Share, %	Change, mln EUR	12m 18/19 vs 12m 17/18	Imp.
Retail chains	36.3	42.3%	38.5	40.6%	-2.2	-5.8%	▼
Wholesale	28.3	33.0%	35.4	37.3%	-7.1	-20.0%	▼
HoReCa	19.9	23.2%	20.4	21.5%	-0.5	-2.2%	▼
Other retail	1.2	1.4%	0.7	0.7%	0.6	82.6%	▲
Total	**85.7**	**100.0%**	**94.9**	**100.0%**	**-9.1**	**-9.6%**	▼

The largest client group is the retail clients' group, sales of which amounted to 36.3 million euros and accounted for 42.3% of the total during the accounting period. In the previous comparable period, the sales to retail chains amounted to 38.5 million euros and accounted for 40.6% of the total. A third of sales i.e. 28.3 million euros was generated by wholesale sector. In the previous period the sales of the customer group amounted to 35.4 million euros and accounted for 37.3% of the total. HoReCa sales amounted to 19.9 million euros and accounted for 23.2% of the total. In the previous period HoReCa sales amounted to 20.4 million euros, which accounted for 21.5% of the total.

COSTS

Cost of goods sold accounted for 86.1% of total sales and operating expenses for 12.5%.

	12m 18/19 mln EUR	12m 17/18 mln EUR	Change mln EUR	Imp.	12m 18/19 as % of sales	12m 17/18 as % of sales	Change %-point	Imp.
Sales	85.73	94.87	-9.14	▼	100.00%	100.00%		
Cost of goods sold	-73.83	-81.69	7.86	▲	86.12%	86.11%	0.01%	▼
materials in production & cost of goods purchased for resale	-59.35	-66.80	7.45	▲	69.23%	70.41%	-1.18%	▲
labour costs	-7.17	-7.31	0.14	▲	8.36%	7.70%	0.66%	▼
depreciation	-1.74	-1.57	-0.17	▼	2.03%	1.66%	0.37%	▼
other cost of goods sold	-5.57	-6.01	0.44	▲	6.50%	6.34%	0.16%	▼
Operating expenses	-10.70	-10.01	-0.69	▼	12.48%	10.55%	1.93%	▼
labour costs	-3.69	-3.11	-0.58	▼	4.30%	3.27%	1.03%	▼
transport & logistics services	-3.50	-3.35	-0.15	▼	4.08%	3.53%	0.55%	▼
depreciation	-0.47	-0.67	0.20	▲	0.55%	0.71%	-0.16%	▲
advertising, marketing and product development	-0.42	-0.39	-0.03	▼	0.49%	0.41%	0.08%	▼
other operating expenses	-2.62	-2.49	-0.13	▼	3.06%	2.63%	0.43%	▼
Other income/expenses	0.08	-0.16	0.24	▲	0.10%	-0.17%	0.27%	▲
incl. one-offs	-0.50	-0.87	0.37	▲	-0.59%	-0.92%	0.33%	▲
Financial income/expense	-0.78	-0.94	0.16	▲	-0.91%	-0.99%	0.08%	▲

COST OF GOODS SOLD (COGS)

COGS decreased over the period by 7.9 million euros whereas the share of it 86.1% remained practically unchanged compared to the previous period. Purchase cost of raw fish continues to account for the majority, ca 80%, of the largest COGS item “materials in production and cost of goods purchased for resale”. The remaining share of the costs is attributable to packaging materials and fish feed.

Labour cost of personnel employed in production and fish farms totalled 7.2 million euros and formed 8.4% of total sales.

Other cost of goods sold amounted 5.6 million euros and formed 6.5% of sales. The cost item includes costs on heating, electricity, rent and utilities, and costs incurred in relation to fish farming and auxiliary activities in production.

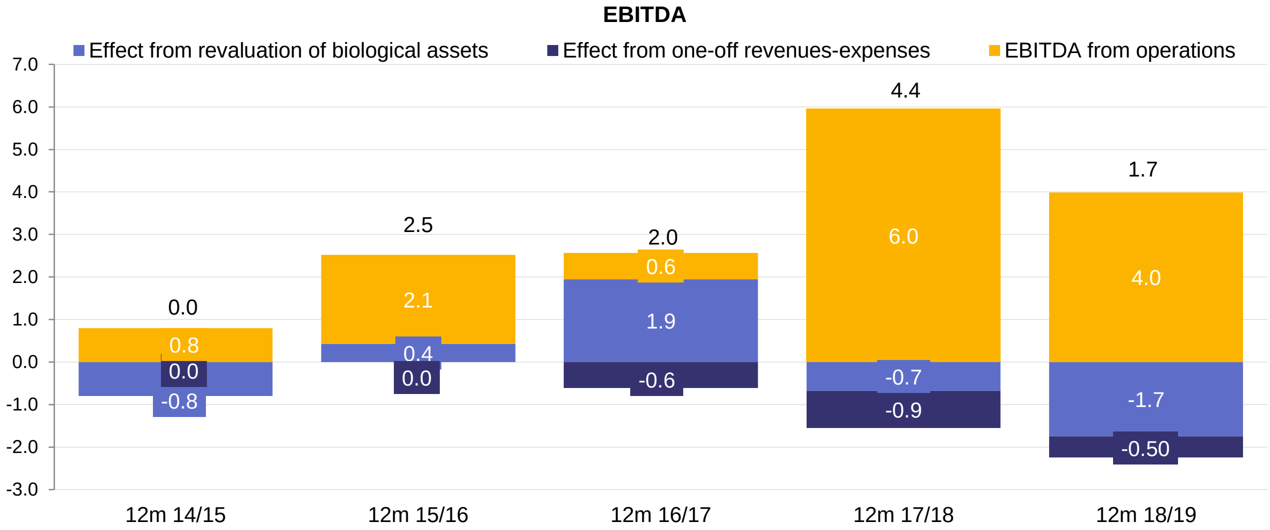
OPERATING EXPENSES

Operating costs of the accounting period amounted to 10.7 million euros, i.e. up by 0.7 million euros formed 12.5% of total sales. The majority of operating costs are costs on labour and transport & logistics services, amounting to 3.7 million euros and 3.5 million euros, respectively, up by 0.6 million euros and 0.2 million euros, respectively, from the same period a year ago. The share of both cost items of total sales has increased: labour costs increased from 3.3% to 4.3%, and transport and logistics services increased from 3.5% to 4.1%.

PROFITABILITY

The Group’s gross profit of 2018/2019 financial year was 11.9 million euros, i.e. 1.3 million euros less than a year ago in the comparable period (12 months 2017/2018: 13.2 million euros). EBITDA from operations before one-offs and fair value adjustments was 4.0 million euros i.e. 2.0 million euros less compared to the previous period (12 months 2017/2018: 6.0 million euros). EBITDA of the financial year was 1.7 million euros i.e. 2.7 million euros less than a year ago (12 months 2017/2018: 4.4 million euros).

One-offs affected EBITDA, EBIT and net profit by -0.5 million euros (12 months 2017/2018: -0.9 million euros). Effect from revaluation of fish stock to EBITDA in the past financial year was -1.7 million euros (12 months 2017/2018: -0.7 million euros).



Operating loss in 2018/2019 was 0.5 million euros (12 months 2017/2018: operating profit 2.3 million euros) and net loss was 1.5 million euros (12 months 2017/2018: net profit 1.0 million euros). Operating profit and net profit decreased over the year by 2.8 million euros and 2.5 million euros, respectively.

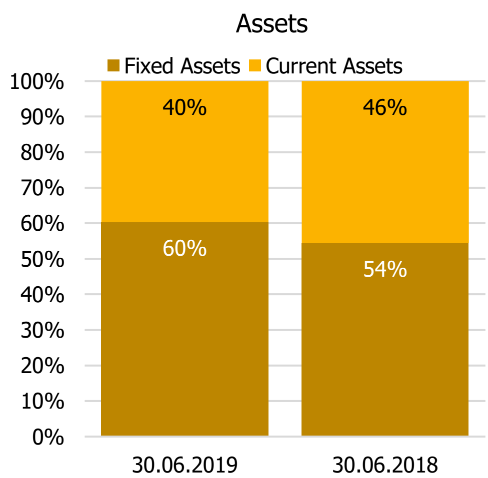
Operating margin in the financial year was -0.5% (12 months 2017/2018: 2.5%) and net margin was -1.7% (12 months 2017/2018: 1.1%).

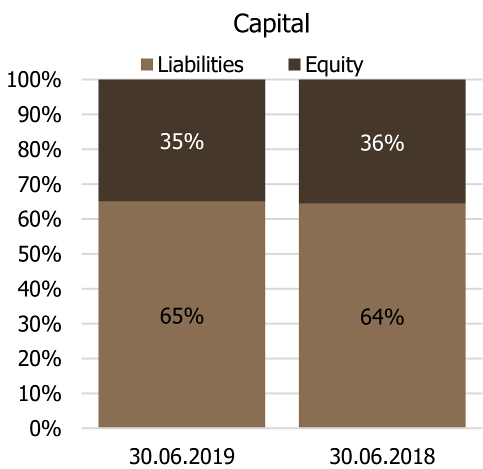
BALANCE SHEET

As at 30.06.2019 consolidated total assets of the Group stood at 62.5 million euros. The year before as at the end of the same period the balance sheet totalled 65.5 million euros.

The Group`s current assets stood at 24.8 million euros and accounted for 39.6% of the balance sheet total as at 30.06.2019 (30.06.2018: 29.8 million euros, 45.6%). Non-current assets of the Group totalled 37.7 million euros and accounted for 60.4% of the balance sheet total (30.06.2018: 35.7 million euros, 54.4%).

The Group’s liabilities totalled as at the end of the financial year 40.7 million euros and accounted for 65.0% of the balance sheet total (30.06.2018: 42.2 million euros, 64.4%). Current liabilities totalled 27.8 million euros and accounted for 44.5% of the balance sheet total (30.06.2018: 27.0 million euros, 41.3%). Non-current liabilities totalled 12.8 million euros and accounted for 20.5% of the balance sheet total (30.06.2018: 15.2 million euros, 23.1%). Equity of the Group was 21.9 million euros and accounted for 35.0% of the balance sheet total (30.06.2018: 23.3 million euros, 35.6%).





As at the end of the financial year, the Group’s cash and cash equivalents amounted to 2.6 million euros, i.e. 4.3% of the balance sheet total (30.06.2018: 6.0 million euros, 9.1% of the balance sheet total).

Receivables and prepayments amounted to 5.3 million euros as at 30.06.2019, up by 0.6 million euros compared to 30.06.2018, when receivables and prepayments amounted to 4.7 million euros.

As at the end of the financial year, inventories amounted to 12.0 million euros, down by 0.7 million euros compared to the end of the previous financial year i.e. from 12.7 million euros.

Biological assets stood at 4.9 million euros as at 30.06.2019 (30.06.2018: 6.5 million euros), down by 1.6 million euros compared to the end of the previous financial year. Biomass volume was as at 30.06.2019 987 tonnes (30.06.2018: 1,184 tonnes), down by 197 tonnes compared to the end of the previous financial year.

Tangible assets of the Group were as at the end of the financial year 14.5 million euros (30.06.2018: 12.8 million euros) and intangible assets were 23.0 million euros (30.06.2018: 22.6 million euros), up by 1.8 million euros and 0.4 million euros, respectively, compared to the end of the previous financial year.

Current loans and borrowings of the Group were as at 30.06.2019 13.5 million euros (30.06.2018: 12.6 million euros), up by 0.9 million euros over a year.

Accounts payable and prepayments amounted to 14.1 million euros as at 30.06.2019 (30.06.2018: 14.3 million euros), down by 0.1 million euros compared to the end of the previous financial year. Accounts payable increased by 2.0 million euros, liabilities from business combinations decreased by 1.9 million euros, and tax payables decreased by 0.2 million euros.

Non-current loans and borrowings stood at 9.5 million euros as at the end of the financial year (30.06.2018: 11.5 million euros).

Deferred tax liabilities decreased over the financial year by 0.4 million euros to 2.0 million euros from 2.4 million euros as at the end of the previous financial year.

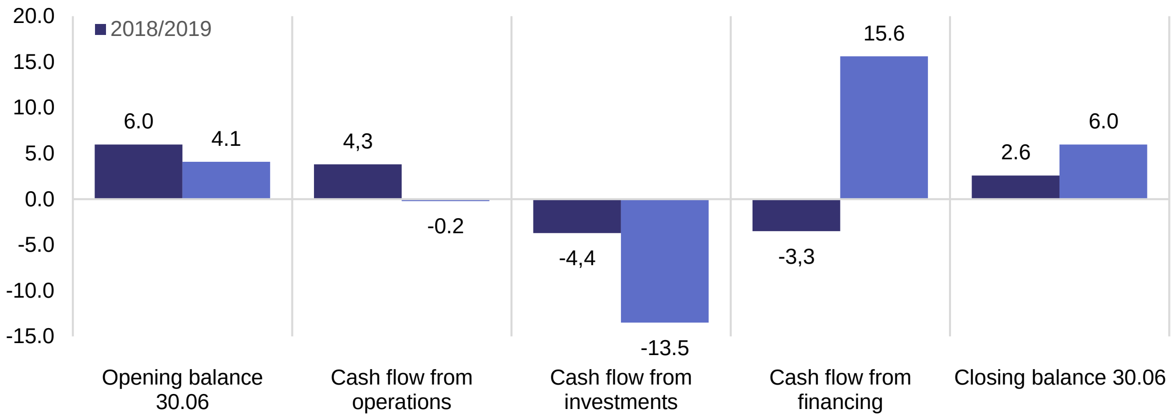
The registered share capital of the Group was 7.7 million euros as at 30.06.2019 (30.06.2018: 7.7 million euros). On the annual general meeting held on 30.11.2018, the shareholders resolved to pay dividends from the 2017/2018 financial year's net profit 0.01 euros per share and to allocate 2,850 euros to reserves.

CASH FLOWS

The Group's cash and cash equivalents totalled 6.0 million euros at the beginning of the reporting period and 2.6 million euros at the end of the period, the period's cash flow amounted to 3.4 million euros.

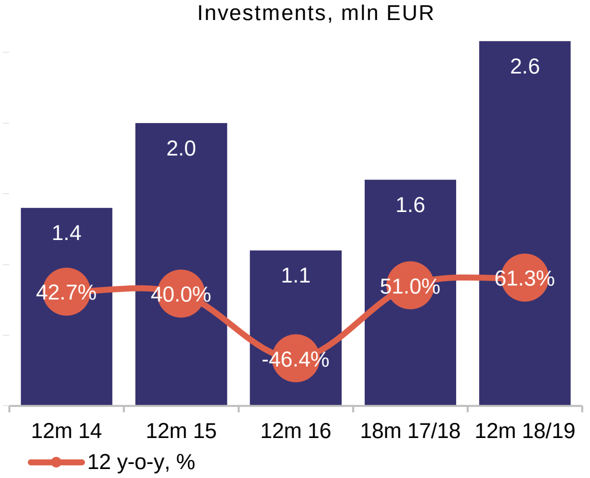
Cash flow from operations in the accounting period was +4.3 million euros and -0.2 million euros in the same period a year ago. Cash flow from investment activities in the accounting period was -4.4 million euros and -13.5 million euros a year ago. Cash flow from financing activities totalled -3.3 million euros in the accounting period compared to +15.6 million euros during the same period last year.

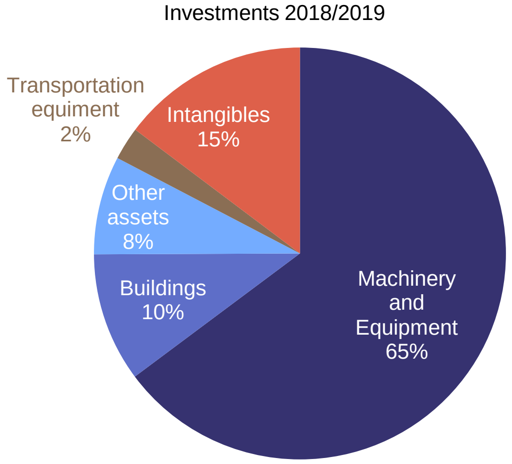
CHANGE IN CASH FLOWS 12 MONTHS OF 2018/2019 VS 12 MONTHS 2017/2018



INVESTMENTS

PRFoods' investments into tangible and intangible assets during the 2018/2019 amounted to 2.6 million euros (18 months 2017/2018: 1.6 million euros).





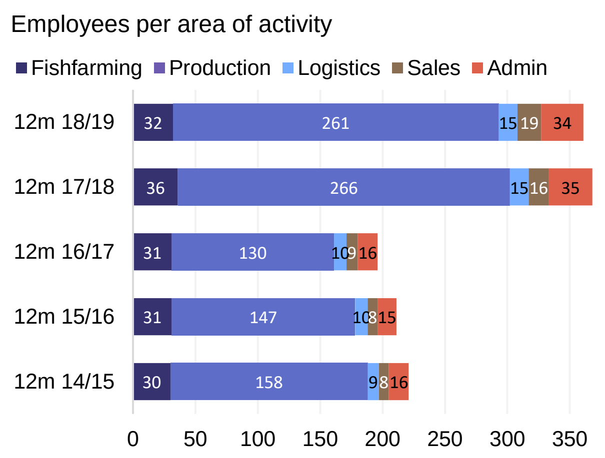
The largest investments of the financial year were investments to machinery and equipment, which accounted for 2/3 of the total. Important upgrade was also made to intangible assets. During the current financial year, the Group continues to invest into production equipment and software to improve the efficiency of the production process. In addition, there are investments of minor significance planned to upgrade the current equipment. In fish farming, the largest investments are related to already acquired fish farms and to planned-to-be fish farms in Estonia. Also, the Group continues to develop its trademarks.

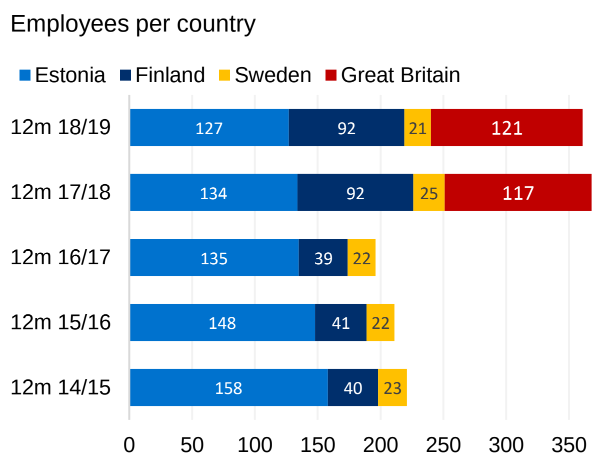
TEAM

There were on average 361 employees in the Group during the past financial year compared to the average number of employees of 368 in the previous 12-months period. The notable increase in the number of employees and labour costs compared to three years ago stems from the acquisitions of new companies in 2017.

The Group's labour costs increased from 10.4 million euros during 12 months of 2017/2018 to 10.9 million euros in 2018/2019. Manufacturing labour costs amounted to EUR 7.2 million (12 months 2017/2018: EUR 7.3 million), an increase by EUR 0.1 million compared to the previous 12 months. The labour costs of support staff totalled 3.7 million euros during the reporting period, an increase by 0.6 million euros compared to the previous 12 months (12 months 2017/2018: 3.1 million euros).

	12m 18/19	12m 17/18	12m 16/17	12m 15/16	12m 14/15
Average number of employees	361	368	196	211	221
Finland	92	92	39	41	40
Estonia	127	134	135	148	158
Great Britain	121	117	0	0	0
Sweden	21	25	22	22	23
Payroll expense, th EUR	10,857	10,415	4,738	5,030	4,910
Monthly average payroll expense per employee, th EUR	2.50	2.36	2.02	1.98	1.85

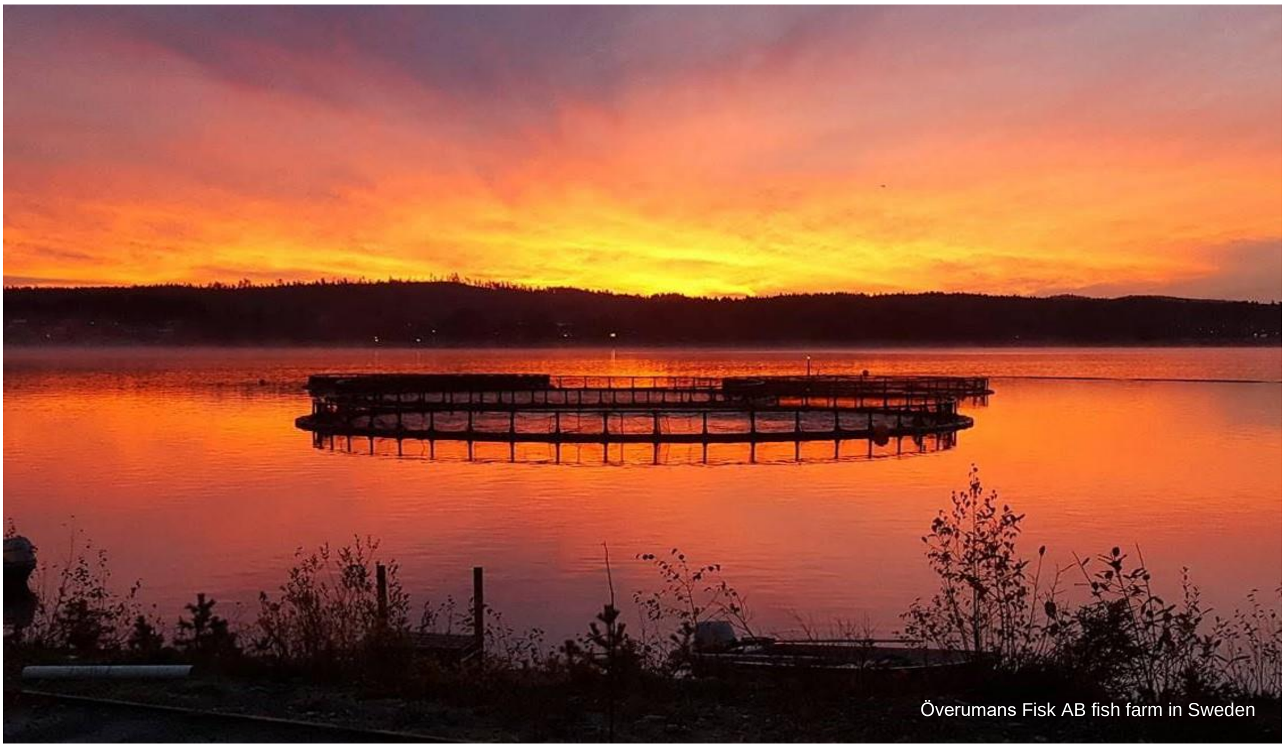




FISH FARMING

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, in the archipelago in Turku area in Finland and in coastal area of Saaremaa, Estonia, ensuring that customers receive fast and high-quality deliveries. The Group mainly harvests rainbow trout and to a lesser extent also European whitefish.

Vertical integration enables the Group to reduce costs in certain phases of fish farming and to also enhance control foremost over fish processing and marketing. 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 required for processing as well as price stability of raw material.


Överumans Fisk AB fish farm in Sweden

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 farm's 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 fish supply and demand results in constantly fluctuating price of raw fish. The Group compensates the impact of external environment and volatility of fish price through the changes of the Group's production and sales strategy.

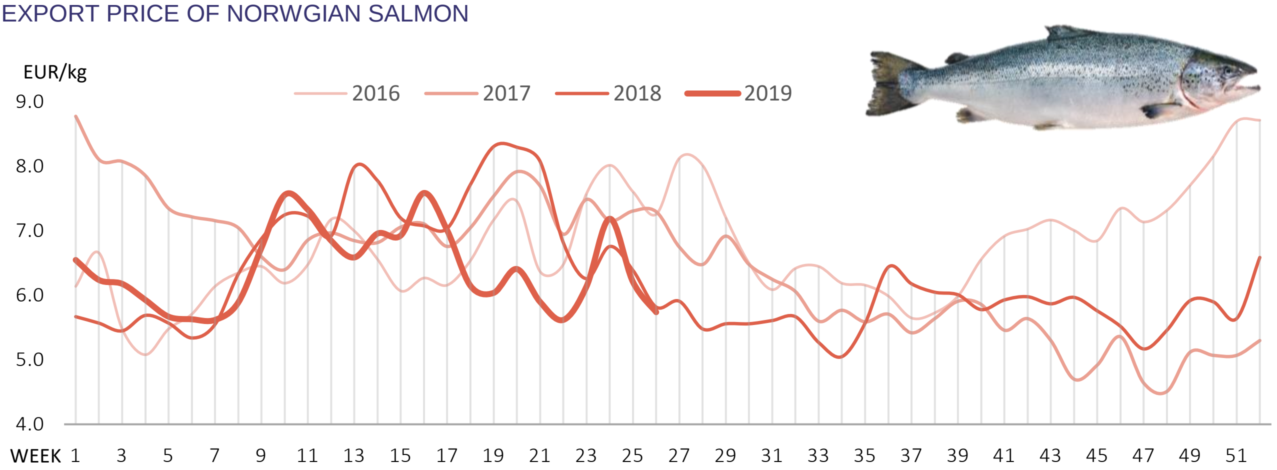
FISH PRICE

EUR/kg	30.06.2019	30.06.2018	30.06.19 vs 30.06.18	30.06.2017	30.06.19 vs 30.06.17	30.06.2016	30.06.19 vs 30.06.16
Salmon	5.74	5.82	-1.4%	7.30	-21.4%	7.26	-20.9%
Rainbow trout	5.76	6.47	-10.9%	8.11	-28.9%	5.97	-3.4%

As at the end of the reporting period the price of salmon has decreased by 1.4% and the price of rainbow trout by 10.9% compared to the prices a year ago. Over the two-year period, the price of salmon has decreased by 21.4% and the trout by 28.9%. The price of salmon has decreased by 20.9% and of rainbow trout by 3.4% compared to the prices three years ago.

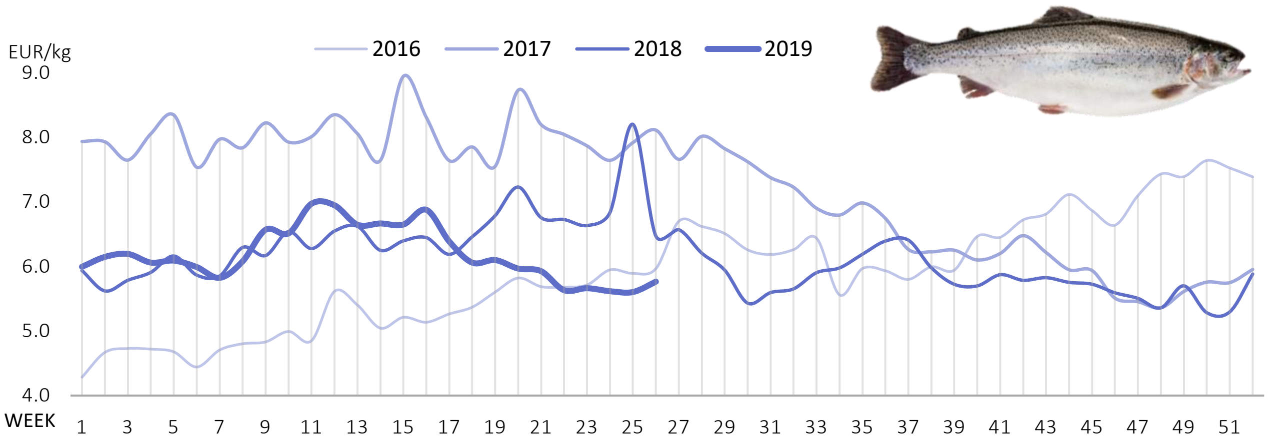
The graphs below illustrate weekly average prices of salmon and rainbow trout since 2016.

EXPORT PRICE OF NORWGIAN SALMON



Source: Nasdaq Salmon price

EXPORT PRICE OF NORWGIAN RAINBOW TROUT



Source: akvafakta.no

AVERAGE FISH PRICE

EUR/kg	12m 18/19	12m 17/18	12m 18/19 vs 12m 17/18	12m 16/17	12m 18/19 vs 12m 16/17	12m 15/16	12m 18/19 vs 12m 15/16
Salmon	6.03	6.05	-0.3%	7.04	-14.4%	5.38	12.0%
Rainbow trout	5.92	6.32	-6.3%	7.00	-15.5%	4.75	24.5%

The average market price of salmon during the reporting period has decreased by 0.3% and the price of rainbow trout by 6.3% compared to the average prices a year ago. Compared to the average prices of a comparable period two years ago the average prices of salmon and trout have decreased by 14.4% and 15.5%, respectively. The average fish prices have increased compared to the prices three years ago: salmon by 12.0% and rainbow trout by 24.5%.

BIOLOGICAL ASSETS

Biological assets are fish stock accounted for in the Group's fish farms in live weight, including rainbow trout (*Oncorhynchus mykiss*) and European whitefish *(Coregonus lavaretus).*

The Group uses Norwegian export statistics (source: akvafakta.no) to assess the value of rainbow trout's stock. For assessing the value of whitefish stock, 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 the Group, having either a positive or a negative impact on the Group's financial results.

CHANGE IN BIOLOGICAL ASSETS, TONNES

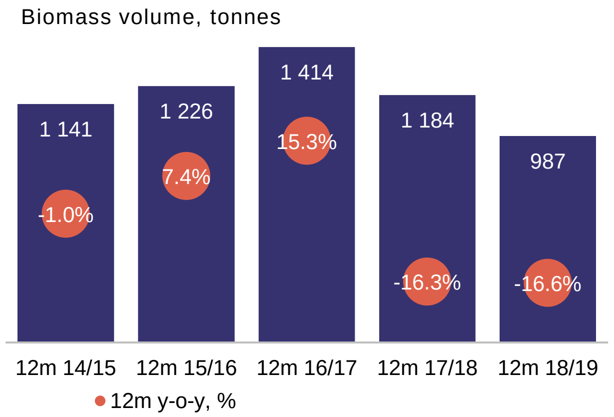
	12m 18/19	12m 17/18	Change, tonnes 12m 18/19 vs 12m 17/18	Change, % 12m 18/19 vs 12m 17/18
Biomass at the beginning of the period	1,184	1,414	-230	-16.3%
Biomass at the end of the period	987	1,184	-197	-16.6%
Harvested fish (in live weight)	1,900	2,337	-437	-18.7%

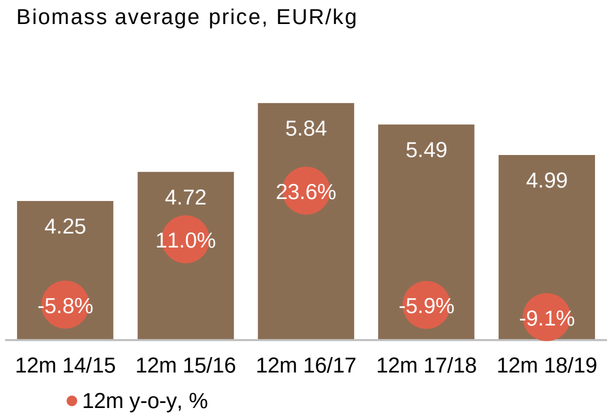
Biological assets totalled 987 tonnes as at 30.06.2019, a decrease by 197 tonnes, i.e. 16.6% compared to the same period last year. As at 30.06.2019 the fair value of biological assets was 4.9 million euros compared to 6.5 million euros as at 30.06.2018. The decrease in monetary terms amounted to 1.6 million euros, i.e. 24.2%. A total of 1,900 tonnes fish was harvested during the 12 months of the financial year, which is 437 tonnes or 18.7% less compared to the same period a year ago.

Average price of biomass was 4.99 euros per kg during the 12-months period compared to 5.49 euros per kg during the previous 12-months period.

BIOMASS VOLUME AND AVERAGE PRICE, EUR/KG

	12m 18/19	12m 17/18	Change, mln EUR 12m 18/19 vs 12m 17/18	Change, % 12m 18/19 vs 12m 17/18
Biological assets, mln EUR	4.92	6.50	-1.57	-24.2%
Biomass volume, tonnes	987	1,184	-197	-16.6%
Average price, EUR/kg	4.99	5.49	-0.50	-9.1%
Fair value adjustment of biological assets, mln EUR	-1.74	-0.67	-1.07	158.4%



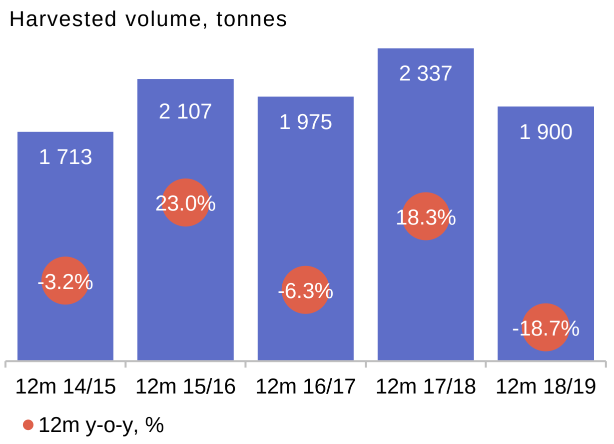


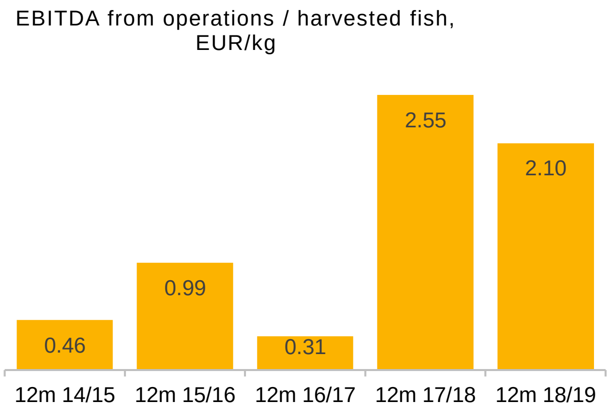
Fish farmed within the Group is processed in production buildings of Heimon Kala Oy, Finland and Vettel OÜ, Estonia.

HARVESTED VOLUME

	12m 18/19	12m 17/18	Change, mln EUR 12m 18/19 vs 12m 17/18	Change, % 12m 18/19 vs 12m 17/18
Revenue, mln EUR	85.7	94.9	-9.1	-9.6%
EBITDA from operations*, mln EUR	4.0	6.0	-2.0	-33.1%
Harvested volume, tonnes	1,900	2,337	-437	-18.7%
EBITDA from operations* / harvested volume, EUR/kg	2.10	2.55	-0.45	-17.7%

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





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 15.11.2017 the supervisory board decided to extend the current management board member Indrek Kasela's term of office by 3 years, until 15.11.2020. Indrek Kasela (born 1971), holds LL.M (Master of Laws) degree from the New York University (1996), BA degree in law from the University of Tartu (1994).

In addition to the management board member position of AS PRFoods, Mr Kasela serves as a member of management board in almost all the Group entities and also in non-Group entities (such as Lindermann, Birnbaum & Kasela OÜ, ManageTrade OÜ ja Noblessneri Jahtklubi OÜ, etc). He serves as a supervisory board member of AS Toode, ELKE Grupi AS, ELKO Grupa SAS, EPhaG AS, Salva Kindlustuse AS, Ridge Capital AS, AS Ekspress Grupp, Elering AS, SA Avatud Eesti Fond, Tulundusühistu Tuleva, Baltijas Apdrošinašanas Nams AAS. Furthermore, he is involved in companies and NPOs domiciled abroad.

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.

Lauri Kustaa Äimä (born 1971) holds a Master's degree in Economics from the University of Helsinki. He has been a member of the supervisory board of the company since its foundation. Lauri Kustaa Äimä is the managing director and founding shareholder of Kaima Capital Oy. He serves as a board member of Saaremere Kala AS, AS Tallink Group, AS Baltika, AS Toode, AS Tahe Outdoors, ManageTrade OÜ, AB Baltic Mill, UAB Malsena Plius, Baltijas Apdrošinašanas Nams AAS and also in several investment companies and funds domiciled in Finland, England, Netherlands, Slovenia and Luxembourg, incl. KJK Management SA, KJK Fund SICAV-SIC, KJK Capital Oy, Amber Trust Management SA, Amber Trust II Management SA, Aurejärvi Varainhoito Oy.

Aavo Kokk (born 1964) graduated from Tartu University in 1990, with specialization in journalism, and Stockholm University in 1992, with specialization in banking and finance and has been a member of the supervisory board of the company since May 2009. Aavo Kokk is a member of management boards of OÜ Catella Corporate Finance, OÜ Synd&Katts and Raldon Kinnisvarahalduse OÜ and a member of the supervisory boards of AS Audentes, AS Lemeks, Crowdestate AS and Creative Union AS.

Harvey Sawikin (born 1960) holds degrees from the Columbia University and Harvard Law School and has been a member of the supervisory board of the company since May 2009. In 1994 Harvey Sawikin coestablished a fond management company Firebird Management LLC, in which he holds a leading position also today. Harvey Sawikin holds management position in the following companies / funds: Firebird Fund, Firebird New Russia Fund, Firebird Mongolia GP LLC, Firebird Republics Fund and Firebird Avrora Fund and Amber Trust funds. He is a member of the New York State Bar.

Vesa Jaakko Karo (born 1962) graduated from the Helsinki School of Economics in 1986 with M.Sc. in finance and international marketing and received a Licentiate (Econ) degree in economics in 1996. He has been a member of the supervisory board of the company since August 2009. Currently he is a member of supervisory boards of Aurejarvi Rahastoyhtio Oy (former Cumulant Capital Oy) and KJK Capital Oy.

Arko Kadajane (born 1981) graduated from the Estonian Business School, specializing in international business management and he is a member of the supervisory board of the company since May 2012. Currently he is the portfolio manager of Ambient Sound Investments OÜ and a member of the management board of OÜ Juniper and OÜ Portfellihaldus.

Kuldar Leis (born 1968) graduated from the University of Tartu in 1993, specializing in credit and finance. He also holds a diploma in dairy technology. Kuldar Leis was the chairman of the management board of the company since its foundation until 15 May 2013. Since 29 May 2013, he is a member of the supervisory board of PRFoods. He is currently a member of supervisory boards of Saaremere Kala AS, AS Linda Nektar and Competence Center of Food and Fermentation Technology. He is also a member of management boards of Rododendron OÜ, Solarhouse OÜ, MTÜ Põlva Tenniseklubi and MTÜ Põlva Käsipalliklubi.

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 AS PRFoods' website www.prfoods.ee.

PRFOODS' SHARES HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THE PERSONS/COMPANIES RELATED TO THEM AS AT 30.06.2019:

Shareholder	number of shares	ownership interest
Indrek Kasela, AS PRFoods management board member	1,593,623	4.12%
Kuldar Leis, AS PRFoods supervisory board member	1,223,050	3.16%
Lauri Kustaa Äimä, AS PRFoods supervisory board chairman	125,000	0.32%
Vesa Jaakko Karo, AS PRFoods supervisory board member	90,000	0.23%
Arko Kadajane AS PRFoods supervisory board member	8,928	0.02%
Harvey Sawikin AS PRFoods supervisory board member e	0	-
Aavo Kokk, AS PRFoods supervisory board member	0	-
Total number of shares owned by the members of the supervisory and management board	3,040,601	7.86%

SHARE AND SHAREHOLDERS

The registered share capital of AS PRFoods is 7,736,572 euros which is divided to 38,682,860 ordinary shares without nominal value. All shares are freely transferable and of the same kind, i.e. have equal voting and dividend rights.

ISIN	EE3100101031	Issued shares	38,682,860
Ticker	PRF1T	Listed shares	38,682,860
Market	BALTIC MAIN LIST	Listing date	5.05.2010
Nominal	0 EUR	Minimum quantity of tradable securities	1 share

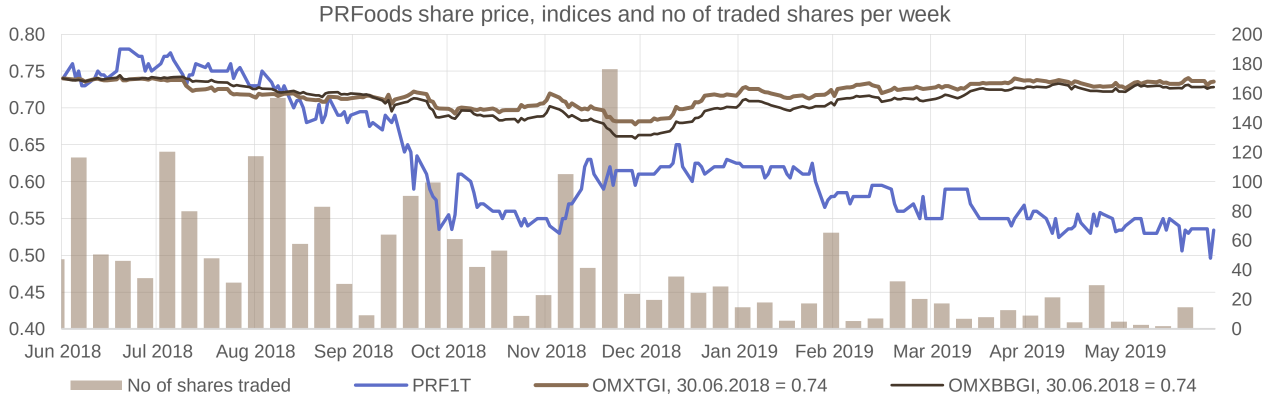
AS PRFoods shares are listed on the main list of Nasdaq Tallinn Stock Exchange since 05.05.2010. There is no official market maker for the shares. AS PRFoods share is a component in OMX Tallinn General Index and in OMX Baltic General Index.

AS PRFoods has twice reduced the nominal value of shares with making payments to shareholders: in 2012 by 10 euro cents per share and in 2015 by 30 euro cents per share. The general meeting of shareholders from 26.05.2016 resolved to adopt shares without nominal value and on 30.06.2016 the commercial registry registered the shares without nominal value. The accountable nominal value of a share is 0.20 euro (nominal value of a share was 10.0 Estonian kroons until 13.04.2011, 0.60 euro till 03.09.2012, and 0.50 euro till 02.10.2015).

SHARE PRICE, INDICES AND TRADING ACTIVITY

Baltic comparison index decreased 1.57% over the year, Tallinn Stock Exchange All-Share index decreased by 0.56% and AS PRFoods share price decreased by 27.84%.

	Index / Share	Ticker	30.06.2019	30.06.2018	change %
●	PRF1T, EUR	PRF1T	0.534	0.740	-27.84%
●	OMX Baltic Benchmark GI	OMXBBGI	959.52	974.87	-1.57%
●	OMX Tallinn GI	OMXTGI	1,254.55	1,261.60	-0.56%



Source: Nasdaq Tallinn, PRFoods

TRADING STATITICS

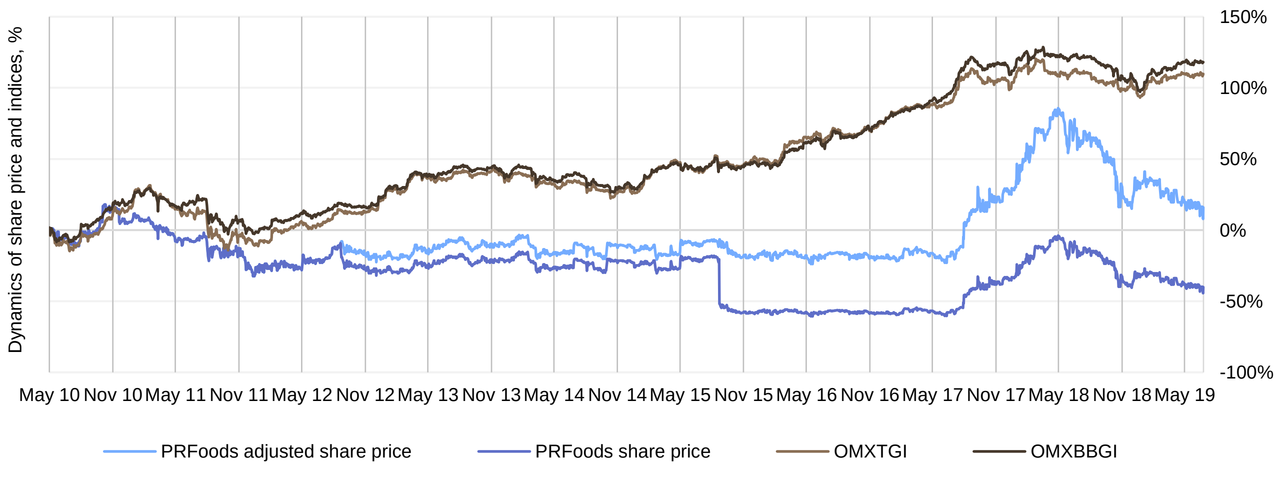
Trading Statistics, EUR (unless stated otherwise)	12m 2018/2019	12m 2017/2018	12m 2016/2017	12m 2015/2016	12m 2014/2015
Open	0.740	0.390	0.380	0.692	0.668
High	0.780	0.855	0.412	0.731	0.765
Low	0.490	0.366	0.354	0.349	0.618
Last	0.534	0.740	0.390	0.379	0.691
Traded volume, mln pc	2.20	3.92	2.61	2.53	2.30
No of trades	1,762	2,574	1,120	1,267	1,502
Average trade volume, shares	1,248	1,522	2,335	1,998	1,534
Turnover, mln	1.43	2.30	0.99	1.06	1.61
Market capitalisation, mln	20.66	28.63	15.09	14.66	26.73

A total of 1,762 trades were conducted with AS PRFoods' shares during the financial year of 2018/2019 (12 months 2017/2018: 2,574 trades). During the period a total of 2.2 million shares changed hands (12 months 2017/2018: 3.9 million shares) forming 5.7% of the company's shares. The average trade volume was 1,248 shares (12 months 2017/2018: months 2017/2018: 1,522 shares).

Turnover of share trading amounted to 1.43 million euros in the financial year of 2018/2019 compared to 2.30 million euros in the previous 12-months period. The highest share price during the financial year of 2018/2019 was 0.780 euros and the lowest was 0.490 euros; a year ago in the comparable period, the highest and the lowest price were 0.855 euros and 0.366 euros, respectively.

The closing price of the share was 0.534 euro as at 30.06.2019 and the company's market capitalisation was 20.66 million euros. A year ago, the closing price was 0.740 euros and the market capitalisation 28.63 million euros.

THE DYNAMICS OF THE SHARE PRICE AND INDICES FROM 5 MAY 2010 TO 30 OF JUNE 2019:



The increase of AS PRFoods' share price since its listing in 2010, adjusted with the capital reduction payments, is 16.0%. The Baltic Benchmark index has increased by 118.1% during this period, Tallinn Stock Exchange index by 109.7% and AS PRFoods' share price (unadjusted with the reductions of the share's nominal value in August 2012 and 2015 by 40 euro cents in total) has decreased by 40.0%. AS PRFoods has since the listing of its shares on the stock exchange paid to shareholders a total of 17.3 million euros in the form of dividends and in connection with share capital reductions.

MARKET RATIOS

Ratios	Formula	30.06.2019	30.06.2018	30.06.2017	30.06.2016	30.06.2015
EV/Sales	(Market Cap + Net Debt) / Sales	0.48	0.49	0.31	0.27	0.44
EV/EBITDA from operations	(Market Cap + Net Debt) / EBITDA from operations	10.30	7.84	25.89	6.32	25.55
EV/EBITDA	(Market Cap + Net Debt) / EBITDA	23.59	10.59	8.21	5.25	neg
Price/EBITDA from operations	Market Cap / EBITDA from operations	5.18	4.80	24.33	6.99	33.70
Price/EBITDA	Market Cap / EBITDA	11.85	6.49	7.71	5.81	neg
Price-to-Earnings	Market Cap / Net Earnings	neg	28.65	77.37	14.57	neg
Price-to-Book	Market Cap / Equity	0.94	1.23	0.66	0.64	0.80

Market Capitalisation (Market Cap), Net Debt and Equity as at 30.06

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

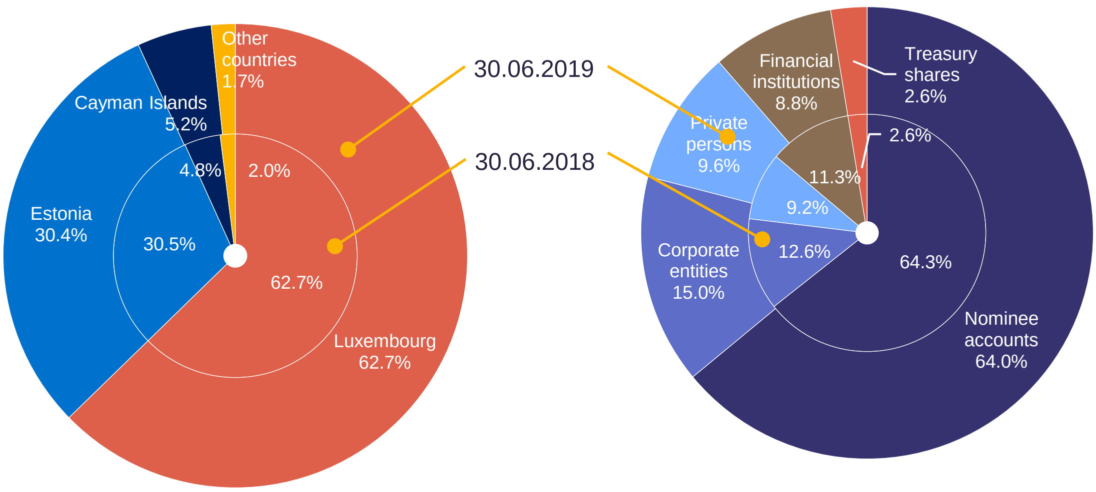
SHAREHOLDER STRUCTURE

SHAREHOLDERS OF AS PRFOODS

	Number of shares 30.06.2019	% of total 30.06.2019	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	1,593,623	4.12%	1,564,553	4.04%	29,070
Ambient Sound Investments OÜ	1,385,267	3.58%	1,239,116	3.20%	146,151
Firebird Republics Fund Ltd	1,277,729	3.30%	1,195,270	3.09%	82,459
OÜ Rododendron	1,219,589	3.15%	1,298,705	3.36%	-79,116
Compensa Life Vienna Insurance Group SE	750,470	1.94%	750,470	1.94%	-
Firebird Avrora Fund, Ltd.	730,678	1.89%	648,220	1.68%	82,458
OÜ Iskra Investeeringud	377,874	0.98%	386,874	1.00%	-9,000
Total largest shareholders	31,593,596	81.67%	31,341,574	81.02%	252,022
Other minority shareholders	6,089,264	15.74%	6,341,286	16.39%	-252,022
Treasury shares	1,000,000	2.59%	1,000,000	2.59%	-
Total	**38,682,860**	**100.00%**	**38,682,860**	**100.00%**	**-**

STRUCTURE OF SHAREHOLDERS BY RESIDENCE

STRUCTURE OF SHAREHOLDERS BY INVESTOR TYPE



STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES, 30.06.2019

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 … 1 000	742	48.0%	353,014	0.9%
1 001 … 10 000	681	44.1%	2,220,492	5.7%
10 001 … 50 000	98	6.3%	2,031,510	5.3%
50 001 … 100 000	8	0.5%	584,239	1.5%
> 100 000	16	1.0%	33,493,605	86.6%
Total	**1,545**	**100.0%**	**38,682,860**	**100.0%**

SOCIAL RESPONSIBILITY

A successful company is responsible to both society and the environment. Our decisions and actions directly affect our employees, local communities, and more indirectly our partners and society.


Moonsund Regatta

As a fish farming and processing company, we are foremost and primarily involved in maritime issues. In 2019, we supported the Moonsund Regatta and the Ice Sailing World Championship. At Moonsund Regatta we also participated as a competitor in amateur league in the Reval Café Elisa Sailing Team.

Heimon Kala Oy, a Finnish subsidiary of PRFoods, has a long-standing partnership with the Hämeenlinna ice hockey team, and the Heimon factory team organizes friendship meetings with partner teams.

We also put a great importance to the development of the local economic environment and cultural space - in Estonia, Finland and Scotland, i.e. in all PRFoods countries and home markets. In 2018-2019 we helped various undertakings, such as MTÜ Visit Saaremaa, MTÜ Estonian Chamber of Culture, Hanaholmen Business Forum in Finland, Glasgow cultural week in Scotland and the opening of Arvo Pärt Center in Estonia.

Our future is children and athletic youth, and we have shouldered the target group activities - Simple Session 2018 and 2019, a project launched by Postimees Group where successful help deprived children (MTÜ Koos Laste Heaks) 2018 and 2019, and we helped organize the Sumo EM in Tallinn.

PRFoods' greatest asset is our staff, we will continue to support the culture and economic life of our employees in our neighbourhood, to sponsor sports events and help deprived children.

ENVIRONMENTAL RESPONSIBILITY

The Group owns fish farms in Sweden, Finland and Estonia, as well as fish production facilities in Estonia, Finland and Great Britain. These facilities have an impact on the environment. As a company operating sustainably, we are aware of our global responsibility for preservation of natural resources and unharmed environment, which is why we attempt to keep the environmental impact of our activities at a minimum level and further reduce our ecological footprint by employing as cost-efficient resources as possible.

According to the Environmental Impact Assessment and Environmental Management System Act, fishing industry is an activity with a significant environmental impact. A possible impact of fish farms on nature is related to the emission of wastewater generated in farms and pollutants contained therein (mainly nitrogen and phosphorus) into seawater and lake water and, as a result, deterioration of water quality. Deterioration of water quality in turn may damage habitats or the living environment of birds and animals. Concentration and distribution of pollutants depends on the production technology used, on the quantity of fish feed and on sea currents, wind directions and other environmental factors.

Fish farming requires a water abstraction permit as an operating permit that is issued for a period of 7 to 10 years. We actively mitigate our environmental impact under the strict supervision of environmental authorities. We ensure adherence to all necessary measures for maximum reduction of the negative environmental impact in all main stages of fish production and processing in our sites. In addition, we contribute by deploying ecological technologies in our fish farms and production facilities. In our investments, we observe the principles of the corresponding BAT (Best Available Technique) method.

The Group has developed a new fish feed recipe that results in a 13.5% reduction in nitrogen emissions and a 30.3% reduction in phosphorus in the water. The work continues in this area with the next year’s aim to reduce the phosphorus release to 47.7% compared to standard feeds as phosphorus is limiting the formation of cyanobacteria. The new fish feed was tested in Saaremaa and Sweden in the summer of 2019 and the results are positive.

We have installed shellfish farming lines in Saaremaa at a cost of about 40 thousand euros and are currently gaining experience in industrial shellfish farming in Estonian coastal waters. According to calculations, shellfish farming should compensate 20% of the nitrogen and phosphorus emissions of fish farming.

In Finland, we have developed a completely new wastewater treatment solution to treat wastewater from fish gutting, and testing will begin in October 2019. The aim is to significantly improve the efficiency of nutrient purification from wastewater. After the tests, similar systems are planned to be introduced in Sweden and Estonia.

In Finland, we participated in a CWPharma study conducted in 2017-2018 analysing seabed sediments and investigating the impact of human activities and fish farming on seabed sediments, the results of which will be published in 2019.

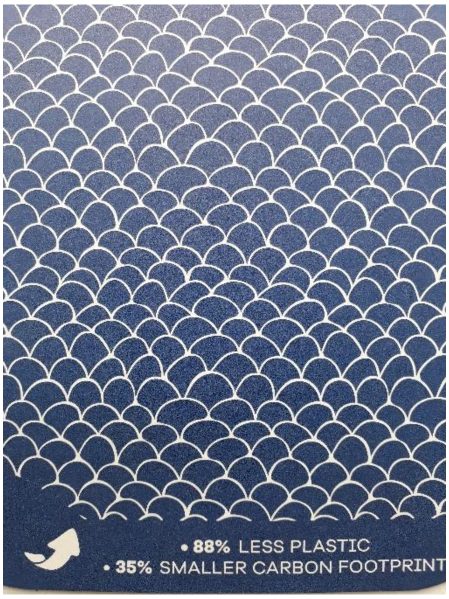
In Sweden, we invested 691 thousand Swedish kronas to purchase a fully professional oil harvesting equipment to prevent oil in fish feed from leaking to beaches in the immediate vicinity.

All of our farms are equipped with state-of-the-art water quality monitoring sensors and the results of the water monitoring of all breeding sites are continuously visible through the cloud service.

We are actively involved in various innovation and environmental projects such as UKIPOLIS in Finland (design of sediment separation cushion in the Baltic Sea), Sustainable cage farming in Denmark and in the Joint Baltic Sea Fisheries Working Group.

In Sweden, we have conducted a number of large-scale environmental surveys in the past financial year with independent parties (continuous monitoring of terrestrial farm outlet water, bottom sediment survey in and near cage breeding) to effectively demonstrate the low environmental impact of modern fish farming. So far, the results of the analysis have proven that the environmental impact is minimal, and our previously presented estimates have tended to be conservative.

For several years we have been an innovation partner of the Finnish Natural Resources Center (LUKE) in carrying out various research on fish farming, and for the second year we are participating in a joint study by the Finnish Center for Natural Resources and Finnish Environment Institute (SYKE), which aims to measure the effects of the aquaculture environment with the help of Copernicus satellite.



As a packager of fishery products, the Group has been active in ensuring that the Group's packaging materials are friendly to the environment. Among other things, the Group is committed to improving sustainability and reducing food waste in combination with better product packaging on retail shelves. The first of two new packaging solutions will reduce the proportion of plastics by 88% and the carbon footprint by 35%. The second packaging solution is based on wood as a raw material - the packaging is recyclable, renewable and degradable. The plastic part is minimized and replaces today's plastic alternatives.

The plastics are still used by the Group in packaging primarily due to a combination of its positive properties such as versatility, strength, lightness, stability, impermeability and maintaining products sterile. The light weight of plastic simplifies handling products throughout the production chain until it reaches an end client resulting in less transport emissions.

The Group 's choice of packaging manufacturers is also based on matching values, thus being guided by environmental aspects and sustainability.

As an international fish producer, the Group continues to focus its activities on moving towards environment friendly solutions throughout its production processes also in the coming years.

REPORT ON GOOD CORPORATE GOVERNANCE

AS PRFoods organises its business activities on the basis of its articles of association and national legal norms, and as a public enterprise on the requirements of the Tallinn Stock Exchange, Corporate Governance Recommendations (CGR) compiled jointly by Tallinn Stock Exchange and the Estonian Financial Supervision Authority in 2005 and the principles of equal treatment of shareholders and investors. The companies listed on the NASDAQ Tallinn Stock Exchange are obligated to publish a corporate governance report as a part of their annual report describing if and how CGR principles are followed and if not, then point out what specifically accompanied by an explanation for such a deviation.

The Group’s report on Good Corporate Governance is available on the Group’s homepage www.prfoods.ee in the Governance subsection (http://prfoods.ee/about/governance/corporate-governance-reports).

EXERCISE OF SHAREHOLDERS RIGHTS

Every shareholder shall be ensured the right to participate in the general meeting, to speak in the general meeting on themes presented in the agenda, and to present reasoned questions and make proposals. The general meeting shall be conducted at the location of the issuer and at a reasonable time and place, ensuring that a majority of shareholders have the possibility to participate in the general meeting. In the notice calling the general meeting the issuer shall include the address to which the shareholders can send agenda questions related to the agenda. The circumstances on which the issuer withholds information and how a shareholder can file a dispute it shall also be brought out in the notice. In conformity with the principle of treating all shareholders equally a controlling stakeholder shall refrain from harming the rights of other shareholders.

On the general meeting held on 30.11.2018 three questions were asked by shareholders which were answered by the member of AS PRFoods management board Indrek Kasela. The questions and answers can be found in the minutes of the meeting and in the recording of the full general meeting the link of which is published on the homepage of the company.

EQUAL RIGHTS OF SHAREHOLDERS IN THE ARTICLES OF ASSOCIATION

The articles of association of the issuer do not grant different types of shares with rights resulting in unequal treatment of shareholders in voting.

AGREEMENTS BETWEEN SHAREHOLDERS

In case the issuer has information on agreements between shareholders on concerted exercise of shareholders rights, the information shall be available on the issuer's homepage. The issuer has no information on such agreements being concluded.

PARTICIPATION IN A GENERAL MEETING IN PERSON OR BY PROXY

Issuers shall facilitate the personal participation of shareholders at the general meeting but shall not make it difficult for representatives to participate in and vote at the general meeting. The issuer shall notify shareholders as precisely as possible regarding the date, time and address of the general meeting. If an issuer itself or by his employees/representatives organizes the representation of a shareholder at a general meeting, it shall do so in such a manner that the orders given by the shareholder with regard to voting are executed. The representative of the issuer shall participate in the general meeting and shall be accessible to the shareholders during the holding of the general meeting.

NOTICE OF A GENERAL MEETING AND INFORMATION TO BE PUBLISHED

Notice calling the general meeting is available on the issuer's homepage including the essential information to be published for passing a resolution regarding a topic on the agenda at the general meeting to shareholders. The information contains i.a. proposition on profit distribution, draft articles of association together with an indication of the proposed amendments; essential conditions and agreements or draft contracts issuance of securities or other transactions connected with the company (e.g., merger, sale of property etc.), information regarding candidates for supervisory board members or auditors etc. and supervisory board's propositions on topics on the agenda. On supervisory board member candidates, the information on the candidate's positions in supervisory boards, management boards or the management of other companies shall be provided.

The notice calling the general meeting and the information/documents pertaining to the general meeting are published in the homepage of the company both in Estonian and English languages. The minutes and recording of the general meeting are published on the homepage of the company in the language the meeting was conducted.

If shareholders make substantive proposals to items on the agenda or proposals diverging from those of the supervisory board prior to the general meeting the issuer shall publish the proposals on its homepage.

PARTICIPATION IN A GENERAL MEETING, INCL. VIA MEANS OF COMMUNICATION EQUIPMENT

The meetings shall be held in Estonian. The chairman of the supervisory board and members of the management board will not be elected to chair the general meeting. Members of the management board, the chairman of the supervisory board and if possible, the members of the supervisory board and at least one of the auditors participate in the general meeting.

The meeting on 30.11.2018 was held in Estonian. The meeting was chaired neither by the chairman of the supervisory board of AS PRFoods nor by the member of the management board. A member of the management board and an auditor participated on the meeting.

Issuers shall make participation in the general meeting possible via means of communication equipment (the Internet) provided the technical equipment is available and it is not too costly for the issuer. AS PRFoods lacks the adequate technical equipment and acquiring of it would be too costly. In accordance with the policy of transparency, the company used the Webinar service of Nasdaq Baltic in conducting the general meeting. AS PRFoods made live broadcast of shareholder's general meeting and answered to the additional questions. The meeting was held in Estonian. The webinar was chaired by Indrek Kasela, the chairman of the Management Board of AS PRFoods who informed about the issues on the agenda of the general meeting of shareholders and introduced the results of the period. For technical reasons, participants of the webinar were unable to exercise their shareholders' rights (voting). The webinar was recorded and published both on the Group's website www.prfoods.ee and in the youtube.com account of Nasdaq Baltic.

Profit distribution (covering loss) shall be considered in a general meeting as a separate agenda item and a separate resolution shall be passed regarding it. Profit distribution was a separate agenda item on the general meeting and a separate resolution was passed regarding it.

RESPONSIBILITY AREAS OF MANAGEMENT BOARD MEMBERS

The responsibility areas of the management board members are approved by the management or supervisory board. The chairman of the supervisory board concludes a contract of service with a member of the board for discharge of their functions. The company's management board has one member who performs the duties of the managing director and is responsible for the functioning of the company's strategic areas, including integration of internal control and management processes with the company's accounting procedures, both daily and periodical. The member of the management board shall not be at the same time a member of more than two management boards of an issuer and shall not be the chairman of the supervisory board of another issuer (unless the issuer is a group company).

The member of the management board of AS PRFoods is neither a member of management boards of other issuers nor a chairman of the supervisory boards of another issuer. The chairman of the supervisory board has signed a contract of service with the member of the management board. AS PRFoods', a holding structure void of everyday operational business activities, management consists of one member most efficiently corresponding to the needs of managing the company. Management bodies of subsidiaries active in fish farming, processing and sales comprise of 3-4 members matching the business specifics and needs of the subsidiaries.

REMUNERATION PRINCIPLES OF MANAGEMENT BOARD MEMBERS

Basic wages, performance pay, severance packages, other payable benefits and bonus schemes of a management board member as well as the essential features of these shall be published in clear and unambiguous form on the homepage of the issuer and in the CGR report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the issuer or the amount of foreseeable expense as of the day of disclosure. The chairman of the management board receives remuneration in accordance with the contract of the management board member. The remuneration and its principles are revisited once a year. The amount of the remuneration of the chairman of the management board is established with the contract of the management board member and is not to be disclosed as agreed by the parties. There are not bonus systems, i.e. no options, no retirement programmes, etc. in place for remuneration of the member of the management board. The chairman of the management board is entitled to receive a severance fee of up to 6 months remuneration of the member of the management board.

SIGNIFICANT TRANSACTION OF A MANAGEMENT BOARD MEMBER WITH THE ISSUER

The supervisory board shall approve the transactions, which are significant to the issuer and concluded between the issuer and a member of its management board or another person connected/close to them and shall determine the terms of such transactions. The transactions approved by the supervisory board concluded between the issuer and a member of the management board or another person connected/close to them are published in the CGR report. No such transactions have taken place during the past financial year.

CONTROL EXECUTED BY THE SUPERVISORY BOARD OVER ACTIVITIES OF THE MANAGER AND THE ISSUER

The supervisory board shall regularly assess the activities of the management board and its implementation of the issuer's strategy, financial condition, risk management system, the lawfulness of the management board activities and whether essential information concerning the issuer has been communicated to the supervisory board and the public as required. Upon the establishment of committees by the supervisory board, the issuer shall publish on its website their existence, duties, membership and position in the organization. Upon change of the committee structures, the issuer shall publish the content of such changes and the period during which the procedures are in effect.

DISCLOSURE OF REMUNERATION TO MEMBERS OF SUPERVISORY BOARD

The amount of remuneration of a member of the supervisory board shall be published in the CGR report, indicating separately basic and additional payment (incl. compensation for termination of contract and other payable benefits). The general meeting of shareholders of AS PRFoods is competent to elect and approve the composition of the supervisory board and their term of office. According to the articles of association of AS PRFoods, the supervisory board consist of three to seven members who are elected by the general meeting for a term of three years. The general meeting has confirmed the remuneration fees of members of the supervisory board as follows: fee for the chairman 1,000 euros a month, fee for the vice chairman 750 euros a month and the fee of the member 500 euros a month. No severance fee is to be paid to the member of the supervisory board.

ATTENDANCE AT SUPERVISORY BOARD MEETINGS BY THE MEMBERS OF SUPERVISORY BOARD

If a member of the supervisory board has attended less than half of the meetings of the supervisory board, this shall be indicated separately in the CGR report. In 2018/2019, all members of the supervisory board attended all supervisory board meetings.

CONFLICT OF INTERESTS SITUATIONS

Members of the supervisory board shall promptly inform the chairman of the supervisory board and management board regarding any business offer related to the business activity of the issuer made to him, a person close to him or a person connected with him. All conflicts of interests that have arisen in preceding year shall be indicated in the CGR report along with their resolutions. Members of the supervisory board refrain from conflicts of interests and adhere to the prohibition of competition. The supervisory board and the management board cooperate closely in accordance with the articles of association and in the interests of the business undertakings and its shareholders. There were no such conflicts of interest in 2018/2019.

INFORMATION ON THE ISSUER'S HOMEPAGE

On the issuer's homepage, among others the general strategy directions of the issuer as approved by the supervisory board are disclosed. General directions and significant issues are provided in the Management Report.

THE ISSUER'S MEETINGS WITH JOURNALISTS AND ANALYSTS

The issuer shall disclose the dates and places of meetings with analysts and presentations and press conferences organized for analysts, investors or institutional investors on its website. The issuer enables shareholders to participate at such events and makes presentations available on its website. The issuer shall not arrange meetings with analysts and presentations organized for investors directly before dates of publishing a financial report. The issuer shall treat all shareholders equally. Compulsory, significant and price-sensitive information is first disclosed via the information system of the Tallinn Stock Exchange and then on the websites of the Estonian Financial Supervision Authority and the Group. In addition, every shareholder is entitled to request additional information from the Group and set up meetings. The Group's management board does not consider it important to keep a logbook on timetable and agenda of meetings with various shareholders as these meetings are limited to information that is already disclosed. This rule applies on all meetings, including the ones held shortly before disclosing financial reports.

AUDITOR OF THE ISSUER

The supervisory board shall make available to shareholders information on a candidate for auditor, including information on their business connections and regarding its independence specifying also why the agreement with the current auditor is to be terminated or a judgment on the auditor's work in case the auditor auditing the company shall be reappointed. The general meeting of shareholders of AS PRFoods held on 30.11.2018 reappointed AS PricewaterhouseCoopers as the Group's auditor for the financial year of 2018/2019. Indrek Kasela commented on auditor's work at the general meeting held on 30.11.2018, the minutes and the recording of which is published on the homepage.

Pursuant to the contract with the auditor, the auditing company's service entails auditing procedures of consolidated annual report (incl. annual reports of subsidiaries).

The remuneration of the auditor will be determined pursuant to the agreement. Pursuant to the Auditing Act, the sworn auditor representing the external audit company is to be changed at least once in every seven years. During reporting period the auditing firm has provided to the Group additional non-audit services including limited assurance engagements and IFRS related trainings.

GOVERNANCE PRINCIPLES AND ADDITIONAL INFORMATION

AS PRFoods is a public limited company and its governing bodies are the shareholders' general meeting, the supervisory and the management board.

GENERAL MEETING

The general meeting of shareholders is the Group's highest governing body competent to amend and approve new articles of association, change the amount of share capital, recall members of the supervisory board and resolve on dissolution of the company, decide on division, merger or restructuring of the company, provided least 2/3 of the votes represented by shareholders at the general meeting are in favour. General meetings are ordinary (OGM) and extraordinary (EGM) meetings. An OGM shall be convened by the management board once a year not later than within six months after the end of the financial year. The management board shall convene an EGM if the Group's net assets fall below the limit allowed by law or if the meeting is requested by the supervisory board, auditor or shareholders whose shares represent at least 1/10 of the share capital. A general meeting has quorum when more than half of the votes determined by shares are present. The list of persons entitled to participate at the general meeting is determined 7 days before the meeting.

The AGM of shareholders of AS PRFoods was held on 30.11.2018 in Tallinn. 21 shareholders or their authorised representatives collectively representing 26,066,058 votes or 69.17% of the total votes attended the AGM. Thus, the meeting was authorized to adopt resolutions on issues on the agenda. The member of the AS PRFoods management board and the auditor participated on the meeting. The agenda of the meeting comprised of approval of the annual report of financial year 18 months of 2017/2018, deciding on distribution of the financial year's profit, and appointing the auditor including determining the auditor's fee. The chairman of the management board of AS PRFoods held a presentation. The meeting adopted the resolutions on all issues on the agenda of the AGM according to the proposals made by the supervisory board. Information on the adoption of resolutions and contents were published after the end of the meeting via the information system of NASDAQ Tallinn and on the homepage of the Group at www.prfoods.ee.

SUPERVISORY BOARD

Pursuant to law, a supervisory board of a public limited company is a supervisory body responsible for planning the activities of a company, organizing its management and supervising the activities of the 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. Members of the supervisory board elect a chairman from among themselves. Chairman of the supervisory board is responsible for organizing the work of supervisory board and has a casting vote in case of tied vote.

As of the date of the report, the supervisory board of AS PRFoods is comprised of the following members: Lauri Kustaa Äimä (since incorporation), Kuldar Leis (elected on 29 May 2013), Aavo Kokk (elected on 5 May 2009), Harvey Sawikin (elected on 5 May 2009), Vesa Jaakko Karo (elected on 17 August 2009) and Arko Kadajane (elected on 29 May 2012). The terms of office of all the current members of the supervisory board will end on 10 December 2022. The supervisory board of AS PRFoods includes four independent members — Aavo Kokk, Vesa Jaakko Karo; Kuldar Leis and Arko Kadajane. The chairman of the supervisory board is Lauri Kustaa Äimä and the vice-chairman of the supervisory board is Kuldar Leis.

The meetings of the supervisory board are held when necessary but no less frequently than once per quarter. The meeting of the supervisory board has a quorum when more than half of the members participate.

In addition to the meetings, the supervisory board adopted resolutions without convening a meeting if it was necessary. The management board informed the supervisory board on a regular basis of the operations and financial status of AS PRFoods and the supervisory board provided the management board with necessary directions and support in conducting the everyday business activities of the company. In case a contract of service with a member of the supervisory board expires or is terminated prematurely, the Group will not incur a higher liability to pay a benefit than prescribed by the law. As at the end of the financial year, the Group's supervisory board members owned directly and indirectly 3.74% of the Group's shares (30.06.2018: 3.95%).

MANAGEMENT BOARD

The management board is the management body of the company that represents and manages the company according to the law and provisions of the articles of association. The management board is required to act in the most financially appropriate manner. According to the articles of association, the management board of AS PRFoods consists of one to four members. The members of the management board shall be elected by the supervisory board for three years. The competence of the supervisory board includes the election of the chairman of the management board, on the latter's proposal, appointment and recalling of members of the management board. A member of the management board may represent the company in all legal transactions. The Management Board of AS PRFoods consists of one member. According to the supervisory board, from 2 February 2015 the only member of the management board is Indrek Kasela. In its day-to-day management, the company's management board is independent and acts in the best interests of all shareholders, ensuring thereby the company's sustainable development in line with the set objectives and strategy. Moreover, the company's management board is responsible for ensuring functioning internal control and risk management procedures in the company.

The competence and powers of the management board are regulated by the Commercial Code and by the company's articles of association with no deviating exceptions or agreements made or entered into. The chairman of the management board receives remuneration according to the contract of service and is additionally entitled to receive severance benefit for up to 6 months' remuneration. Nor a member neither the chairman of the management board has any pension-related rights. The chairman is responsible for organising business operations on the Group level and also fulfils the tasks of a managing director. In subsidiaries, the local management ensures adherence to business practices. As at the end of the financial year, the Group's management board member owned via direct and indirect holdings a total of 4.12% of the Group's shares (30.06.2018: 4.04%). More detailed information about the education, career, membership in management bodies of business undertakings and shareholdings in AS PRFoods of members of the supervisory board and management board are provided on the Group's homepage.

SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

The chairman or a management board member of a subsidiary is appointed by the supervisory board of the subsidiary. Below is a list of supervisory boards and management boards of subsidiaries that are 100% owned by AS PRFoods as at 30 June 2019.

Company	Management Board	Supervisory Board
Saaremere Kala AS	Indrek Kasela, Ivari Vokk, Christopher Charles Leigh, Victoria Louise Leigh-Pearson	Kuldar Leis, Lauri Kustaa Äimä, Helin Tiido, Emil Metsson
Vettel OÜ	Indrek Kasela, Ivari Vokk	
Heimon Kala Oy	Indrek Kasela, Margus Rebane, Mats Storbjörk; Ville Sammallahti	
Trio Trading Ab Oy	Indrek Kasela, Mats Storbjörk; Ville Sammallahti, Pekka Pentti Olavi Lahtinen	
Överumans Fisk AB	Margus Rebane, Indrek Kasela	
JRJ & PRF Ltd	Indrek Kasela, Kit Harrison, Vesa Jaakko Karo, Christopher Charles Leigh, Louise Victoria Leigh-Pearson	
John Ross Jr. (Aberdeen) Ltd	Indrek Kasela, Christopher Charles Leigh, Victoria Louise Leigh-Pearson, Jennifer Anne Leigh	
Coln Valley Smokery Ltd	Indrek Kasela, Christopher Charles Leigh, Victoria Louise Leigh-Pearson	

ADDITIONAL MANAGEMENT BODIES AND SPECIAL COMMITTEES

The Group has regulated necessary procedures with guidelines and there has been no practical need to set up additional management/governing bodies. In 2010, the Group's supervisory board set up an auditing committee to monitor and analyse processing the financial information, efficiency of risk management and internal controls, the process of auditing of consolidated annual financial statements, the independence of the auditor representing the auditing company under the law, and to submit to the supervisory board proposals and recommendations in issues prescribed by the law. Since November 2017, the committee is chaired by Aleksander Zaporožtsev, the members of committee are since 2010 Aavo Kokk and Mairi Paiste.

ADDITIONAL MANAGEMENT BODIES AND SPECIAL COMMITTEES

The management of AS PRFoods considers a well-functioning working environment on all levels of the Group important. To achieve and maintain it the Group employs people of different gender, national background and experiences.

INFORMATION MANAGEMENT

As a listed company, AS PRFoods adheres to the principles of openness and equal treatment of investors. The information required within the stock exchange rules and regulations is published regularly in accordance to the set terms, whereas the Group employs the principle of not publishing forward-looking statements. It publishes and comments factual information only. For timely notification of investors and the public, the Group operates a website that contains all stock exchange announcements and financial reports.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	30.06.2019	30.06.2018
ASSETS			
Cash and cash equivalents	5	2,583	5,960
Receivables and prepayments	6	5,300	4,706
Inventories	7	11,980	12,678
Biological assets	8	4,924	6,498
Total current assets		24,787	29,842
Deferred income tax	10	41	153
Long-term financial investments	30	202	134
Tangible fixed assets	11	14,535	12,764
Intangible assets	12	22,969	22,604
Total non-current assets		**37,747**	**35,655**
TOTAL ASSETS		**62,534**	**65,497**
EQUITY AND LIABILITIES			
Loans and borrowings	15	13,502	12,562
Payables	16	14,105	14,254
Government grants	17	234	216
Total current liabilities		**27,841**	**27,032**
Loans and borrowings	15	9,540	11,487
Payables	16	190	0
Deferred tax liabilities	10	2,010	2,441
Government grants	17	1,087	1,226
Total non-current liabilities		**12,827**	**15,154**
TOTAL LIABILITIES		**40,668**	**42,186**
Share capital	18	7,737	7,737
Share premium		14,007	14,007
Treasury shares		-390	-390
Statutory capital reserve		51	48
Currency translation difference		-214	7
Retained profit (-loss)		66	1,904
Equity attributable to parent		**21,257**	**23,313**
Non-controlling interest		609	-2
TOTAL EQUITY		**21,866**	**23,311**
TOTAL EQUITY AND LIABILITIES		**62,534**	**65,497**

Notes on pages 40-84 are an integral part of the consolidated financial statements.

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Kuupäev/date 30.10.2019
PricewaterhouseCoopers, Tallinn

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	12m 2018/2019	18m 2017/2018
Revenue	19	85,727	118,499
Cost of goods sold	20	-73,830	-103,811
Gross profit		11,897	14,688
Operating expenses		-10,702	-12,423
Selling and distribution expenses	21	-7,499	-8,841
Administrative expenses	22	-3,203	-3,582
Other income / expense	24	83	-250
Fair value adjustment on biological assets	8	-1,744	-524
Operating profit (loss)		-466	1,491
Financial income	25	23	10
Financial expenses		-799	-1,034
Profit (loss) before tax	26	-1,242	467
Income tax		-230	-410
Net profit (loss) for the period		-1,472	57
Net profit (loss) attributable to:			
Owners of the Parent Company		-1,458	59
Non-controlling interest		-14	-2
Total net profit (loss)		-1,472	57
Other comprehensive income (loss) that may subsequently be classified to profit or loss:			
Exchange differences on translation of foreign operations		-221	-421
Total comprehensive income (expense)		-1,693	-364
Total comprehensive income (expense) attributable to:			
Owners of the Parent Company		-1,679	-362
Non-controlling interest		-14	-2
Total comprehensive income (expense) for the period		-1,693	-364
Profit (loss) per share (EUR)	27	-0.04	0.00
Diluted profit (loss) per share (EUR)	27	-0.04	0.00

Notes on pages 40-84 are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

EUR '000	Note	12m 2018/2019	18m 2017/2018
Total cash flow from operations			
Net profit (loss)		-1,472	57
Adjustments:			
Depreciation	11, 12	2,209	2,700
Profit from sale and write off of fixed assets		-18	-51
Other non-cash items		540	-2,360
Changes in receivables and prepayments	6	-594	-573
Changes in inventories	7	698	-7,285
Changes in biological assets	8	1,574	1,086
Changes in payables and prepayments	16	2,062	6,024
Corporate income tax paid		-657	-48
Total cash flow from / (used in) operating activities		4,342	-450
Total cash flow from investments			
Proceeds from the sale of tangible and intangible fixed assets	11, 12	133	131
Payments for tangible and intangible fixed assets	11, 12	-1,907	-1,299
Government grants for acquisition of assets	17	7	310
Purchase and sale of other financial instruments		-1	0
Acquisition of subsidiaries, net cash received	9	-2,631	-12,964
Repayments of loans issued		0	51
Interest received		16	9
Income from long-term investments		0	1
Total cash flow used in investing activities		-4,383	-13,761
Total cash flow from financing			
Repurchase of own shares		0	-134
Change in overdraft	15	709	4,707
Repayments of loans	15	-3,239	-1,194
Loans received	15	907	14,000
Change in factored receivables	15	9	-61
Capital lease repayments	13	-554	-565
Dividends paid	27	-377	-215
Interest paid	25	-791	-741
Total cash flow (used in)/from financing activities		-3,336	15,797
Total cash flow		-3,377	1,586
Cash and cash equivalents at beginning of year	5	5,960	4,374
Change in cash and cash equivalents		-3,377	1,586
Cash and cash equivalents at the end of the period		2,583	5,960

Notes on pages 40-84 are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Share premium	Treasury shares	Statutory capital reserve	Unrealised currency translation differences	Retained earnings (-loss)	Total	Non-controlling interests	Total equity
Balance at 31.12.2016	7,737	14,007	-256	12	428	1,881	23,809	0	23,809
Increase of statutory reserve capital	0	0	0	36	0	-36	0	0	0
Buy-back of treasury shares	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
Balance at 30.06.2018	7,737	14,007	-390	48	7	1,904	23,313	-2	23,311
Increase of statutory reserve capital	0	0	0	3	0	-3	0	0	0
Non-controlling interests on acquisition of subsidiary	0	0	0	0	0	0	0	625	625
Transactions with equity holders of the company	0	0	0	3	0	-3	0	625	625
Net loss for the year	0	0	0	0	0	-1,458	-1,458	-14	-1,472
Dividends	0	0	0	0	0	-377	-377	0	-377
Other comprehensive expense	0	0	0	0	-221	0	-221	0	-221
Total comprehensive expense for the period	**0**	**0**	**0**	**0**	**-221**	**-1,835**	**-2,056**	**-14**	**-1,068**
Balance at 30.06.2019	**7,737**	**14,007**	**-390**	**51**	**-214**	**66**	**21,257**	**609**	**21,866**

Additional information in Note 18.

Notes on pages 40-84 are an integral part of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

AS PRFoods ("Parent company") and its subsidiaries (together "Group") are companies active in producing and wholesale of fish and fish products. AS PRFoods was incorporated in the Estonian Republic on 23 December 2008. The shares of AS PRFoods are listed on NASDAQ Tallinn Stock Exchange. The largest shareholder of AS PRFoods is Amber Trust II S.C.A (see Note 18). This consolidated report is signed by the management to be published on 31 October 2019. Pursuant to Commercial Code of the Republic of Estonia the annual report is to be approved by the supervisory board and the general meeting of shareholders.

NOTE 2. BASES FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of AS PRFoods for the 12 months of 2018/2019 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS). AS PRFoods has changed the financial year and from the beginning of the financial year 2018/2019 it lasts from 01.07 till 30.06. As a result, the financial year of 2017/2018 was exceptionally 18 months. Due to the change of a financial year the numbers presented in the financial statements for 12 months of 2018/2019 are not comparable to the numbers of 18 months of 2017/2018.

The consolidated financial statements have been prepared under the historical cost convention, except for biological assets and held-for-sale financial assets which are reflected at fair value.

The functional currency of AS PRFoods and presentation currency of the consolidated financial statements is euro (EUR). All amounts presented in the financial statements have been rounded to the nearest thousand, unless stated otherwise.

The consolidated financial statements have been prepared using the accounting policies below which have consistently been applied to all periods presented in the financial statements, unless stated otherwise.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The accounting policies applied in the preparation of this report are the same as those used in the consolidated financial statements for the year ended on 30 June 2018, except as described below.

For the first time since 1 July 2018, the Group has applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments". A number of other new standards have been applied since 1 July 2018 but have no significant impact on the Group's financial statements. The implementation of IFRS 15 and IFRS 9 had no material impact on the Group's financial statements as of July 1, 2018.

IFRS 9 Financial Instruments: Classification and Measurement

Key features of the new standard are:

• Financial assets shall be classified in one of three measurement categories - assets carried at amortized cost, assets at fair value through other comprehensive income (FVOCI), and assets at fair value through profit or loss (FVPL).

• The classification of a debt instrument depends on the entity's business model for managing its financial assets and whether its contractual cash flows represent solely payments of principal and interest ("SPPI"). If the debt instrument is held to collect and the SPPI requirement is met, the instrument may be carried at amortized cost. Debt instruments that meet the SPPI requirement and are held in a portfolio where the entity holds assets for both collection and sale purposes may be classified as FVOCI. Financial assets that do not contain SPPI cash flows shall be measured at FVPL (for example, derivatives). Embedded derivatives are no longer segregated from financial assets but are included in the assessment of the SPPI requirement.

• Equity instruments shall always be measured at fair value. However, the management may make the irrevocable choice to recognize changes in FVOCI, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in its fair value should be recognized in profit or loss.

• Most of the requirements in IAS 39 for classifying and measuring financial liabilities have been carried forward unchanged in IFRS 9. The main change is that financial liabilities designated to be recognized at fair value through profit or loss, at group level the change in its fair value of financial liabilities' credit risk shall be recognized in other comprehensive income.

IFRS 9 replaces IAS 39's treatment of the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 01.07.2018 resulted in a change in accounting policy, although it did not result in material adjustments to the financial statements. The new accounting policies are set out in Note 2. As the Group decided to apply the standard prospectively, the comparative information in accordance with the IFRS 9 transition rules was not changed.

On 01.07. 2018 (the date of initial application), the Group's management assessed which business models are relevant to the Group's financial assets and classified the financial assets in the appropriate IFRS 9 categories. At the date of initial application, 01.07.2018, the Group's financial assets, including any potential reclassifications, were as follows (the reclassification did not result in changes in values as a result of applying IFRS 9):

EUR '000	Classification in accordance with IAS 39	Balance sheet value in accordance with IAS 39 as at 30.06.2018	Classification in accordance with IFRS 9	Balance sheet value in accordance with IFRS 9 as at 01.07.2018
Trade receivables and other receivables	Amortised cost	3,161	Amortised cost	3,161
Receivables factored without regression rights	Amortised cost	845	Fair value through profit or loss	845
Cash and cash equivalents	Amortised cost	5,960	Amortised cost	5,960
Long-term financial investments	Amortised cost	134	Amortised cost	134
Total financial assets		10,100		10,100

Impairment of financial assets

IFRS 9 replaces the IAS 39 loss model with the expected credit loss model. This is a "three-tier" approach based on the change in the credit quality of financial assets after initial recognition. In practice, the new rules mean that companies have to immediately recognize a loss equal to the expected 12-month credit loss (for trade receivables over their lifetime) when recording financial assets that are not subject to impairment. Where there is a material increase in credit risk, impairment shall be measured using the expected life of credit loss rather than the expected 12 months of credit loss. The model includes simplifications for lease and buyer requirements.

The changes in accounting policies resulting from the adoption of IFRS 9 have been applied without restating the comparative information; the effects of the implementation have been recognized in the opening balance sheet as of July 1, 2018. As at 30 June 2018, the financial statements have been prepared in accordance with IAS 39.

See Notes 3 and 5 for contingent claims and changes in them during the reporting period.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework that determines how much and when revenue is recognized. This standard supersedes IAS 18 Revenue and the related interpretations. IFRS 15 recognizes revenue when a good or service is delivered to a customer. Goods and services sold together that are identifiable shall be accounted for separately and, as a rule, discounts on contract prices shall be allocated to separate items. If the consideration received is subject to change for some reason, the minimum amount recognized as revenue is recognized unless it represents a significant cancellation / repayment risk. Expenses incurred to secure contracts with customers must be capitalized and amortized over the period in which the contract generates revenue.

Given the Group's revenue structure, IFRS 15 does not have a significant impact on the timing of revenue recognition, transaction prices or the recognition of discounts, rebates and bonuses. The Group has estimated that the main change is secured by recognizing contracts and measuring related costs, which were previously expensed but are now required by IFRS 15 to be capitalized and depreciated over the period in which the contract generates revenue.

Amendments to IFRS 15, Revenue from Contracts with Customers

The amendments do not change the basic principles of the standard, but clarify how these principles should be applied. The amendments clarify how to identify performance obligations (a promise to deliver goods or services to a customer) in a contract; how to determine whether the company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether revenue from granting a licence should be recognized at a particular point in time or over a period of time. In addition to these clarifications, the amendments include two additional simplifications aimed at reducing the cost and complexity for an entity implementing the standard for the first time.

As of 1 July 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, applying the revised retrospective application, which resulted in recognition of the impact of the application on the date of initial application (ie 1 July 2018). Benchmarking data for 2017/2018. Unchanged for the year ended 31 December 2008 and presented in accordance with IAS 18 or IAS 11, as applicable. In addition, the comparative information is not subject to the disclosure requirements of IFRS 15. As a result of implementation, no adjustments have been recognized in the financial statements as of July 1, 2018.

Standards and interpretations used

The following new or revised standards and interpretations became mandatory for the Group as of 1 July 2018.

IFRIC 22 "Foreign Currency Transactions and Prepayments" (effective for annual periods beginning on or after 1 January 2018). The interpretation is relevant in a situation where an enterprise either receives or pays an advance on foreign currency contracts. The Interpretation clarifies that the trade date, or the date on which the exchange rate used is determined, is the date on which an entity recognizes a non-monetary asset or liability arising from a prepayment. However, an enterprise should assess whether the prepayment is a monetary or non-monetary asset or liability and use the guidance in IAS 21, IAS 32 and the Conceptual Framework. The Group estimates that the adoption of the standard will not have a significant impact on the financial statements.

The other new or revised standards or interpretations, which were first effective for annual periods beginning on or after 1 January 2018, did not have a significant impact on the Group.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THEREOF

The following new or revised standards and interpretations issued and effective for annual periods beginning on or after 1 July 2019, which have not been applied early by the Group.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

The new standard sets out the principles for recording, measuring, presenting and disclosing leases. As a result of all leases, the lessee obtains the right to use the asset from the commencement of the lease and, in the case of lease payments over a period, to finance. Consequently, IFRS 16 eliminates the classification of operating leases as operating and finance leases, as IAS 17 does, and instead introduces a single accounting model for lessees. Lessees must (a) record assets and liabilities for all leases with a term of more than 12 months, unless the leased asset is of low value; and (b) recognize in the income statement depreciation on leased assets and interest expense on lease liabilities. The principles of IFRS 16 for lessors remain substantially unchanged from those of IAS 17, that is, the lessor continues to subdivide its leases into operating and finance leases and to account for those types of leases differently.

The Group has revised all existing leases in the light of the new accounting policies in IFRS 16. As at the date of the transfer, the Group, as lessee, has a residual value of non-cancellable operating leases of 992 thousand euros. Short-term and low-value leases are recognized as an expense directly in the income statement.

Since July 2019, the Group has applied simplified transitional rules without changing comparative data for the year before implementation. Liabilities existing under operating leases that are recognized as operating leases at the Effective Date are recognized at the discounted value of their remaining lease payments, using the effective interest rate applicable on 1 July 2019. The right-of-use assets are recognized at the time of the transfer in the amount of the lease liability. As a result, on 1 July 2019 the Group's liabilities and assets will increase by 864 thousand euros. The Group estimates that in 2019/2010, as a result of the new accounting principles, the net profit will decline approximately 5 thousand euros.

Adjusted EBITDA used to measure segment results will increase in 2019/2020 by 362 thousand euros, since the cost of lease payments was formerly part of EBITDA, but according to the new standard the depreciation charge and interest expense are excluded from this measure. Cash flow from operating activities will increase and cash flow from financing

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activities will decrease by approximately 362 thousand euros as repayments of the principal of the lease liability are reflected in the cash flows related to financing.

IFRIC 23, Income tax uncertainty (effective for annual periods beginning on or after 1 January 2019).

IAS 12 sets out how to account for the current period and deferred tax, but not how to account for the effect of uncertainty. The interpretation explains how to apply the accounting and measurement requirements in IAS 12 when there is uncertainty about tax treatment. It is for the enterprise to decide whether to deal with each uncertain tax treatment separately or in combination with one or more other tax treatments, depending on which method better predicts the resolution of the uncertainty. The enterprise must expect the tax administration to verify the tax records that it is entitled to audit and that, at the time of such verification, the tax authority will know all relevant information. If the enterprise concludes that the tax administration is unlikely to accept the uncertain tax treatment, the effect of the uncertainty should be taken into account when estimating taxable profit or loss, tax base, unused tax losses, unused tax benefits or tax rates, whichever method is most appropriate. The company estimates that it better predicts the resolution of uncertainty. Effects arising from changes in the underlying data and circumstances, or from new information affecting the entity's judgments or estimates, should, by interpretation, be accounted for as changes in accounting estimates. Examples of changes in data and circumstances or new information that may result in a change in judgment or judgment include, but are not limited to, a control procedure or other action by the tax authority, a change in the rules established by the tax authority, or expiration. Unless a tax administration agrees or disagrees with a particular tax treatment, it is unlikely that it will be treated in isolation as a change in information or circumstance or as new information that could affect decisions or estimates under that interpretation. The Group estimates that the adoption of the standard will not have a significant impact on the financial statements.

Early repayment with negative compensation - Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2019).

The amendment also allows certain loans and debt securities to be recognized at amortized cost when they can be repaid at an amount less than the amortized cost, for example, if the repayment is at fair value or if the repayment includes reasonable compensation to the lender the effect of growth in present value. In addition, information is included in the basis of conclusions in the standard that confirms the current guidance in IFRS 9, which states that when financial liabilities at amortized cost are changed or reversed so that they are derecognised, the resulting gain or loss shall be recognized in profit or loss. Therefore, in most cases, companies cannot change the effective interest rate of a loan for the remaining life of the loan to avoid impacting the income statement at the time of changing the terms of the loan. The Group estimates that the adoption of the standard will not have a significant impact on the financial statements.

Other new or revised standards or interpretations that are not yet effective are not expected to have a material impact on the Group's current or future reporting periods or forecasted future transactions.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The financial statements of the Group’s each entity have been prepared using the currency of the primary economic environment in which the entity operates (functional currency), i.e. the local currency. The functional currency of the Parent Company and its subsidiaries registered in Estonia is euro. The consolidated financial statements have been prepared in euros.

Accounting for foreign currency transactions

All currencies other than the functional currency (the functional currency of the Parent Company as well as its Estonian and Finnish subsidiaries is the euro) are considered as foreign currencies. Foreign currency transactions are translated into the functional currency using the exchange rates of the European Central Bank or a central bank of the respective country as at the transaction dates. Monetary assets and liabilities denominated in a foreign currency (receivables and loans payable in cash) are translated into the functional currency based on the foreign currency exchange rate of the central bank as at the balance sheet date. Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period. Non-monetary assets and liabilities denominated in a foreign currency that are measured at fair value (at fair value are measured biological assets; short- and long-term financial investments in shares and other equity instruments whose fair value can be determined reliably) are translated into the functional currency using the official exchange rates of the central bank as at the date of determining the fair value. Non-monetary assets and liabilities denominated in a foreign currency that are not measured at fair value (e.g. prepayments, inventories accounted for using the cost method; property, plant and equipment as well as intangible assets) are not translated at the balance sheet date but continue to be reported using the official exchange rate of the central bank as at the transaction date.

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Financial statements of foreign business units

The following principles apply to the translation into the presentation currency of the financial statements of foreign subsidiaries:

- The assets and liabilities of all foreign subsidiaries are translated at the exchange rate of the European Central Bank at the balance sheet date;
- Subsidiaries' income and expenses are translated at the weighted average exchange rates for the year (unless this average cannot be considered a reasonable approximation of the cumulative effects of the interest rates prevailing at the dates of the transactions, in which case they are translated at the dates of the transaction).
- Conversion differences arising on translation are included in other comprehensive income and accumulated in equity under “Unrealized exchange differences”.

Goodwill and changes in fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the balance sheet date.

If a foreign subsidiary is disposed of, in whole or in part, as a result of a disposal, liquidation, repayment or abandonment of its equity, unrealized exchange differences recognized in equity are recognized in the income statement.

PRINCIPLES OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

In preparation of consolidated financial statements, the financial statements of the Parent Company and its subsidiaries are consolidated on a line-by-line basis. In preparation of consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group’s accounting policies.

In the Parent Company’s separate financial statements the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

(b) Changes in ownership interests in subsidiaries without cease of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when the control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss as appropriate.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in the associates’ other comprehensive income is recognised directly in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to “Share of other profit/loss of the associates” in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

INFORMATION ABOUT PARENT COMPANY’S SEPARATE PRIMARY FINANCIAL STATEMENTS

According to the Accounting Act of Estonia, the notes to the consolidated financial statements shall include disclosures on the separate primary financial statements of the consolidating entity (Parent Company). The primary financial statements of the Parent Company, which are disclosed in Note 33, have been prepared using the same accounting policies and measurement bases as used in preparing the consolidated financial statements. Investments in subsidiaries and associates are carried at cost in the separate primary financial statements. Under the cost method, the investment is initially recognised at cost, i.e. at the fair value of the consideration paid at acquisition and it is subsequently adjusted to account for impairment losses.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand, bank account balances (other than overdraft) and term deposits with maturities of 3 months or less. Overdraft is included within short-term borrowings in the statement of financial position.

FINANCIAL ASSETS

Accounting Principles Effective from 01.07.2018

Classification

The Group classifies financial assets into the following measurement categories:

- those at fair value (either through other comprehensive income or through profit or loss);
- those carried at amortised cost.

The classification depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows.

Registration and derecognition

Purchases and sales of financial assets under normal market conditions are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

Financial assets (unless they are receivables from a buyer that does not have a significant financing component and are initially measured at transaction price) are initially measured at fair value and in the case of assets not measures at fair value through profit or loss, related acquisition costs of assets are added to the initial value..

Debt instruments

Subsequent recognition of debt instruments depends on the Group's business model for managing its financial assets and the contractual cash flows of the financial assets. Assets held for the purpose of collecting contractual cash flows that have only cash flows and interest payable are recognised at amortised cost using the effective interest rate method. Impairment losses are deducted from the adjusted acquisition cost. Interest income, foreign exchange gains and losses and impairment losses are recognised in the income statement. Gains or losses on derecognition are recognised in the income statement under "Other operating income / expense". As of 1July 2018 and 30 June 2019 and during 2018/2019, financial assets of the Group were classified either as at amortised cost or at fair value through profit and loss (receivables factored without regress).

Equity instruments

The Group has no investments in equity instruments.

Impairment of financial assets

The impairment loss model is applied to financial assets at amortized cost. Financial assets carried at amortized cost consist of trade receivables, cash and cash equivalents.

Expected credit losses are probability-weighted estimated credit losses. Credit loss is the difference between the contractual cash flows of the Group and the expected cash flows of the Group, discounted at the original effective interest rate.

Measurement of expected credit loss takes into account: (i) an unbiased and probabilistic amount that estimates a number of different outcomes, (ii) the time value of money and (iii) reasonable and reasonable information available at the end of the reporting period conditions and forecasts of future economic conditions.

The Group measures impairment as follows:

- trade receivables amounting to expected credit losses over their lifetime;
- cash and cash equivalents at low credit risk (senior management considers an low credit risk assessment of at least one of the major credit rating agencies) to be equivalent to expected credit losses within 12 months;
- for all other financial assets, the amount of credit losses expected to be incurred over a 12-month period, unless the credit risk (i.e. the expected life of the financial asset in default) has increased significantly after initial recognition; if the risk is significantly increased, the credit loss is measured at an amount equal to the expected credit loss over a lifetime.

The Group has estimated the expected credit loss as of 01.07.2018 and the assessment does not result in a loss greater than the loss recognised under IAS 39 as at 30.06.2018. The changes in accounting policies resulting from the adoption of IFRS 9 have been applied without adjusting comparison data. As at 30 June 2018, the information is presented in accordance with IAS 39.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at their fair value plus transaction costs. After initial recognition, loans and receivables are carried at amortised cost (excluding receivables factored without regress) using the effective interest rate method. This method is used to calculate interest income on the receivable in subsequent periods. Financial assets are adjusted for impairment losses.

Impairment is based on expected credit loss. The principle of expected credit loss is to show the overall trend in the deterioration or improvement in the credit quality of a financial asset. Impairment losses on financial assets classified at amortised cost are recognised as a provision for impairment.

Expected credit losses are probability-weighted estimated credit losses that, at the reporting date, consider all relevant information, including information about past events, current conditions, reasonable and reasonable future events, and forecasts of economic conditions. At the end of each reporting period, the Group conducts an expert review to determine whether there has been a material increase in risk compared to the last estimate. Indicators of increased credit risk include, but are not limited to, overdue payments over 30 days, significant financial difficulties of the debtor, possible bankruptcy or restructuring of the debtor. Impairment charges are recognised in the income statement under "Other operating expenses". If receivables are uncollectible, they are written off together with a provision for impairment.

Receivables are generally recognised as current assets when they are due to be settled within 12 months after the balance sheet date. Receivables that are due later than 12 months after the balance sheet date are recognised as non-current assets. Financial assets that do not include SPPI cash flows are recognised at fair value through profit or loss (for example, factored receivables without regression right).

Accounting policies up to 30 June 2018

The Group's financial assets have been classified in the following categories: loans and receivables and held-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at their initial recognition.

Loans and receivables are initially recognised at cost which is the fair value of the consideration paid for the financial asset. The original cost also includes all transaction costs attributable to the financial asset. After initial recognition, the Group carries loans and receivables at amortised cost (less any impairment losses), calculating interest income on the receivable in the subsequent periods using the effective interest rate method. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included within current assets except for maturities greater than 12 months after the balance sheet date. Such assets are classified as non-current assets.

At each balance sheet date, an assessment is made whether there are any impairment indicators for an asset.

An allowance for impairment losses is recognised whenever there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Such circumstances may include significant financial difficulties of the debtor, bankruptcy or default or delinquency in payments. The amount of the allowance is the difference between the asset's carrying amount and the present value of expected future cash flows, discounted at the effective interest rate of the receivable.

If any such evidence exists, impairment losses are determined as follows:

(a) Financial assets carried at amortised cost (e.g. receivables) are written down to the present value of estimated future cash flows (discounted at the financial asset's internal interest rate as of the date of first recognition);

(b) Financial assets carried at cost (shares and other equity instruments, the fair value of which cannot be reliably determined) are written down to the present value of estimated future cash flows (discounted at the average current market rate of return for similar financial assets).

Reversals of impairment losses:

(a) If, in a subsequent period, the amount of the impairment loss of assets carried at amortised cost decreases, the previously recognised impairment loss is reversed to the amount which is the lower of (1) present value of estimated cash flows from the financial asset and (2) carrying amount using the amortised cost method had the impairment loss not been recognised. The amount of the reversal is recognised in profit or loss.

(b) Impairment losses for financial assets carried at cost because their fair value cannot be measured reliably shall not be reversed.

Financial assets are derecognised when future cash flows from the financial assets are no longer expected to be received by the company or when it transfers the cash flows attributable to the asset as well as most of the risks and rewards of the financial asset to a third party.

Purchases and sales of financial assets are consistently recognised at the trade date i.e. at the date when the Group commits (e.g. enters into a contract) to buy or sell a certain financial asset.

FACTORING

Factoring is the transfer (sale) of receivables, whereby depending on the type of the factoring contract the buyer has the right to sell the transferred receivable back to the seller within a certain time period (recourse factoring) or there is no right of resale back to the seller and all the risks and benefits associated with the receivable are transferred from seller to purchaser (non-recourse factoring). Factoring receivables without regression rights are recognized at fair value through profit or loss. Factoring with regress are recognized at amortized cost.

If the seller of the receivable retains the repurchase obligation, the transaction is recognised as a financing transaction (i.e. as a loan with the receivable as a collateral) and not as a sale. The receivable is not considered as sold as a result of factoring, but it remains in the balance sheet until the receivable is collected or the recourse right has expired. The related liability is recorded similarly to other borrowings.

If there is no repurchase obligation and the control over the receivable and the related risks and rewards of the ownership are transferred to the buyer, the transaction is recognised as a sale of the receivable. In the statement of financial position, these receivables are recognized at fair value through profit and loss. The related expense is recognised as a finance cost (similarly to interest expense) or as an impairment loss of receivables, depending on whether the purpose of the transaction was to manage the cash flows or to manage credit risk.

INVENTORIES

Inventories are initially recognised at their cost, which consists of the purchase costs, direct and indirect production costs, transportation and other costs incurred in bringing the inventories to their present location and condition.

Purchase costs include in addition to the purchase price also the customs duties and other non-refundable taxes and direct transportation costs related to the purchase, less discounts and subsidies. The production costs of inventories include costs directly related to the production (such as direct materials and packing material costs, unavoidable storage costs related to work in progress, direct labour), and also a systematic allocation of fixed and variable production overheads (such as depreciation and maintenance of production buildings and equipment, overhaul costs, and production units' management remunerations).

The weighted average method is used to account for the cost of inventories. Inventories are measured in the statement of financial position at the lower of acquisition/production cost or net realisable value. The net realisable value is the estimated selling price of inventories in the ordinary course of business less applicable variable selling expenses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are assets used by the Group in its economic activities with a useful life of over one year. An item of property, plant and equipment is initially recognized at its acquisition cost, consisting of the purchase price (including duties and other non-refundable taxes) and directly attributable acquisition costs necessary to bring the asset to its operating condition and location.

Property, plant and equipment is carried in the statement of financial position at its cost less any accumulated depreciation and any accumulated impairment losses. Property, plant and equipment acquired under finance lease are accounted for in the same way as purchased property, plant and equipment. Subsequent expenditures on an item of property, plant and equipment are recognized as non-current assets when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other maintenance and repair costs are expensed as incurred.

Amortization is calculated using the straight-line method. The depreciation rate is determined for each item of property, plant and equipment depending on its useful life. For assets with a significant residual value, only the depreciable amount between the cost and the residual value is depreciated over the useful life.

If an item of property, plant and equipment consists of identifiable components with different useful lives, these components are accounted for as separate assets and are subject to separate depreciation rates based on their useful lives.

The following useful lives are assigned to items of property, plant and equipment:

- Buildings 5-50 years
- Machinery and equipment 2-20 years
- Motor vehicles 4-13 years
- Fixtures, fittings and tools
  - Fittings and tools 2-12 years
  - IT equipment and software 3-5 years
  - Other fixtures 5 years
- Items with unlimited useful lives (land) are not depreciated.

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or is reclassified as held for sale. At each balance sheet date, the validity of applied depreciation rates, the depreciation method and the residual values applicable to assets are assessed.

Where an asset's recoverable amount (higher of an asset's fair value less costs to sell and value in use) is less than its carrying amount, it is written down immediately to its recoverable amount. The impairment loss is recognized in the income statement under "Other operating expenses". Impairment losses recognized in prior periods are reversed if there has been a change in the estimates used to determine recoverable amount.

Borrowing costs (interest) attributable to the construction of property, plant and equipment are added to the cost of the assets during the period that is required to complete and prepare the asset for its intended use.

Items of property, plant and equipment that are expected to be sold within the next 12 months are reclassified as non-current assets held for sale. Gains and losses on the disposal of non-current assets that are measured as the difference between the proceeds from the sale and the carrying amount of the asset are recognized in the income statement within "Other operating income and expenses".

INTANGIBLE ASSETS

Intangible assets (trademarks, connection fees, patents, licences, software) are recognised in the statement of financial accounting when the asset is controlled by the Group, future economic benefits attributable to the asset will be collected by the Group and the cost of the asset can be measured reliably. An acquired intangible asset is initially recognised at cost, comprising its purchase price and any expenditure directly attributable to the acquisition. Intangible assets are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. Goodwill is carried at its acquisition cost less any impairment losses.

Intangible assets are divided into assets with finite useful lives and assets with indefinite useful lives

Intangible assets with finite useful lives are amortised using the straight-line method, over the asset's estimated useful life. The appropriateness of the amortisation periods and method is assessed at each balance sheet date.

The following useful lives have been assigned for intangible assets:

- Trademarks 20 - 50 years
- Licenses and connection fees 3 - 50 years
- Software licenses 5 years

The useful lives of brands are determined based on management's estimate of the expected length of the cash-generating period of these assets. Licenses (fish farming and killing permits) and connection fees and the useful lives of software licenses are based on the duration of the right to use the assets.

For assets with a finite useful life, an asset is assessed for impairment whenever there is an indication that the asset may be impaired.

Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually (or more frequently if any event or change in circumstances indicates that the goodwill may be impaired) and tested for impairment and their carrying amount is less than their carrying amount. , the asset is written down to its recoverable amount. For the purpose of calculating recoverable amount, goodwill is allocated to the cash-generating units.

IMPAIRMENT OF FIXED ASSETS

Intangible assets with indefinite useful lives (goodwill) are tested for impairment annually by comparing the carrying amount of the asset with its recoverable amount.

In the case of property, plant and equipment with indefinite useful lives (land) and depreciable assets, there is an indication that the asset may be impaired. In such circumstances, the recoverable amount of the asset is estimated and compared with its carrying amount.

For the purposes of assessing impairment, the recoverable amount is estimated for each individual asset or smallest group of assets for which a cash-generating unit is available. The goodwill test is always performed with the cash-generating unit to which the goodwill belongs. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on assets are recognized as an expense in the period.

For assets that are written down at each subsequent balance sheet date, it is assessed whether it is probable that the recoverable amount of the asset may have increased in the interim. If, as a result of a value test, it is found that the recoverable amount of an asset or group of assets (cash-generating unit) has increased above its carrying amount, the earlier write-down is reversed and the carrying amount of the asset is increased to the amount that would have occurred. A reversal of a write-down is recognized in the income statement for the financial year as a reduction of the write-down of a fixed asset. Goodwill impairment is not reversed.

BIOLOGICAL ASSETS

Biological assets are recognised in the statement of financial position when the asset is controlled by the Group, it is expected that future economic benefits associated with the asset will be collected by the Group and the fair value of the asset or its cost can be determined reliably.

Biological assets are carried in the separate line “Biological assets” in the statement of financial position.

Biological assets are fish stocks, including the following fish species:

- rainbow trout *(Oncorhynchus mykiss*)
- whitefish (*Coregonus lavaretus*)

Biological assets are classified based on their stage of completion, which are relevant for formation of market prices.

Accounting policies for each class of biological assets have been determined as follows:

- **Fries (fertilised roe and fries up to 250 g)**

  Fries are carried at fair value. Fair value is determined on the basis of the biomass volume of fry and its weighted average market price at the balance sheet date.

- **Juveniles (250 g fries up to fish suitable for harvesting)**

  The fair value of juveniles cannot be determined reliably due to the absence of an active market, and they are carried in the statement of financial position at cost. The direct expenditures incurred in breeding the juveniles to fish suitable for harvesting is capitalised as part of the cost.

  At each balance sheet date, the cost is compared with the net realisable value of the juveniles. The net realisable value is the estimated fair value of fish suitable for harvesting at the time the juveniles are expected to become suitable for harvesting, less estimated costs on breeding the juveniles to make them suitable for harvesting, and on subsequent sale. When it is probable that the cash flows from future sales cover both the cost as well as the additional expenditure related to breeding and sale, juveniles are recognised at cost. Otherwise, juveniles are written down to their net realisable value. Impairment losses are recognised in profit or loss.

- **Fish suitable for harvesting (reclassification from juveniles to fish suitable for harvesting is based on the weight which depends on fish species)**

  On initial recognition (at acquisition or reclassification from juveniles) and at each balance sheet date, the fish suitable for harvesting are measured at their fair value less estimated costs to sell. The basis for determination of fair value is the estimated biomass of fish suitable for harvesting, less the weight loss occurring at disposal, and the weighted average market price at the balance sheet date, i.e. the latest market price for similar assets sold by independent parties, adjusted for the effect of existing differences, assuming no major changes have occurred in the economic environment between the transaction date and the balance sheet date. In the areas where external market prices are unavailable, the estimate is based on internal market prices. The quality class (higher or regular) is also taken into account in the determination of prices.

Costs to sell include fees to intermediaries, levies and non-refundable taxes. Costs to sell do not include transportation and other costs necessary to get an asset to a market, however, such expenditures are taken into account when determining fair value.

Expenditures directly related to bringing the immature biological assets up to the point they are suitable for harvesting are capitalised as part of the cost of biological assets. The cost is adjusted periodically by the re-measurement of the biological assets at fair value.

Gains and losses arising from fair value adjustments of biological assets are recognised in the separate line "Fair value adjustment on biological assets" in the statement of comprehensive income. Agricultural produce is recognised at fair value less estimated costs to sell.

FINANCE AND OPERATING LEASES

Leases of property, plant and equipment which transfer all significant risks and rewards of ownership to the lessee are classified as finance leases. Other leases are classified as operating leases.

The Group as the lessee

Assets acquired under finance lease terms are stated in the statement of financial position at the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments are broken down to finance costs (interest expense) and to reduce the carrying amount of the liability. Financial expenses are allocated to the lease term on the basis that the interest rate is the same at all times over the residual value of the liability. Assets leased under finance leases are depreciated similarly to other non-current assets, with the shorter of the useful life of the asset or the lease term (if the transfer of ownership is not sufficiently certain).

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Payments made to the lessor under a lease are treated as part of the lease and are recognized as an prepayment of the lease in the statement of financial position and as an expense on a straight-line basis over the lease term.

The Group as the lessor

Assets leased out under the operating lease terms are recognised similarly to other assets recognised in the consolidated statement of financial position. For depreciation of assets that are leased out, the Group uses the depreciation policies applied to similar assets. Operating lease payments are recognised on a straight-line basis over the lease term.

FINANCIAL LIABILITIES

All financial liabilities (trade payables, other short and long-term liabilities, borrowings, forward, put and call options) are initially recognised at their fair value, less any transaction costs. They are subsequently recognised at amortised cost, using the effective interest rate method.

The amortised cost of the current financial liabilities generally equals their nominal value; therefore current financial liabilities are stated in the statement of financial position at redemption value. To calculate the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest expense is calculated on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowings that are due within 12 months after the balance sheet date, but which are refinanced after the balance sheet date as long-term, are recognised as short-term borrowings. Also, borrowings are classified as short-term if the lender had at the balance sheet date the contractual right to demand immediate payment of the borrowing due to the breach of conditions set forth in the agreement.

Borrowing costs (interest) to finance the construction of assets are capitalised during the period that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed at the time they are incurred.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognized in the statement of financial position when the Group has a present obligation (legal or contractual) arising from an event that occurred before the balance sheet date; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; but the exact amount of the liability or the due date is not known.

Provisions are recognized in the statement of financial position based on management's estimate of the amount that is expected to be required to settle the provision and the time at which the provision is realized. A provision is recognized in the statement of financial position at the amount the management estimates it will have at the balance sheet date to settle the obligation or transfer it to a third party. Provisions are recognized at the discounted value (amount of the present value of the payments related to the provision) unless the effect of discounting is immaterial. The cost of the provision is recognized in the statement of comprehensive income for the period. Future operating losses are not recognized as a provision.

Other liabilities, the realization of which is unlikely or the amount of which cannot be estimated with sufficient reliability, but which in certain circumstances may become liabilities in the future, are disclosed as contingent liabilities in the notes to the financial statements (Note 31).

INCOME TAX AND DEFERRED INCOME TAX

Income tax assets and liabilities, and income tax expenses and income comprise current (payable) income tax and deferred income tax. Payable income tax is classified as a current asset or a liability; and deferred income tax as a non-current asset or a liability.

Estonian entities of the Group

According to the applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on their profits. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and on adjustments of the transfer price. The effective tax rate is 20/80 (2018: 20/80) of the amount paid out as net dividends. From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account. As it is the dividends and not the profit that is subject to income tax, no temporary differences between the taxable values and the carrying amounts of assets and liabilities arise, which could give rise to deferred income tax assets and liabilities.

Income tax payable on dividends is recognised as an income tax expense in the statement of comprehensive income and as a liability in the statement of financial position at the time dividends are declared, regardless of the actual payment date or the period for which dividends are paid.

Foreign entities of the Group

In Sweden, Finland and Great Britain corporate profits are taxable with income tax. For identification of the taxable income, the pre-tax profit is adjusted for temporary or permanent income and expense additions as required by local income tax laws.

For foreign subsidiaries, deferred income tax assets or liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the balance sheet date. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognised in the statement of financial position only when it is probable that future taxable profit will be available against which the deductions can be made.

Income tax rate in Sweden is 21.4% (2018: 22%), in the Great Britain 19% (2018: 19%) and in Finland 20% (2018: 20%).

REVENUE RECOGNITION

Accounting policies from 1 July 2018

Revenue is the income generated by the ordinary activities of the Group. Revenue is recognized at the transaction price. The transaction price is the total consideration the Company is entitled to receive for the delivery of the promised goods or services to the customer, less any amounts collected on behalf of third parties. The Group recognizes revenue when control of a good or service is transferred to a customer

Wholesale

Sales are recognized when control over the products has been transferred, meaning that the products have been delivered to a reseller, the reseller can decide on the marketing and pricing of the products, and there are no outstanding obligations that could affect the reseller's acceptance of the products. Products are delivered to an agreed location, risks of product damage and loss have passed to the reseller, and the reseller has accepted the products in accordance with the sales agreement, the acceptance requirement has expired, or the Group has objective evidence that all acceptance requirements are met. The Group's wholesale business includes the sale of fish and fishery products. As with food, the shelf life is short and there is no obligation to repurchase the goods, nor is the product long-term guaranteed. This is largely a flat fee sale. In the case of a variable component, such as a volume-related bonus, the sales price adjustment is recognized in the same period as the sales revenue.

The Group recognizes a receivable when the goods are delivered, because at that point in time an unconditional right to payment arises, the payment of which is dependent only on the passage of time.

Financing component

The Group has no agreements where the period between delivery of the promised goods or services to the customer and receipt of payment from the customer is longer than one year. Consequently, the Group does not adjust the transaction price for the time value of money.

Interest income and dividend income

Interest income is recognized when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Interest income is recognized using the effective interest rate of the asset. Dividend income is recognized when the right to receive payment is established.

Accounting policies applied until 30 June 2018

Revenue is recognized at the fair value of the consideration received or receivable, taking into account any discounts and rebates granted. Revenue from the sale of goods is recognized when all material risks of ownership have been transferred from the seller to the buyer, the sales revenue and the expense associated with the transaction can be measured reliably and it is likely that the payment for the transaction will be received.

Revenue from the sale of a service is recognized after the service is rendered or, if the service is rendered over a longer period, based on the stage of completion method.

Interest income and dividend income are recognized when receiving the income is likely and the economic benefits associated with the transaction can be measured reliably. Interest income is recognized using the internal interest rate of the asset. Dividend income is recognized when the right to receive the payment is established.

SEGMENT REPORTING

Reportable business segments are identified based on regular reporting to internal senior decision-makers. The chief operating decision maker in the Group, who is responsible for allocating resources and evaluating the performance of the business segments, is the Board of the parent company, which makes strategic decisions.

Segment result includes revenue and expenses that are directly attributable to the segment and a significant portion of the revenue / expense that can be attributed to a particular segment, either externally or internally. Segment assets and liabilities include operating assets and liabilities that are directly attributable to a segment or that can be allocated to a particular segment. See also note 19.

SHARE CAPITAL

Ordinary shares are included within equity. The expenditures related to the issue of ordinary shares are recognised as a reduction of equity. Treasury shares repurchased by the parent company are recognised as a reduction of equity (in the line item “Treasury shares”). Disbursements and contributions related to treasury shares are recognised in equity.

STATUTORY RESERVE CAPITAL

Reserve capital is formed to comply with the requirements of the Commercial Code of the Republic of Estonia. During each financial year, at least 5% of the net profit shall be transferred to reserve capital until reserve capital reaches one-tenth of share capital. Reserve capital may be used to cover a loss or to increase share capital. Payments shall not be made to shareholders from reserve capital.

EARNINGS PER SHARE

Basic earnings per share are determined by dividing the net profit for the financial year by the period's weighted average number of shares issued. Treasury shares are not included in the weighted average number of shares. Diluted earnings per share are calculated by adjusting the net profit and the weighted average number of shares outstanding for the effects of dilutive potential ordinary shares.

PAYABLES TO EMPLOYEES

Payables to employees include the performance pay payable to employees on the basis of employment contracts which are calculated by reference to the Group's financial results and fulfilment of the employees' individual performance objectives. Performance pay is recognised as an expense and a payable to employees if the disbursement takes place during the next reporting period. In addition to performance pay, this accrual also includes expenses on social security tax and unemployment insurance tax calculated on the performance pay. Payables to employees include the accrued vacation pay calculated according to employment contracts and employment laws effective in Estonia.

The Group makes contributions to several mandatory funded pension funds, which are recognised as expenses in the statement of comprehensive income (this expense is included within the social security tax for the parent company and the subsidiaries located in Estonia). The Group has neither a legal nor a factual obligation to make other pension or similar payments in addition to those mentioned above.

GOVERNMENT GRANTS

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate. Government grants for non-current assets are included within non-current liabilities and are credited to income in the income statement over the useful life of the acquired asset.

NOTE 3. FINANCIAL RISKS

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 managing risks. The supervisory board of the Parent Company exercises supervision over the measures taken by the management board in managing 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.

Financial instruments by category

FINANCIAL ASSETS AT 30.06.2019

EUR '000	At adjusted acquisition cost	Fair value through profit or loss	Total
Cash and bank (Note 5)	2,583	0	2,583
Trade receivables (Note 6)	2,790	1,659	4,449
Other receivables (Note 6)	11	0	11
Total	5,384	1,659	7,043

FINANCIAL LIABILITIES AT 30.06.2019

EUR '000	Liabilities at adjusted acquisition cost	Financial liability at fair value through profit or loss	Total
Borrowings (Note 15)	23,042	0	23,042
Trade payables (Note 16)	8,198	0	8,198
Liabilities from business combinations (Note 28, 29)	449	2,591	3,040
Total	31,689	2,591	34,280

FINANCIAL ASSETS AT 30.06.2018

EUR '000	Available for sale financial assets	Loans and receivables	Total
Cash and bank (Note 5)	0	5,960	5,960
Trade receivables (Note 6)	0	3,427	3,427
Other receivables (Note 6)	0	579	579
Long-term financial investments	134	0	134
Total	134	9,966	10,100

FINANCIAL LIABILITIES AT 30.06.2018

EUR '000	Liabilities at amortised cost	Financial liability at fair value through profit or loss	Total
Borrowings (Note 15)	24,049	0	24,049
Trade payables (Note 16)	6,225	0	6,225
Liabilities from business combinations (Notes 28, 29)	2,126	2,622	4,748
Prepayments from clients (Note 16)	29	0	29
Payables to related parties (Note 16)	73	0	73
Other payables (Note 16)	250	0	250
Total	32,752	2,622	35,374

As at 30.06.2019 and 30.06.2018, the Group had no financial liability at fair value through other comprehensive income.

Financial risk management is an important and integral part of the management of the Group's business processes. Management's ability to identify, measure and control various risks has a significant impact on the Group's profitability. Risk is defined by the Group's management as a possible negative deviation from expected financial performance.

The Group's activities involve a number of financial risks, the most important of which are the credit risk, liquidity risk and market risk, incl. exchange rate risk, interest rate risk, fair value risk and fair value interest rate risk.

CREDIT RISK

Credit risk expresses the potential loss that customers incur if their contractual obligations are not met. Customers' payment discipline is constantly monitored to reduce credit risk.

In order to minimize credit risk, the solvency of a potential future contract partner is assessed based on information available from the Commercial Register, the Tax Board or other public sources. Purchase and sales contracts are made with all contractual partners and payment terms are only granted to trusted partners. Where possible, the Group uses non-regression factoring as an additional credit risk mitigation tool.

In determining whether the credit risk of a financial asset has increased significantly from the date of initial recognition and in measuring its credit losses, the Group considers reasonable and supportive information that is relevant and available without excessive expense or effort. It includes both quantitative and qualitative information and analysis based on the Group's historical experience and credit assessment information, and includes forward-looking information (including growth forecast, market interest rate forecast). The Group regards that the credit risk of financial assets increases notably if more than 90 days have passed the due date.

The maximum credit risk arising from the Group's trade receivables is set out below:

TRADE RECEIVABLES					
EUR '000	Not yet due	Not impaired, past due up to 90 days	Not impaired, past due over 90 days	Impaired	Total
30.06.2019	3,867	479	103	9	4,458
30.06.2018	2,686	642	99	38	3,465

During the period of 12 months 2018/2019, the Group has recorded doubtful accounts receivable in the amount of 2 thousand euros (18 months 2017/2018: 32 thousand euros), i.e. 0.0023% of the Group's total turnover. The customer base of the Group is stable and long-term and the payment behaviour to date has not given a cause to write down overdue receivables of up to 90 days. At the time of compiling the report, most of the receivables have been collected.

TRADE RECEIVABLES (NOT DUE) BY COUNTRY		
EUR '000	30.06.2019	30.06.2018
Finland	2,278	672
United Kingdom	1,257	1,332
Estonia	332	681
Sweden	0	1
Total trade receivables (Note 6)	3,867	2,686

The Group accepts banks and financial institutions with a credit rating of at least "A" as long-term partners in the Baltic States, United Kingdom and Scandinavia.

As at 30.06.2019, free funds were held in the following credit institutions: Danske Bank AS Estonia branch (Danske), AS SEB Bank (SEB), OP Yrityspankki Oy (Pohjola), Bank of Scotland Plc, Nordea Bank Finland Abp and Swedbank AB group banks (Swedbank). According to Moody's Investor Service, these credit institutions or their parent companies were rated at least "A" at the time of writing.

As at 30.06.2018, free funds were held in the following credit institutions: Danske Bank A / S Estonia branch (Danske), AS SEB Bank (SEB), OP Yrityspankki Oy (Pohjola), Bank of Scotland Plc, Nordea Bank Finland Abp and Swedbank AB group banks (Swedbank). According to Moody's Investor Service, these credit institutions or their parent companies were rated at least "A" at the time of writing.

See Note 6.

LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to fulfil its financial obligations due to insufficient cash funds or inflows. This risk realizes when the Group does not have enough funds to serve its loans, to fulfil its working capital needs, to invest and/or to make declared dividend payments.

The objective of the Group is to keep the Group's financing needs and financing opportunities in balance. Cash flow planning is used as a liquidity risk management tool. To manage the Group's cash flows as efficiently as possible, the parent company and the Estonian subsidiaries' bank accounts form a single group account, which enables group account members to use the Group's cash within the limits set by the parent company.

To manage the liquidity risk, the Group uses various sources of financing, such as bank loans, overdrafts, customer debts factoring and continuous monitoring of trade receivables and delivery contracts.

An overdraft is used to finance working capital. Long-term bank loans or finance leases are used to invest in fixed assets. Management considers it important to monitor the liquidity risk, if needed the additional capital requirement can be arranged by overdraft or refinancing the loan portfolio. At the balance sheet date, overdraft in use was in amount of 8,783 thousand euros (30.06.2018: 8,074 thousand euros).

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Group´s working capital was negative as at 30.06.2019: current liabilities exceed the current assets by 3,054 thousand euros (30.06.2018: positive working capital 2,810 thousand euros). The negative working capital is caused by the concurrence of several unfavourable conditions of which the biggest influence came from unexpected decline in sales volumes on Finnish market and inefficient management of raw material stocks under new market conditions.

The current liabilities as at 30.06.2019 include liabilities to related parties in amount of 4,091 thousand euros (including short term loan from Amber Trust II S.C.A. in amount of 1,500 thousand euros (note 15) and fair value of the liability to acquire the non- controlling interests in JRJ & PRF Ltd in amount of 2,591 thousand euros (note 28)). If necessary, Group has an opportunity to negotiate the longer than 12 months payment terms with related parties.

According to management assessment the negative working capital is temporary and in order to improve Company´s liquidity, following changes have been made to raw material stock management and planning process: centralization of raw material procurement at Group level and increasing volumes in fish farming.

Analysis of non-discounted financial liabilities by maturity

FINANCIAL LIABILITIES AT 30.06.2019

EUR '000	less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Borrowings	966	13,006	9,957	0	23,929
Trade and other payables	6,827	1,439	3,286	0	11,552
Total liabilities	7,793	14,445	13,243	0	35,481

FINANCIAL LIABILITIES AT 30.06.2018

EUR '000	less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Borrowings	927	12,231	11,973	248	25,379
Trade and other payables	8,555	89	2,681	0	11,325
Total liabilities	9,482	12,320	14,654	248	36,704

The calculation of interest cash flows is based on the interest rates prevailing at the balance sheet date.

CURRENCY RISK

Foreign exchange risk arises when business transactions and assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group operates in Estonia (currency EUR), Finland (EUR), United Kingdom (GBP) and Sweden (SEK). All significant foreign contracts of the Group are denominated in euros to hedge currency risks. The Group does not have any significant foreign currency denominated receivables and payables. All existing long-term finance leases are denominated in euro and are therefore treated as foreign currency risk-free liabilities.

Breakdown of financial instruments as at 30.06.2019 by underlying currency

EUR '000	EUR	SEK	GBP	Total
Cash and bank (Note 5)	1,675	62	846	2,583
Trade receivables (Note 6)	3,299	0	1,150	4,449
Other receivables (Note 6)	11	0	0	11
Total financial assets	4,985	62	1,996	7,043
Borrowings (Note 15)	-22,156	0	886	-23,042
Trade payables (Note 16)	-5,949	-703	-1,546	-8,198
Liabilities from business combinations (Note 29, 30)	-449	0	-2,591	-3,040
Total financial liabilities	-28,554	-703	-5,023	-34,280
Net currency position	-23,569	-641	-3,027	-27,237
The potential change in average foreign currency rate against euro (%)	-	1.10%	1.20%	
Effect of exchange rate change on profit	-	±7	±36	

Breakdown of financial instruments as at 30.06.2018 by underlying currency

EUR '000	EUR	SEK	GBP	Other currencies	Total
Cash and bank (Note 5)	4,952	62	946	0	5,960
Trade receivables (Note 6)	1,602	1	1,824	0	3,427
Other receivables (Note 6)	556	0	23	0	579
Long-term financial investments	134	0	0	0	134
Total financial assets	7,244	63	2,793	0	10,100
Borrowings (Note 15)	-23,106	0	-943	0	-24,049
Trade payables (Note 16)	-4,447	-204	-1,567	-7	-6,225
Liabilities from business combinations (Note 29, 30)	0	0	-4,748	0	-4,748
Interest payables to shareholders	-73	0	0	0	-73
Other payables (Note 16)	-104	0	-146	0	-250
Total financial liabilities	-27,730	-204	-7,404	-7	-35,345
Net currency position	-20,486	-141	-4,611	-7	-25,245
The potential change in average foreign currency rate against euro (%)	-	3.60%	7.16%	1.34%	-
Effect of exchange rate change on profit	-	±5	±329	±0,1	-

The effect of exchange rate changes is calculated using the potential exchange rate change against the Euro using the balance at 30.06.2019. Potential exchange rate change is the annual change in exchange rates against the euro.

The Group is exposed to the currency risk of the British Pound. The possible developments in Great Britain are due to the Brexit unknown and the Group is open to risk. The Group uses financial instruments to mitigate the exchange rate risk arising from the pound, where appropriate. For other currencies, the management is of the opinion that the Group is not exposed to a significant amount of Swedish krona and Norwegian krone foreign exchange risks and has therefore not used financial instruments to hedge its currency risks arising from future transactions and assets. Foreign exchange gains and losses are disclosed in Note 25.

For the purposes of calculating the potential impact of foreign exchange rates for 12 months of 2018/2019 and for 18 months of 2017/2018 the actual effect of the average SEK (Swedish krona) and GBP (British pound) during the reporting period on the net foreign currency position is used.

INTEREST RISK

The Group uses interest rates based on the EURIBOR base rate for long- and short-term loans. In managing interest rate risks, potential losses from changes in interest rates are regularly compared to the cost of hedging them.

If on 30.06.2019 the base rate would be 0.1 percentage points lower or higher, the interest expense would be 209 thousand euros (30.06.2018: 221 thousand euros) lower or higher. Floating rate loans are, depending on the instrument, linked to 1- to 6-month EURIBOR or the UK central bank base rate.

Below is a summary of the Group's exposure to interest rate risk as at 30.06.2019 and 30.06.2018

AS AT 30.06.2019				
EUR '000	less than 1 year	from 1 to 5 years	Over 5 years	Total
Fixed interest rate				
Interest bearing liabilities (Note 15)	1,570	517	0	2,087
Floating interest rate				
Interest bearing liabilities (Note 15)	19,331	1,624	0	20,955
Total position	20,901	2,141	0	23,042

AS AT 30.06.2018				
EUR '000	less than 1 year	from 1 to 5 years	Over 5 years	Total
Fixed interest rate				
Interest bearing liabilities (Note 15)	1,633	723	0	2 356
Floating interest rate				
Interest bearing liabilities (Note 15)	10,929	10,555	209	21,693
Total position	12,562	11,278	209	24,049

CAPITAL MANAGEMENT

The Group counts loan capital and total equity as capital. As at 30.06.2019, the shareholders' equity totalled 21,866 thousand euros (30.06.2018: 23,311 thousand euros). The Group's policy is to maintain a strong equity base with the aim of maintaining credibility in the eyes of shareholders, creditors and the market and ensuring the Group's sustainable development. In the long term, the Group aims to increase shareholder income and ensure its ability to pay dividends.

To maintain or improve its capital structure, the Group may regulate the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group considers it important to ensure an optimal equity structure. Therefore, it is monitored that the Group's equity to assets ratio is at least 35% (30.06.2019: 35.0%, 30.06.2018: 35.6%) and the ratio of interest-bearing liabilities to assets does not exceed 25% (30.06.2019: 36.8%, 30.06.2018: 36.7%). The ratio of interest-bearing liabilities to assets has been temporarily exceeded due to loans for the acquisition of subsidiaries.

The overdraft and investment loan agreement with AS SEB Pank sets out the conditions that the financial results of the Group must meet. During the reporting period, the terms of the overdraft limit in use, minimum EBITDA and debt coverage ratio (DSCR) were in breach of the agreement. The bank has confirmed that despite of non-compliance with the covenant set in agreement, the loan will not be recalled prematurely.

In line with industry practice, the Group uses a debt-to-equity ratio to monitor its capital. This ratio is calculated by dividing the net debt by total capital. Net debt is calculated by deducting cash and cash equivalents from gross debt (the sum of current and non-current loans recognized in the consolidated statement of financial position).

EUR '000	30.06.2019	30.06.2018
Total borrowings (Note 16)	23,042	24,049
Less: Cash and cash equivalents (Note 5)	2,583	5,960
Net debt	20,459	18,089
Total equity	21,866	23,311
Total capital (net debt + equity)	42,325	41,400
Net debt to equity ratio	48%	44%

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group divides financial instruments into three levels depending on their revaluation:

- Level 1: Financial instruments that are valued using unadjusted price from the stock exchange or some other active regulated market.
- Level 2: Financial instruments that are evaluated by assessment methods based on monitored inputs. This level includes, for instance, financial instruments that are assessed by using prices of similar instruments in an active regulated market or financial instruments that are re-assessed by using the price on the regulated market, which have low market liquidity.
- Level 3: Financial instruments that are valued by assessment methods based on non-monitored inputs.

The Group's management estimates that the carrying amounts of financial assets and liabilities carried at amortised cost are not significantly different from their fair values at 30.06.2019 and 30.06.2018. Cash and bank balances, trade receivables, other receivables, trade payables and other payables are expected to be settled within 12 months or are recognised immediately before the balance sheet date and therefore their fair value is not significantly different from their carrying amount. Non-controlling interests are revalued annually. As at 30.06.2019 the Group has not recognised a significant difference in the value and the non-controlling interests buyout value is reflected as per date of signing the contract. The Group's long-term borrowings have a floating interest rate that changes according to fluctuations in the market interest rates. The Group's management estimates that the Group's risk level has not significantly changed since the assumption of borrowings. Thus, the fair value of non-current financial liabilities is approximately equal to their carrying amount.

NOTE 4. MANAGEMENT JUDGEMENTS AND ESTIMATES

The preparation of financial statements in compliance with IFRSs requires the use of accounting estimates. It also requires management to make judgements in the process of application of the accounting policies. Estimates and judgments are reviewed on an ongoing basis and they are based on historical experience and other factors, including projections of future events which are believed to be reasonable under the circumstances. The management makes certain judgements (in addition to judgments related to estimates) in the process of application of the accounting policies. The estimates that have a significant impact on the information presented in these financial statements and assumptions which may cause material adjustments to the carrying amounts of assets and liabilities within the next reporting period include: assessment of quantities and fair value of biological assets (Note 8), assessment of net realisable value of assets (Note 7), impairment of goodwill (Note 12) and useful life of tangible assets (Note 11).

ASSESSMENT OF QUANTITIES AND FAIR VALUE OF BIOLOGICAL ASSETS (NOTE 8)

Assessment of the fair value of biological assets always involves consideration of certain estimates, although the Group has internal experts to assess these factors. The quantity of the biomass is an estimated figure that is based on juvenile fish let to a lake or sea, their expected growth and death rates, based on the death rate coefficient identified during the period. The quantity is adjusted by descaling losses. The Group tests the biomass by conducting the actual test weighing of fish inventories at least once a year. The group performed the weighing of fish inventory during April and May in Finland and during May and June in Sweden. As before, it is not possible to weigh biomass as at balance sheet date due to too high water temperatures in the end of June and as weighing would result increase in death rate. In order to estimate the biomass, calculatory model was used. The results of the usage of model have not materially differed from real weighing during previous periods. Due to the weather conditions and the amount of time required for the process, physical inventory cannot be taken at the balance sheet date.

The following model is used to determine the biomass of fish:
final biomass = initial biomass + feed given to fish / feed coefficient – perished fish

The Group uses special computer programmes and a web-based programme (Finnish marine farms) developed by the Group for calculating the biomass volume. The Group makes its estimates according to its best knowledge, relying on its previous experience. The results of inventory checks in the spring are influenced by losses incurred over the winter period (mortality of fish) which during recent years has been up to 8.4% and which is taken into account in the valuation of fish inventories at the end of financial year.

Biological assets in fair value were 4.9 million euros as at the balance sheet date (30.06.2018: 6.5 million euros). The negative change in fair value of biological assets was 1.7 million euros (18 months 2017/2018: -0.5 million euros). The Group incurred loss in 12 months 2018/2019 in the amount of 33 thousand euros (18 months 2017/2018: 124 thousand euros) from the write-off of biological assets (Note 8).

ESTIMATING NET REALISABLE VALUE OF INVENTORIES (NOTE 7)

The management assesses the value of inventories on the basis of available information, taking into account historical experience, general background information and possible assumptions and conditions of future events. For finished goods, write down of inventories is determined on the basis of their sales potential and net realisable value. Raw materials are assessed on the basis of their potential to be used for preparation of finished goods and generating revenue. Work-in-progress is assessed on the basis of stage of completion that can be reliably measured.

The Group incurred loss in 12 months 2018/2019 in the amount of 112 thousand euros (18 months 2017/2018: 203 thousand euros) from the write-off of inventories.

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ASSESSMENT OF IMPAIRMENT OF GOODWILL AND USEFUL LIVES OF INTANGIBLE ASSETS (NOTE 12)

As of 30.06.2019, the management has performed a recoverable value test on goodwill. The carrying amount of goodwill in the Finnish, Swedish and Estonian segments as at 30 June 2019 was 6,422 thousand euros. The value of goodwill was not depreciated after the test results of goodwill value neither for the period of 12 months 2018/2019 nor for the period of 18 months 2017/2018. If the market multiples used in the value tests were to change by -60.8% (18 months 2017/2018: - 60.6%), the recoverable amount would be equal to the carrying amount.

As at 30.06.2019, the carrying amount of the goodwill of the Great Britain segment was 7,753 thousand euros. The value of goodwill was not depreciated after the test results of goodwill value neither for the period of 12 months 2018/2019 nor for the period of 18 months 2017/2018. If the market multiples used in the value tests would change -40.8% (2017/2018: - 17.1%), the recoverable amount would be equal to the carrying amount.

The management has determined and evaluated the useful lives of intangible assets, taking into account business conditions and volumes, past experience in the industry and future prospects. The carrying amount of intangible assets was 22,969 thousand euros as at 30.06.2019. If the useful life of intangible assets would be 10% longer the positive effect on the income statement for the 12 months of 2018/2019 would be 28 thousand euros.

ASSESSMENT OF USEFUL LIVES OF TANGIBLE ASSETS (NOTE 11)

The management has assessed the useful lives of tangible assets relying on the volume and conditions of production, past experience and future projections. If the useful life of tangible assets was 10% longer, the positive effect to the income statement of 12 months 2018/2019 would be 193 thousand euros.

ASSESSMENTS RELATED TO THE BUSINESS COMBINATION (NOTE 29)

Management has made important assessments regarding recognising the liabilities from the acquisition. See also Note 29.

NOTE 5. CASH AND CASH EQUIVALENTS

EUR '000	30.06.2019	30.06.2018
Cash on hand	12	16
Short-term deposits	0	2,296
Bank accounts	2,571	3,648
Total cash and cash equivalents	2,583	5,960

See Note 3.

NOTE 6. RECEIVABLES AND PREPAYMENTS

EUR '000	30.06.2019	30.06.2018
Trade receivables	2,799	3,465
Allowance for doubtful receivables	-9	-38
Trade receivables (factoring receivables without regress)	1,659	0
Other receivables	11	579
Prepaid expenses	352	282
Prepaid taxes	486	418
Other prepayments	2	0
Total receivables and prepayments	5,300	4,706

Write-down on receivables during the reporting period was not recognised. Since receivables and other receivables are of a short-term nature, their carrying amount is considered to be equal to fair value.

A commercial pledge set as collateral for loans also includes receivables (see Note 15).

The due date analysis of trade receivables is disclosed in Note 3.

NOTE 7. INVENTORIES

EUR '000	30.06.2019	30.06.2018
Raw materials and materials	6,781	6,239
Work-in-progress	1,490	1,072
Finished goods	3,264	4,138
Goods purchased for sale	445	1,183
Prepayments for inventories and goods in transit	0	46
Total inventories	11,980	12,678

During the 12-months long financial year of 2018/2019 the Group earned a loss of 112 thousand euros from the write-off of inventories. During the 18 months of the financial year 2017/2018 the corresponding loss was 203 thousand euros.

The commercial pledge secured by the loan also covers inventories (see Notes 4 and 15 for more information).

NOTE 8. BIOLOGICAL ASSETS

EUR '000	30.06.2019	30.06.2018
Fry	852	817
Juveniles	1,097	802
Fish suitable for harvesting	2,975	4,879
Total biological assets	4,924	6,498

As at 30.06.2019, biological assets totalled 987 tonnes (30.06.2018: 1,184) tonnes having a balance sheet value of 4,924 thousand euros (30.06.2018: 6,498 thousand euros). In the reporting period 1,900 tonnes (18 months 2017/2018: 2,959 tonnes) fish was harvested.

The group mainly produces rainbow trout (*Oncorhynchus mykiss*) in its fish farms in Finland, Sweden and Estonia, and to a lesser extent whitefish (*Coregonus lavaretus*). Rainbow trout accounts for 96% of the total annual production of fish farms in Finland and Sweden (2017/2018: 99%). The group uses Norwegian export statistics for rainbow trout to estimate rainbow trout stocks / Source: http://www.akvafakta.no/. This stock is assessed on the basis of the monthly market price survey by the Finnish Fish Farmers' Association.

The total increase in biological assets, which consists of the increase in biological assets and the change in the fair value less biological costs, totalled 3,312 thousand euros (18 months 2017/2018: 6,727 thousand euros) coming from the lines "Growth" and "Change in fair value".

The line “Additions” reflects capitalized costs incurred in raising juvenile fish to be eligible for fishing and therefore only a gain / loss on the change in the fair value of biological assets is recognized as a separate line in the income statement.

CHANGE IN BIOLOGICAL ASSETS

EUR '000	12m 2018/2019	18m 2017/2018
Biological assets at beginning of the period	6,498	7,584
Purchased	1,037	1,206
Additions	5,056	7,251
Change in fair value	-1,744	-524
Harvested	-5,849	-8,596
Written off	-33	-124
Fry and live fish sold	-14	0
Exchange rate differences	-27	-299
Biological assets at end of the period	4,924	6,498

The Group measures biological assets at fair value or cost if fair value cannot be measured reliably.

The fair value of fish fry has been estimated using purchase bid prices and biomass volume, which as of 30.06.2019 was 497 tons (30.06.2018: 104 tons). If the biomass volume were 1% lower then the fair value of fish fry at the balance sheet date would be 9 thousand euros lower, if the biomass volume would be 1% higher then the fair value of fish fry at the balance sheet date would be 9 thousand euros higher respectively.

The fair value of juvenile fish cannot be reliably estimated due to the absence of an active market. Therefore, juveniles are recognized at cost. At each balance sheet date, the cost is compared with the net realizable value of juvenile fish. As of 30.06.2019, management estimates that the net realizable value of juvenile fish is not significantly lower than its acquisition cost. Therefore, as at 30.06.2019 and 30.06.2018, juvenile fish were recorded at cost.

Fish suitable for harvesting is valued at fair value, taking into account the price of similar assets quoted on the market, adjusted for the effects of differences that exist.

In addition to the market value, management used the following inputs to determine fair value:

• Gutting loss 3%-6% (30.06.2018: 7%)

• Loss in harvesting 15% (30.06.2018: 16%)

• Fair value of biomass volume suitable for harvesting 620 tonnes (30.06.2018: 920 tonnes)

THE POSSIBLE EFFECT TO THE FAIR VALUE OF FISH SUITABLE FOR HARVESTING IN CASE OF CHANGE IN INPUTS:

EUR '000	Market price		Harvesting loss		Gutting expenses		Volume of biomass	
	+1%	-1%	-1pp	+1pp	-1pp	+1pp	+1%	-1%
30.06.2019	+41	-35	+33	-33	33	-27	+38	-49
30.06.2018	+61	-61	+56	-62	+56	-59	+57	-65

NOTE 9. SUBSIDIARIES

LIST OF GROUP COMPANIES

Subsidiary	Domicile	Ownership interest 30.06.3019	Ownership interest 30.06.2018	Area of activity	Owner
Saaremere Kala AS	Estonia	100%	100%	Fish group holding company	AS PRFoods
Vettel OÜ [1]	Estonia	100%	100%	Production of fish products	Saaremere Kala AS
GourmetHouse OÜ [1]	Estonia	-	100%	Sale of fish products	Saaremere Kala AS
Heimon Kala Oy [2]	Finland	100%	100%	Fish farming, processing and sale of fish and fish products	Saaremere Kala AS
Överumans Fisk AB	Sweden	100%	100%	Fish farming	Heimon Kala Oy
Trio Trading Ab Oy [2]	Finland	100%	100%	Production and sale of fish products	Saaremere Kala AS
JRJ & PRF Limited [3]	Scotland	85%	85%	Fish group holding company	Saaremere Kala AS
John Ross Jr. (Aberdeen) Limited	Scotland	100%	100%	Production and sale of fish products	JRJ & PRF Limited
Coln Valley Smokery Limited	Great Britain	100%	100%	Production and sale of fish products	64% JRJ & PRF Limited 36% John Ross Jr. (Aberdeen) Limited
Redstorm OÜ	Estonia	51%	0%	Fish farming	Saaremere Kala AS

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[1] *Merger of GourmetHouse OÜ and Vettel OÜ completed on 10.09.2018*

[2] *01.10.2018 decision to merge Heimon Kala Oy and Trio Trading Ab Oy, the merger with Heimon Kala Oy planned by 31.01.2019 postponed due to technical reasons. The companies operate as subsidiaries with overlapping management.*

[3] *The Group has forward agreements to acquire 100% of the company.*

The ownership percentage of subsidiaries' equity represents the voting rights. The shares of subsidiaries are not listed on any stock exchange.

NOTE 10. DEFERRED INCOME TAX

DEFERRED INCOME TAX ASSETS

EUR '000	Tax losses	Other	Total
Deferred income tax assets as at 31.12.2016	192	38	230
Impact on income statement	-63	0	-63
Impact on other comprehensive income	-14	0	-174
Deferred income tax assets as at 30.06.2018	115	38	153
Impact on income statement	-112	0	-112
Deferred income tax assets as at 30.06.2019	3	38	41

DEFERRED INCOME TAX LIABILITY

EUR '000	Accelerated income tax amortisation	Fair value adjustment	Other	Total
Deferred income tax liability as at 31.12.2016	53	571	123	747
Impact on income statement	-21	-156	-34	-211
From subsidiaries acquired	0	484	1,403	1,887
Impact on other comprehensive income	0	2	16	18
Deferred income tax liability as at 30.06.2018	32	901	1,508	2,441
Impact on income statement	0	-450	19	-431
Deferred income tax liability as at 30.06.2019	32	451	1,527	2,010

See also Note 27.

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NOTE 11. PROPERTY, PLANT AND EQUIPMENT

EUR '000	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress, prepayments	Total
Cost at 31.12.2016	5,783	9,361	642	34	15,820
Accumulated depreciation at 31.12.2016	-2,986	-5,205	-344	0	-8,535
Carrying amount at 31.12.2016	2,797	4,156	298	34	7,285
Changes in 18 months 2017/2018					
Unrealised currency effect	-17	-61	-2	0	-80
Acquired through business combination	4,529	2,049	140	0	6,718
Acquired during the period	145	1,017	104	26	1,292
Re-classification	0	34	0	-34	0
Depreciation	-692	-1,544	-136	0	-2,372
Assets sold and written off	0	-21	-58	0	-79
Cost at 30.06.2018	11,430	15,132	1,100	26	27,688
Accumulated depreciation at 30.06.2018	-4,668	-9,502	-754	0	-14,924
Carrying amount at 30.06.2018	6,762	5,630	346	26	12,764
Changes in 12 months 2018/2019					
Unrealised currency effect	-25	-16	-1	0	-42
Acquired through business combination	1,251	399	0	0	1,650
Acquired during the period	262	1,742	29	173	2,206
Re-classification	0	70	-70	0	0
Depreciation	-615	-1,239	-73	0	-1,927
Assets sold and written off	-57	-53	-5	0	-115
Cost at 30.06.2019	12,762	16,976	984	199	30,921
Accumulated depreciation at 30.06.2019	-5,185	-10,475	-726	0	-16,386
Carrying amount at 30.06.2019	7,577	6,501	258	199	14,535

In the financial year, tangible assets were purchased (excluding prepayments) in the amount of 2,033 thousand euros (18 months 2017/2018: 1,266 thousand euros), there among under the finance lease terms in the total amount of 680 thousand euros (18 months 2017/2018: 138 thousand euros). Information on assets acquired under the finance lease terms is disclosed in Note 13. Additional information about collateral for loans is disclosed in Note 15. Other additional information on property, plant and equipment in Notes 4, 24 and 29.

NOTE 12. INTANGIBLE ASSETS

EUR '000	Goodwill	Trademarks and patents	Immaterial rights	Software licences	Pre-payments	Total
Cost at 31.12.2016	4,730	1,085	859	294	163	7,131
Accumulated depreciation at 31.12.2016	0	-542	-322	-236	0	-1,100
Carrying amount at 31.12.2016	4,730	543	537	58	163	6,031
Changes in 18 months 2017/2018						
Unrealised currency effect	90	84	-2	0	-8	164
Acquired through business combination	8,997	7,398	3	18	0	16,416
Acquired during the period	0	0	1	23	298	322
Re-classification	0	0	104	0	-104	0
Depreciation	0	-239	-48	-41	0	-328
Assets sold and written off	0	0	0	0	-1	-1
Cost at 30.06.2018	13,817	8,784	973	546	348	24,468
Accumulated depreciation at 30.06.2018	0	-998	-378	-488	0	-1,864
Carrying amount at 30.06.2018	13,817	7,786	595	58	348	22,604
Changes in 12 months 2018/2019						
Unrealised currency effect	-92	-89	1	0	-2	-182
Acquired through business combination	448	0	0	0	0	448
Acquired during the period	0	0	6	125	250	381
Re-classification	0	0	54	0	-54	0
Depreciation	0	-197	-37	-48	0	-282
Assets sold and written off	0	0	0	0	0	0
Cost at 30.06.2019	14,173	8,695	1,032	611	542	25,053
Accumulated depreciation at 30.06.2019	0	-1,195	-413	-476	0	-2,084
Carrying amount at 30.06.2019	14,173	7,500	619	135	542	22,969

See Notes 24 and 30.

The Parent Company has carried out an impairment test for goodwill of Saaremere Kala AS group as at 30.06.2019 using market-based comparable valuation multiples. Under the market-based method, an entity is compared with a similar entity in the same sector whose shares are traded in a market or which has recently been sold, and for which there is sufficient information available about the transaction price. In this case, the European manufacturers of food products, fish farms and fish product manufacturers are treated as the sector, and the price levels and various ratios of these companies have been compared.

To determine the fair value, average valuation multiples of the industry have been applied to the actual financial indicators of subsidiaries. The multiples used to assess the Finland-Sweden-Estonia segment were EV/Sales[1] 2.2 (2017/2018: 1.5) and EV/EBITDA[2] 14.6 (2017/2018: 10.5) with 50% weight assigned to each. The segment's multiple based market value was 79.6 million euros (2017/2018: 83.4 million euros). The balance sheet value of the segment is 30.3 million euros (2017/2018: 32.4 million euros) which was calculated as: Tangible assets + Goodwill + Current assets – Short-term liabilities – Cash.

The recoverable amount determined as a result of the test conducted on 30.06.2019 and 30.06.2018 was higher than the balance sheet value. If the multiples used were 62.0% (2017/2018: 60.6%) lower, i.e. EV/Sales 0.8 (2017/2018: 0.6) and EV/EBITDA 5.5 (2017/2018: 4.1), then the recoverable amount would equal the carrying amount in the balance sheet.

The multiples used in assessing the value of the Great Britain segment were EV/Sales[1] 2.2 (2017/2018: 1.5) and EV/EBITDA[2] 14.6 (2017/2018: 10.5) with 50% weight assigned to each. The segment's multiple based market value was 30.0 million euros (2017/2018: 19.8 million euros). The balance sheet value of the segment was 17.8 million euros

(2017/2018: 16.1 million euros), which was calculated with the following formula: Tangible assets + Goodwill + Current assets – Short-term liabilities – Cash.

The test conducted on 30.06.2019 and 30.06.2018 indicated that the recoverable value is higher than the balance sheet value. In case the multiples were 40.8% lower (2017/2018:17,1%), i.e. EV/Sales 1.3 and EV/EBITDA 8.6 (EV/EBITDA 8.7), the recoverable value would equal the value in the balance sheet.

[1] *Enterprise Value / Sales*

[2] *Enterprise Value / EBITDA*

NOTE 13. FINANCE LEASE

EUR '000	Machinery, equipment
Cost as at 30.06.2019	2,176
Accumulated depreciation as at 30.06.2019	-603
Carrying amount as at 30.06.2019	1,573
Cost as at 30.06.2018	2,545
Accumulated depreciation as at 30.06.2018	-855
Carrying amount as at 30.06.2018	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 financial year, fixed assets were leased as financial lease in the total amount of 680 thousand euros (18 months 2017/2018: 138 thousand euros). During the reporting period a car, a workboat, a telescopic loader and production equipment were leased. In 2017/2018 a car was leased under financial lease terms and a renovation project to increase energy efficiency of Renko production facility was financed under finance lease terms.

EUR '000	12m 2018/2019	18m 2017/2018
Principal payments in the financial year	554	565
Interest expenses in the financial year	20	46
Average interest rate	1,82%	1,79%

EUR '000	12m 2018/2019	18m 2017/2018
Finance lease liabilities, including	1,192	1,066
Up to 1 year	324	358
1-5 years	868	708
Minimum finance lease payments:		
Up to 1 year	343	377
1-5 years	889	734
Total	1,232	1,111
Future interest expense of finance lease	-40	-45
Present value of finance lease liability	1,232	1,111

See also Notes 11 and 15.

NOTE 14. OPERATING LEASE

Operating lease expenses include the cost of renting warehouse space, production premises and office space, water areas, machinery and equipment.

EUR '000	30.06.2019	30.06.2018
Future lease payments under non-cancellable lease agreements		
Up to 1 year	364	418
1-5 years	455	1,104
More than 5 years	173	661
Total	992	2,183

EUR '000	12m 2018/2019	18m 2017/2018
Operating lease expense	865	938

The minimum future lease payments for non-cancellable operating leases are calculated by taking into consideration the uninterrupted periods of the leases and the rent increase in accordance with the terms laid down in the contract. Operating leases do not include terms and conditions of buying out the item.

NOTE 15. BORROWINGS

EUR '000	30.06.2019	30.06.2018
Finance lease liabilities (Note 13)	324	358
Overdraft	8,783	8074
Factoring	9	0
Investment loans	4,389	4,130
Total short-term loans	13,502	12,562
Finance lease liabilities (Note 13)	868	708
Loan notes to shareholders (Note 29)	441	447
Investment loans	8,231	10,332
Total long-term loans	9,540	11,487
incl. payable within 1-5 years	9,540	11,278
incl. payable after 5 years	0	209

See also Notes 3 and 11.

EUR '000	12m 2018/2019	18m 2017/2018
Borrowings at the beginning of period	24,049	4,656
Loans withdrawn	907	14,000
Overdraft received	709	4,707
Finance lease received and repaid net	126	138
Change of factoring liability	9	0
Acquired through business combinations (Note 29)	492	1,810
Change in value due to the exchange rates	-11	71
Repayments of loans	-3,239	-1,780
Borrowings at the end of period	23,042	24,049

EUR '000	12m 2018/2019	18m 2017/2018
Interest payable at the beginning of period	91	4
Interest calculated	800	828
Interest paid	-791	-741
Interest payable at the end of period	100	91

Overdraft

On 28.04.2017 an agreement on prolonging and increasing an overdraft facility allowing the Group use the overdraft in the total amount of 7 million euros. The limit was increased to enable the Group to purchase inventories at times when the price of raw fish is favourable. On 22.08.2017 the limit was increased by 1.0 million euros to 8.0 million euros. The term of the overdraft was 30.04.2018 and the interest rate 6-months EURIBOR +1.7%. With the addendum from 30.05.2018 the limit of overdraft was further increased by 2.0 million euros, total limit after the increase 10.0 million euros with the term is prolonged until 30.04.2019 other terms unchanged.

On 06.06.2019 an agreement on prolonging and decreasing an overdraft facility by 1.0 million euros to 9.0 million euros. The term of the overdraft is 30.11.2019 and the interest rate 6-months EURIBOR +2.5%.

The overdraft is guaranteed by mortgage of 10.1 million euros, commercial pledge of 4.0 million euros, and a guarantee by AS PRFoods in the amount of 5.0 million euros. Between Saaremere Kala AS and its daughter companies Vettel OÜ and Redstrom OÜ a group account agreement is signed. As at 30.06.2019 the Group had taken into use 8.8 million euros worth of overdraft. As at 30.06.2018 the Group had taken into use 8.1 million euros worth of overdraft.

Investment loans

In 2017, an agreement was signed to obtain an investment loan of 12.5 million euros at an interest rate of 6 months EURIBOR +3.25% to acquire John Ross Jr. (Aberdeen) Ltd, Coln Valley Smokery Ltd and Trio Trading Ab Oy. In May 2018, an additional amount of 2 million euros was signed for the contract, of which 0.5 million euros was used for the acquisition of OÜ Redstorm and the remaining 1.5 million euros for investments in 2018-2019.

As at 30.06.2019, the balance of the investment loan was 10.0 million euros (30.06.2018: 11.6 million euros). The interest margin is reduced to 2.75%, provided the company has fulfilled the covenants set for the loan. The term of the investment loan is 19.07.2022. The loan is secured by existing mortgages in the amount of 13.1 million euros for the properties of Vettel OÜ and Heimon Kala Oy; a commercial pledge of 4.0 million euros on movable property of Vettel OÜ; pledge 100% to the shares of Saaremere Kala AS, Heimon Kala Oy, Överumans Fisk AB, Trio Trading Ab Oy; commercial pledge and equity pledge on 85% of JRJ & PRF Ltd's movable assets and shares; AS PRFoods guarantee in the amount of 20.5 million euros.

On 14.07.2017, a 1.5-million-euro short-term investment loan was received from Amber Trust II S.C.A. to finance the acquisition of subsidiaries. The loan repayment term has been extended by agreement of the parties and is no later than 31.12.2019. The interest rate of the loan is 5%, the accrued interest has been repaid during the reporting period in the amount of 86 thousand euros and the remaining interest is paid at the same time as the loan is repaid.

On 29.10.2015, Trio Trading Ab Oy has signed an investment loan in the amount of 1.6 million euros. The outstanding balance of the loan was 0.75 million euros as at 30.06.2019 (30.06.2018: 0.99 million euros). The interest rate is 12-month

EURIBOR + 2.00% and the maturity of the loan is 31.08.2022. The loan is secured by a commercial pledge and rental right on the Kokkola property.

John Ross Jr. (Aberdeen) Ltd has 3 long-term investment loans from banks with a balance of 0.37 million euros as of 30.06.2019 (30.06.2018: 0.42 million euros). The maturity of the loans ranges from 3 to 13 years, with interest rates of 1.50%, 2.85% and 4.20% + UK Bank Base rate. The UK Bank Base rate was 0.50% until 01.08.2018 and 0.75% as of 02.08.2018 according to the decision of the Bank of England.

NOTE 16. PAYABLES AND PREPAYMENTS

EUR '000	30.06.2019	30.06.2018
Trade payables (Note 3)	8,198	6225
Payables to employees	997	977
Liabilities from business combinations (Note 29, 30)	2,850	4,748
Interest payables	37	18
Interest payables to shareholders	63	73
Prepayments from clients (Note 3)	1	29
Other payables	214	232
Tax liabilities, incl.:	1,745	1,952
Social security tax	161	167
VAT	1,063	1,182
Personal income tax	119	122
Corporate income tax	330	438
Other taxes	72	43
Total payables and prepayments	14,105	14,254
Liabilities from business combination	190	0
Total long-term payables and prepayments:	190	0

For additional information on prepayments of trade receivables and other borrowings, see Note 3. The liabilities arising from the business combination as at 30.06.2019 include a non-controlling interest redemption amount of 2,591 thousand euros.

NOTE 17. GOVERNMENT GRANTS

EUR '000	12m 2018/2019	18m 2017/2018
Deferred income from government grants at the beginning of period	1,442	713
Government grants received and repaid during the period, net	137	310
Acquired through business combination	144	768
Change in value due to the exchange rates	-4	-12
Recognition as income during the period (Note 24)	-398	-337
Deferred income from government grants at the end of period	1,321	1,442
incl. income within 1 year	234	216
incl. income within 2-17 years	1,087	1,226

The government grants have been granted for investments in the Group's fish farming and fish processing in Sweden and Finland, as well as for fish production facilities in Finland, Great Britain and Estonia. During the reporting period, 398 thousand euros were recognized as income (12 months 2017/2018: 337 thousand euros).

NOTE 18. EQUITY

As at 30.06.2019 the Group had 38 682 860 shares (30.06.2018: 38 682 860), including 1 000 000 treasury shares (30.06.2018: 1 000 000 treasury shares).

Treasury shares

As of 01.07.2014, the Group initiated a buy-back programme of its own shares in accordance with the resolution of the general meeting of shareholders held on 29.05.2014, according to which up to 500,000 own 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 renewed 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 30.06.2018 AS SEB Pank had acquired 1,000,000 shares of AS PRFoods in the name and on the account of the Group with average price of 0.4915 euros per share. As at 31.12.2016 the company had acquired 519,048 own shares.

Reduction of share capital

At 30.06.2019, the Group's registered share capital was 7,736,572 euros. As at 30.06.2018 the Group's registered share capital was 7,736,572 euros.

Based on the decisions of the general meeting of shareholders held on 26.05.2016 the introduction of shares without par value instead of nominal value shares of AS PRFoods was entered in the Commercial Register on 30.06.2016. The registered share capital of the company is 7,736,572 euros divided into 38,682,860 ordinary shares without a nominal value of 0.20 euros each. In addition, a new version of the Articles of Association of the company came into force, according to which the minimum share capital is 7,000,000 euros and the maximum share capital is 28,000,000 euros. The Articles of Association are available on the homepage of AS PRFoods www.prfoods.ee.

List of shareholders with more than 5% holding at the balance sheet date:

ING LUXEMBOURG S.A., CUSTODIAN FOR THE FOLLOWING SHAREHOLDERS				
EUR '000	Number of shares 30.06.2019	Ownership interest 30.06.2019	Number of shares 30.06.2018	Ownership interest 30.06.2018
Amber Trust II S.C.A	14,813,540	38.3%	14,813,540	38.3%
Amber Trust S.C.A	5,381,370	13.9%	5,381,370	13.9%
KJK Fund SICAV-SIF	4,063,456	10.5%	4,063,456	10.5%
Total	24,258,366	62.71%	24,258,366	62.71%

Earnings per share are presented in Note 27.

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 the share capital but not for making distributions to shareholders. The shareholders decided at the annual general meeting held on 30.11 2018 to transfer 2,850 euros to reserves from net profit of the 2017/2018 financial year, to pay dividends of 386,829 euros i.e. 0.01 euros per share from the retained earnings,

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and not to distribute the remainder. At the annual general meeting held on 30.05.2017 shareholders decided to transfer 35,750 euros into the reserves from of the Group's 2016 profit and not to distribute the rest.

Dividends

The shareholders of AS PRFoods decided on the annual general meeting of shareholders held on 30.11.2018 to pay dividends in the amount of 386,829 euros, i.e. 0.01 euros per share. The dividend payment was made on 05.04.2019 in amount of 377 thousand euros. During 12 months 2018/2019 dividends paid to non-controlling interests in the amount of 170 thousand euros were attributable to the Group's internal dividend from John Ross Jr. (Aberdeen) Ltd (during 18 months of 2017/2018 215 thousand euros were paid to non-controlling interests). The cost of dividends paid to non-controlling interests was recognized under other operating expenses (Note 29).

Non-controlling interest

As non-controlling interest OÜ Fodiator’s 49% holding in OÜ Redstorm is recognized. See also note 29.

NOTE 19. 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.

Two business segments – the fish segment and other segments - are presented together since the proportion of other segments in business operations is marginal. The proportion of other segments was 0.24% in the accounting period and 0.73% in the 2017/2018 financial year.

Starting from the financial year of 18 months 2017/2018 the Group monitors two geographical segments – the Finland, Sweden and Estonia segment and the United Kingdom segment.

	12m 2018/2019			18m 2017/2018		
EUR '000	Finland, Sweden, Estonia	United Kingdom	Total	Finland, Sweden, Estonia	United Kingdom	Total
External revenue	68,315	17,424	85,739	100,336	18,513	118,849
Inter-segment revenue	0	-12	-12	-350	0	-350
Total revenue	68,315	17,412	85,727	99,986	18,513	118,499
Fair value adjustment on biological assets	-1,744	0	-1,744	-524	0	-524
EBITDA*	377	1,366	1,743	3,534	657	4,191
EBITDA from business operations**	2,198	1,792	3,990	4,635	1,163	5,798
Depreciation and amortisation	-1,774	-435	-2,209	-2,257	-443	-2,700
Operating profit	-1,397	931	-466	1,277	214	1,491
Financial income and expenses	-626	-150	-776	-932	-92	-1,024
Income tax	-22	-208	-230	-277	-133	-410
Net profit (-loss)	-2,045	573	-1,472	68	-11	57
Segment assets	42,352	20,182	62,534	44,588	20,909	65,497
incl. current assets	21,202	3,585	24,787	26,123	3,719	29,842
incl. non-current assets	21,150	16,597	37,747	18,465	17,190	35,655
Segment liabilities	36,063	4,605	40,668	35,187	6,999	42,186
Segment investments in tangible and intangible assets	2,452	135	2,587	1,501	113	1,614
Assets acquired through business combinations***	1,650	0	1,650	5,406	17,728	23,134

** EBITDA is operating profit adjusted with depreciation and impairement cost*
*** before fair value adjustment on biological assets and one-offs*
**** financial instruments, deferred taxes not included*

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SALES BY GEOGRAPHICAL REGIONS

EUR '000	12m 2018/2019	18m 2017/2018
Finland	59,885	86,440
United Kingdom	12,104	13,298
Estonia	5,710	7,492
Other	8,028	11,269
Total	85,727	118,499

NON-CURRENT ASSETS BY LOCATION

EUR '000	12m 2018/2019	18m 2017/2018
Great Britain	17,038	17,637
Finland	9,902	10,278
Estonia	8,426	5,429
Sweden	2,138	2,024
Total	37,504	35,368

The table shows non-current assets excl. financial assets and investments in associates.

REVENUE FROM CLIENTS WITH SALES MORE THAN 10% OF CONSOLIDATED REVENUE

EUR '000	12m 2018/2019	18m 2017/2018
Client 1	15,543	26,270
Client 2	14,009	23,172
Total	29,552	49,442

NOTE 20. COST OF GOODS SOLD

EUR '000	12m 2018/2019	18m 2017/2018
Cost of goods purchased for sale	-1,070	-7,109
Materials used in production	-58,283	-78,016
Staff costs (Note 23)	-7,171	-8,773
Depreciation and amortisation	-1,741	-2,032
Other costs of goods sold	-5,565	-7,881
Total cost of goods sold	-73,830	-103,811

[1] *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 21. SALES AND MARKETING EXPENSES

EUR '000	12m 2018/2019	18m 2017/2018
Advertising, marketing and product development	-449	-550
Transportation and logistics services	-3,416	-4,143
Staff costs (Note 23)	-1,657	-1,797
Rent of warehouse premises	-131	-199
Depreciation and amortisation	-356	-424
Utilities	-205	-187
Other lease expenses (excl. cars)	-222	-94
Other sales and marketing expenses [1]	-1,063	-1,447
Total sales and marketing expenses	-7,499	-8,841

[1] Other sales and marketing expenses include costs related to real estate (lease, maintenance, insurance, utilities etc.), staff related costs and other services.

NOTE 22. GENERAL AND ADMINISTRATIVE EXPENSES

EUR '000	12m 2018/2019	18m 2017/2018
Staff costs (Note 23)	-2,029	-2,120
Depreciation and amortisation	-112	-244
Consulting and advisory services [1]	-182	-155
Information and communication services	-89	-62
Legal services	-37	-78
Transportation expenses	-81	-95
Business trips and costs of entertaining guests	-105	-162
Other general and administrative expenses [2]	-568	-666
Total general and administrative expenses	-3,203	-3,582

[1] In the financial year of 2018/2019 the Group has paid auditing fees in the amount of 72 thousand euros and 110 thousand euros for other limited assurance engagements as well as other advisory services.

[2] Other general and administrative expenses include subcontracted services, bank fees, office related expenses, insurance costs, staff-related costs and other expenses.

NOTE 23. STAFF COSTS

EUR '000	12m 2018/2019	18m 2017/2018
Wages and salaries	-8,981	-10,490
Social security tax and other labour taxes	-1,876	-2,200
Total staff costs (Notes 20, 21, 22)	-10,857	-12,690
Number of employees at end of the period	345	377
Average number of employees during the year	361	310

Staff costs are included in the lines of the statement of comprehensive income “Cost of goods sold”, “General and administrative expenses” and “Sales and marketing expenses”.

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EUR '000	12m 2018/2019	18m 2017/2018
Staff costs of employees working under employment contract	-9,678	-11,327
Staff costs of members of management or control board	-1,179	-1,363
Total staff costs	-10,857	-12,690
Average number of employees working under employment contract	345	294
Average number of members of management or control board	16	16
Average number of employees during the year	361	310

NOTE 24. OTHER OPERATING INCOME AND EXPENSES

EUR '000	12m 2018/2019	18m 2017/2018
Gain on disposal and write-off of non-current assets (Notes 11, 12)	18	52
Income from government grants (Note 17)	398	337
Business combinations expenses	-211	-1 037
Foreign exchange expenses	177	-125
Other operating expenses	-299	523
Total other operating expenses	83	-250

NOTE 25. FINANCIAL INCOME AND EXPENSE

EUR '000	12m 2018/2019	18m 2017/2018
Interest income	20	8
Other financial income	68	2
Profit/loss from exchange rate changes	2	-46
Interest expense	-800	-828
Other financial expenses	-66	-160
Total	-776	-1,024

NOTE 26. INCOME TAX EXPENSES

EUR '000	12m 2018/2019	18m 2017/2018
Profit (loss) before tax (consolidated)	-1,242	467
Income tax calculated at applicable tax rates	540	551
Impact to calculated income tax of:		
expenses not deductible from taxable income (+)	45	36
non-taxable income and tax incentives	0	-2
tax losses used (-) and carried forward (+)	-36	-27
Income tax expense /-income	549	558
Deferred income tax expense / -income (Note 10)	-319	-148
Effect on income statement	230	410

NOTE 27. EARNINGS PER SHARE

Earnings per share have been calculated by dividing the net profit by the average number of shares for the period.

	12m 2018/2019	18m 2017/2018
Net profit (loss) attributable to equity holders of the company EUR '000	-1,569	57
Average number of shares (in thousand)	38,683	38,683
Earnings (loss) per share (EUR)	-0.04	0.00
Earnings (loss) per share (EUR)	-0.04	0.00
Diluted earnings (loss) per share (EUR)	-0.04	0.00

Additional information in Note 18.

NOTE 28. TRANSACTIONS WITH RELATED PARTIES

The Group 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 supervisory and management boards of group entities
- close family members of the persons mentioned above and the companies related to them

During the reporting period group entities have performed purchase and sales transactions with related parties as follows:

Party EUR '000	Type of transaction	12m 18/19 Purchase	12m 18/19 Sale	18m 17/18 Purchase	18m 17/18 Sale
Companies related to members of the Management and Supervisory Boards	Services	1,071	0	1,078	1
Total		1,071	0	1,078	1

The largest transactions with related parties are: i) purchases of transport services from Norway to Kokkola in the amount of 0.05 million euros by a company related to the management team of Trio Trading Ab Oy (18 months 2018/2018: 1.1 million euros), and ii) purchases of various accessories and services from OÜ Fodiator, a company related to Redstorm OÜ management member in the amount of 0.05 million euros. Management estimates that all related party transactions have been concluded at market prices and at market conditions.

At the balance sheet date, there were no receivables from related parties. No write-downs on receivables from related parties have been recognised.

Party	Creditor	Payables and prepayments	Payable as at 30.06.2019 EUR '000	Payable as at 30.06.2018 EUR '000
Kuljetus Heikki Sammallahti OY	Companies related to members of the boards	Trade payables	0	53
Fodiator OÜ	Shareholder of Redstorm OÜ	Payable for shares	131	0
Amber Trust II S.C.A.	Shareholder of AS PRFoods	Short-erm investment loan and interests	1,563	1,573
Christopher Leigh	Shareholder of JRJ & PRF Ltd	Loan note	283	287
Victoria Leigh-Pearson	Shareholder of JRJ & PRF Ltd	Loan note	158	160
Jennifer Leigh	Shareholder of John Ross Jr. (Aberdeen) Ltd	Payable for shares	0	2,126
Christopher Leigh	Liability	Payable to non-controlling interests	1,658	1,678
Victoria Leigh-Pearson	Liability	Payable to non-controlling interests	933	944
Total			4,726	6,821

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	12m 2018/2019	18m 2017/2018
Short-term benefits	1,179	1,363
Total	1,179	1,363

Management benefits increased in 12 months of 2018/2019 by 64 thousand euros compared to the previous 12-months period.

The members of the management and supervisory boards AS PRFoods are not entitled to any pension-related rights from the company. The members of the management boards are entitled to termination benefits. AS PRFoods maximum expense related to payment of termination benefits including taxes totals 221 thousand euros (30.06.2018: 205 thousand euros).

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NOTE 29. BUSINESS COMBINATIONS

OÜ REDSTORM

On 03.07.2018 Saaremere Kala AS, a subsidiary of PRFoods, entered into an agreement to acquire 51% of shares in OÜ Redstorm, a fish farming, processing and storing company in Saaremaa, Estonia. Following the completion of the transaction Saaremere Kala AS, a subsidiary of PRFoods, owns 51% of OÜ Redstorm (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 06.07.2018. Purchase price of the acquired company was 0.65 million euros, that is paid in 3 instalments. Saaremere Kala AS has acquired control over acquired company on the date of conclusion of the transaction. The aim of the acquisition of the share by Saaremere Kala AS is the establishing of a fish farm in Estonia and expanding in the future and by doing so ensuring the availability of quality raw material for the PRFoods Group. OÜ Redstorm has earlier provided fish freezing and storage service to Vettel OÜ, a group company of AS PRFoods.

The acquisition of the right to offshore fish farming is an important step in the development of AS PRFoods. The Group can offer especially fresh local fish to its customers in Estonia and Finland, as the Saaremaa factory of the Group is located only one hour away from the new fish farm. In addition to quality, also important savings on transport are anticipated. Also, 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. Estonia has great potential to develop it both in terms of domestic consumption and export potential.

Control and risk were fully transferred to the Group upon conclusion of the transaction. As non-controlling interest 49%, owned by OÜ Fodiator, is reflected in the accounting. Non-controlling interest is calculated in proportion to the fair value of the net assets of acquired company. The effect of the acquired company on the Group's financial results for the financial year 2018/2019 was a loss of 28 thousand euros. Out of the 549 thousand sales revenue of OÜ Redstorm, the external income was 2 thousand euros. As at 30.06.2019, the total assets of OÜ Redstorm was 2,326 thousand euros and equity 597 thousand euros.

Purchase consideration – cash outflow

EUR '000	Redstorm OÜ
Cash consideration	519
Less: cash acquired	0
Net outflow of cash	519

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

EUR '000	Redstorm OÜ		
	Book value	Fair value	Difference
Tangible assets	1 650	1 650	0
Total non-current assets	1 650	1 650	0
Receivables and prepayments	6	6	0
Total current assets	6	6	0
TOTAL ASSETS	1 656	1 656	0
Loans and borrowings	492	492	0
Payables and prepayments	3	3	0
Accrued payables	144	144	0
Other liabilities	190	190	0
TOTAL LIABILITIES	829	829	0
Net assets	827	827	0

The purchase analysis did not identify any significant differences between carrying values and fair values.

The synergies arising from the acquisition of companies complement the Group's business cycle from fish farming and sourcing of raw fish to production and sale to the final customer. Due to the geographical proximity of the farm and the factory, this allows very fast fish processing and improves the quality of the final product.

EUR '000	Redstorm OÜ
Purchase price	650
Fair value of net assets of non-controlling interests at transaction date	405
Fair value of net assets of 51% share	422
Goodwill	228

BUSINESS COMBINATIONS IN 2017/2018 FINANCIAL YEAR

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 homepage www.prfoods.ee. The acquisition date was 21.07.2017.

The purpose of the transaction was to increase the assortment of fish products offered by PRFoods' 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 United Kingdom 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 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 in the amount of 840 thousand euros to Andrew Leigh was scheduled to 6 months after the transaction date. A symmetrical put and call option agreement was signed with Jennifer Leigh for transferring a 33% shareholding of John Ross Jr (Aberdeen) Ltd 12 months after the transaction date. The exercise price of option was fixed at 2,103 thousand euros as of the exchange rate of the transaction date. Jennifer Leigh signed a waver 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 the financial reports.

Non-controlling interests in JRJ & PRF Ltd

In 2017, Saaremere Kala AS entered into an agreement that included symmetrical call and put options to buy a 15% non-controlling interest in JRJ & PRF Ltd, and the terms of which according to the management make it in essence a forward contract to acquire non-controlling interests. Therefore, at the time of the business combination, non-controlling interests was not recognized, and the management estimated that 100% control of the acquired companies was achieved. The exercise price of the forward contract is not fixed but depends on the financial performance of the acquired companies. The fair value of the liability as at 30.06.2019 is 2,591 thousand euros (30.06.2018: 2,622 thousand euros), the change in the fair value of the liability is recognized in the income statement. The liability is denominated in GBP and the change from the previous balance sheet date is due to exchange rate fluctuations. The fair value of the liability is determined using a similar methodology, inputs and management assessments as used in the goodwill test to determine the market value of the United Kingdom segment (see Note 12). 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. The loan notes are denominated in GBP and bear interest at 4% per annum. Loan notes realisation is tied to forward agreement realisation.

According to management's assessment the signed agreement is a 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 the 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 170 thousand euros in 12 months of 2018/2019 in connection to internal dividend distribution from John Ross Jr (Aberdeen) Ltd. (18 months 2017/2018: 215 thousand euros was paid to non-controlling interest holders). Dividend expense was recognized under other operating expenses.

Acquisition 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.

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 the Group upon completion of the transaction. The sellers Mats Storbjörk and Ville Sammallahti holding management positions in the 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 AS PRFoods' equity value in case of the PRFoods Group is sold to a new shareholder and sellers have valid employment within the Group at the time of exit event. In case the exit occurs during the 5 years when the sellers have the right for additional annual purchase price, the right for such annual purchase price will be terminated immidiately (including outstanding payments).

Merger of Vettel OÜ and GourmetHouse OÜ

On 29.06.2018, GourmetHouse OÜ and Vettel OÜ (100% subsidiaries of Saaremere Kala AS, an AS PRFoods group company) executed a merger agreement with the intention to improve the internal efficiency of the Group. According to the merger agreement, the acquiring company is Vettel OÜ. As a result of the merger, GourmetHouse OÜ will be dissolved without liquidation proceedings. The merger date is 01.07.2018, after which all GourmetHouse OÜ transactions will be deemed to be made on the account of Vettel OÜ. The merger was completed on 10.09.2018.

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

NOTE 30. ASSOCIATES

AVAMERE KALAKASVATUS OÜ (50% SHARE)

On 18.01.2019 Avamere Kalakasvatus OÜ, an associate of Saaremere Kala AS, was registered in the Estonian Commercial Register. In reporting period, the associate company submitted an application for a building permit for the fish farming in Paldiski Bay, Estonia to the Technical Surveillance Authority. The building permit applies for permission to build a rainbow trout farming complex in offshore cages.

AS TOIDU- JA FERMENTATSIOONITEHNOLOOGIA ARENDUSKESKUS (20% SHARE)

AS PRFoods holds a 20% share of AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology). As at 30.06.2019 the book value of AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus was 131 thousand euros.

NOTE 31. CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities in connection with setting a mortgage for the benefit of the Customs Board of Finland

A mortgage was set for the benefit of the Finnish Customs Board in the amount of 234 thousand euros. The purpose of the transaction was a more streamlined organisation of the day-to-day operations by reducing persistent prepayments to the Customs Board.

The management estimated that it is improbable that the Finnish Customs Board will liquate the pledged asset.

Contingent liabilities relating to tax boards

The tax authorities may at any time inspect the books and records of the Group within 5 years subsequent to the reported tax year in Estonia and Finland, within 6 years in United Kingdom and within 7 years in Sweden, and may as a result of their inspection impose additional tax assessments, interests and penalties. In 12 months 2018/2019 and 18 months 2017/2018 the tax authorities did not conduct any tax audits. The management of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect

NOTE 32. 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 was 31.01.2019. The merger was postponed due to technical reasons. The companies operate in co-operation with overlapping management.

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

NOTE 33. SUPPLEMENTARY DISCLOSURES ABOUT THE PARENT COMPANY OF THE GROUP

Pursuant to the Accounting Act of the Republic of Estonia, the separate (primary) financial statements of the consolidating entity (Parent Company) have to be disclosed in the notes to the consolidated financial statements. In preparing the separate primary financial statements of the Parent Company, the same accounting policies have been applied as in preparing the consolidated financial statements. The accounting policy for reporting subsidiaries has been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27 “Consolidated and Separate financial Statements”.

In the Parent Company’s financial statements, which are disclosed in the notes to these financial statements (supplementary information about the Parent Company of the Group), investments in the shares of subsidiaries are measured at cost, less any impairment losses.

STATEMENT OF FINANCIAL POSITION

EUR '000	30.06.2019	30.06.2018
ASSETS		
Cash	1,142	799
Short-term financial investments	2,400	1,394
Receivables and prepayments	549	682
Total current assets	4,091	2,875
Investments in subsidiaries	10,378	10,378
Long-term financial investments	2,931	5,034
Tangible fixed assets	22	42
Intangible assets	314	109
Total non-current assets	13,645	15,563
TOTAL ASSETS	**17,736**	**18,438**
EQUITY AND LIABILITIES		
Loans and borrowings	1,522	1,524
Payables and prepayments	204	297
Total current liabilities	1,726	1,821
Loans and borrowings	0	14
Total non-current liabilities	0	14
Total liabilities	1,726	1,835
Share capital	7,737	7,737
Share premium	14,007	14,007
Statutory capital reserve	51	48
Treasury shares	-390	-390
Retained loss	-5,395	-4,799
TOTAL EQUITY	16,010	16,603
TOTAL EQUITY AND LIABILITIES	17,736	18,438

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STATEMENT OF COMPREHENSIVE INCOME

EUR '000	12m 2018/2019	18m 2017/2018
Revenue	146	219
Cost of goods sold	0	0
Gross profit	146	219
Operating expenses		
Sales and marketing expenses	-104	-130
Administrative and general expenses	-566	-692
Other income	269	418
Other expenses	-2	-176
Operating loss	-257	-361
Financial gain (loss) from investments in subsidiaries and associates	183	30
Financial income/costs	-77	-74
Profit (-loss) before tax	-151	-405
Income tax	-65	0
Net profit (loss)	-216	-405
Total comprehensive income (-loss)	-216	-405

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CASH FLOW STATEMENT

EUR '000	12m 2018/2019	18m 2017/2018
Net profit (-loss)	-216	-405
Adjustments:		
Depreciation	27	39
Loss/income from associates	-183	-55
Income tax of dividends paid	65	0
Other non-cash items	-192	1
Changes in receivables and prepayments	129	-920
Changes in payables and prepayments	-83	-119
Total cash flow from operations	-453	-1,459
Cash flows from investing activities		
Sale of tangible and intangible fixed assets	2	0
Purchase of tangible and intangible fixed assets	-212	-34
Loans granted	-2,260	-4,240
Repayments of loans granted	3,424	1,504
Dividends received	116	0
Interests received	271	405
Total cash flow from investing activities	1,341	-2,365
Cash flows from financing activities		
Loans received	0	1,500
Capital lease repayments	-16	-23
Own shares buy-back	0	-134
Dividends paid	-377	0
Income tax of dividends paid	-65	0
Interest paid	-87	-1
Total cash flow used in financing activities	-545	1,342
Total cash flow	343	-2,482
Cash and cash equivalents at beginning of year	799	3,281
Change in cash and cash equivalents	343	-2,482
Cash and cash equivalents at the end of the period	1,142	799

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STATEMENT OF CHANGES IN EQUITY

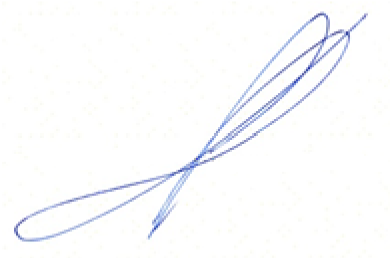
EUR '000	Share capital	Share premium	Treasury shares	Statutory capital reserve	Retained earnings	Total equity
Balance at 31 December 2016	7,737	14,007	-256	12	-4,358	17,142
Carrying amount of interests under control and significant influence						-10,378
Value of interests under control and significant influence under the equity method						17,045
Adjusted unconsolidated equity at 31 December 2016						23,809
Increase of statutory reserve capital	0	0	0	36	-36	0
Buy-back of treasury shares	0	0	-134	0	0	-134
Comprehensive expense for reporting period	0	0	0	0	-405	-405
Total change	0	0	-134	36	-441	-539
Balance at 30 June 2018	7,737	14,007	-390	48	-4,799	16,603
Carrying amount of interests under control and significant influence						-10,378
Value of interests under control and significant influence under the equity method						16,925
Adjusted unconsolidated equity at 30 June 2018						23,150
Increase of statutory reserve capital	0	0	0	3	-3	0
Dividends paid	0	0	0	0	-377	-377
Comprehensive expense for reporting period	0	0	0	0	-216	-216
Total change	0	0	0	3	-596	-593
Balance at 30 June 2019	7,737	14,007	-390	51	-5,395	16,010
Carrying amount of interests under control and significant influence						-10,378
Value of interests under control and significant influence accounted for using the equity method						15,625
Adjusted unconsolidated equity at 30 June 2019						21,257

Adjusted unconsolidated equity is used as the basis for determining distributable equity in accordance with the Accounting Act of Estonia.

MANAGEMENT BOARD'S CONFIRMATION TO THE ANNUAL REPORT

The Management Board confirms the correctness and completeness of AS PRFoods and its subsidiaries (together “the Group”) consolidated financial statements for the 12-months 2018/2019 financial year on pages 8-84 and confirms to the best of its knowledge that:

- The management report of the consolidated report gives a true and fair view of the development and results of the Group's operations and financial position and includes a description of the principal risks and uncertainties;
- The principles applied in preparing the consolidated financial statements are in line with International Financial Reporting Standard (IFRS) as adopted by the European Union.
- The consolidated financial statements give a true and fair view of the Group's assets, liabilities, financial position, financial performance and cash flows.



Indrek Kasela

Member of the Management Board

30 October 2019

Independent auditor's report

To the Shareholders of AS PRFoods

(Translation of the Estonian original)*

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS PRFoods and its subsidiaries (together the Group) as at 30 June 2019, and its consolidated financial performance and its consolidated cash flows for the financial year (1 July 2018 to 30 June 2019) then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 June 2019;
- the consolidated statement of profit or loss and other comprehensive income for the financial year then ended;
- the consolidated statement of cash flows for the financial year then ended;
- the consolidated statement of changes in equity for the financial year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

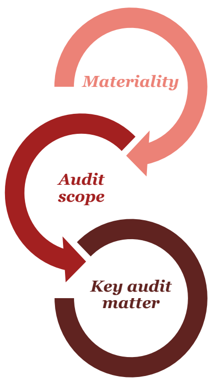
Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59^1 of the Auditors Activities Act of the Republic of Estonia.

Our audit approach

Overview



Materiality

Overall Group materiality is EUR 855 thousand which represents 1% of the Group's consolidated sales revenue.

Audit scope

We, other PwC network firms and external independent audit firm, under our instructions, performed a full scope audit for Group entities covering 96% of the Group's assets and 99% of the Group's revenues. We then performed selected audit procedures on remaining balances.

Key audit matter

- Assessment of fair value of biological assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Management Board made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	EUR 855 thousand
How we determined it	1% of consolidated sales revenue
Rationale for the materiality benchmark applied	We consider sales revenues to be a key performance indicator that determines the Group's value and is monitored by management, investors, analysts and creditors.

Key audit matters

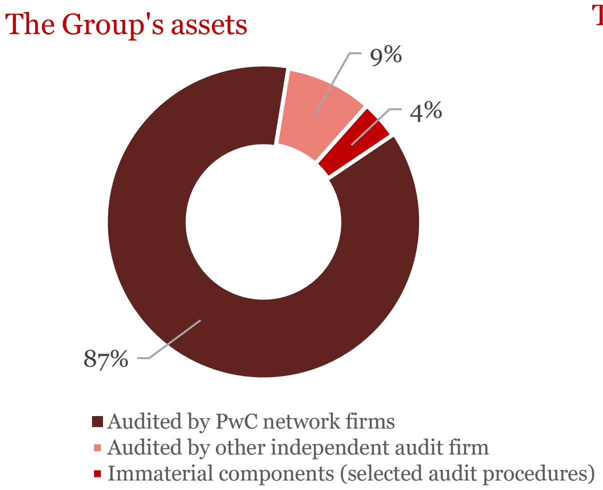
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

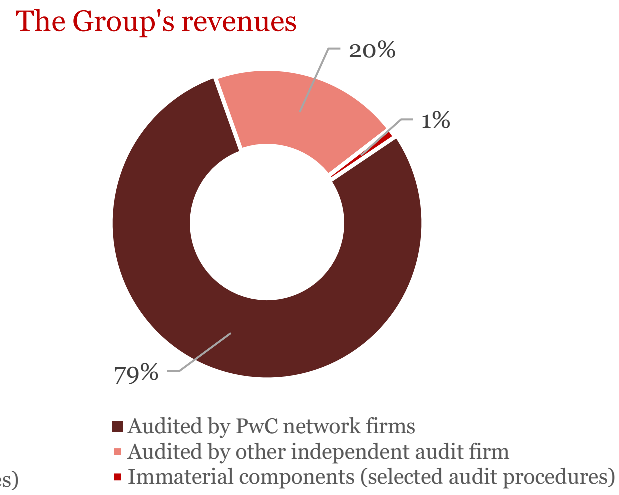
Key audit matters	*How our audit addressed the key audit matters*
Assessment of fair value of biological assets (refer to Note 2 "Bases of preparation of the consolidated financial statements", Note 4 "Management judgements and estimates" and Note 8 "Biological assets") The carrying amount of biological assets as at 30 June 2019 was EUR 4,9 million and the loss from fair value adjustments recorded in the financial year ended 30 June 2019 amounted to EUR 1,7 million. The biological assets consist mainly of fish growing in the Group's fish farms in Finland and Sweden. The measurement basis depends on the maturity of the fish. Fry and fish suitable for harvesting are measured at fair value based on market prices less estimated gutting loss, harvesting cost and cost to sell. Due to lack of active market, juvenile fish are accounted for at cost less potential impairment losses. Taking into account the specifics of the measurement, the Group's management has engaged an internal expert for making the fair value estimates and calculations. Due to the magnitude and related estimation uncertainty, valuation of biological assets is considered a key audit matter.	We assessed whether the Group's accounting policies in relation to accounting for biological assets are in compliance with IFRS. We evaluated the competence, capabilities and objectivity of the management's expert. We evaluated the work of the management's expert, including the source data, assumptions and methods used and relevance and reasonableness of the expert's conclusions. In particular, using historical data and available market information, we assessed the reasonableness of the management's estimates used for: • Market prices • Gutting loss • Harvesting cost • Selling costs • Future breeding expenditure for juvenile fish to assess the necessity for impairment We also recalculated the fair value calculations prepared by management. Furthermore, we assessed the adequacy of the disclosures related to biological assets. As a result of our work, we noted no material exceptions.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries that are further disclosed in Note 9. A full scope audit was performed by PwC Estonia or, under our instructions, by other PwC network firms for entities covering 87% of the Group's assets and 79% of the Group's revenues, and, under our instructions, by other independent audit firm covering 9% of the Group's assets and 20% of the Group's revenues. The remaining components of the Group were immaterial, therefore, we only performed selected audit procedures on these components relating to specified account balances or disclosures.





Where work was performed by component auditors from other PwC network firms or by other independent audit firm, we determined the level of involvement we needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. The nature, timing and extent of the work impacting the Group audit opinion is set and monitored by the Group audit team in Estonia, with input from the teams outside Estonia at the risk assessment stage.

We also audited the consolidation process and performed procedures to assess that the audits of the group entities and of specified account balances covered all material items in the Group's financial statements.

Other information

The Management Board is responsible for the other information contained in the Group's Consolidated Annual Report, in addition to the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of AS PRFoods for the financial year ended 31 December 2011. Our appointment has been renewed by audit tenders in the intermediate years, representing the total period of our uninterrupted engagement appointment for AS PRFoods of 8 and a half years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of AS PRFoods can be extended for up to the financial year ending 30 June 2031.

AS PricewaterhouseCoopers

Lauri Past
Certified auditor in charge, auditor's certificate no.567

Doris Egel
Certified auditor, auditor's certificate no.587

30 October 2019

[*] *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

PROPOSAL FOR COVERING LOSS

The Management Board of AS PRFoods proposes to the General Meeting of Shareholders to cover the loss in amount of 1,458 thousand euros for the financial year ended 30 June 2019 from the retained earnings of previous periods.

Indrek Kasela

Member of the Management Board

30 October 2019