

AS PRFoods
Registry code 11560713
Pärnu mnt 141, Tallinn 11314

**EXPLANATION OF THE MANAGEMENT BOARD REGARDING THE NEED TO BAR THE
PRE-EMPTIVE SUBSCRIPTION RIGHT AND THE PRICE OF SHARES TO BE ISSUED FOR
CONVERSION OF THE NOTES**

14.05.2021

Due to the intention of AS PRFoods (**PRFoods**) to issue subordinated convertible notes to qualified investors in the maximum amount of 3,500,000 euros under the main terms established by the 14.05.2021 Supervisory Board resolution of PRFoods, the Management Board has proposed to the shareholders to authorize the Supervisory Board of PRFoods to increase the share capital in order to ensure implementation of the conversion rights arising from the notes. The Management Board has also proposed to the shareholders to exclude the pre-emptive subscription right of the shareholders with regard to the shares to be issued for conversion of the notes.

Pursuant to Article 345 of the Commercial Code the pre-emptive right of the shareholders to subscribe new shares may be barred by a resolution of the general meeting which receives at least three-quarters of the votes represented at the general meeting. The management board shall provide a written explanation to the shareholders in advance as to why it is necessary to exclude the pre-emptive subscription right and shall also justify the issue price of shares.

The Management Board of PRFoods hereby issues the explanation on why it is necessary to exclude the pre-emptive right of the shareholders to subscribe new shares in connection with the planned note issue and substantiates the issue price of the shares.

Raising additional capital is currently necessary in the interests of PRFoods to reinforce the capital structure of PRFoods. The issue of convertible notes facilitates the raising of additional capital because such instrument is more attractive for investors, allowing them to convert their notes into shares under certain conditions. The notes to be issued qualify as subordinated debt obligations, the claims arising from which have been subordinated to other unsubordinated liabilities of the Issuer. Issue of subordinated convertible notes can only be directed at qualified investors for the time being due to practical and regulatory aspects. According to the guidelines of the predecessor of the European Securities and Markets Authority (EMSA) Committee of European Securities Regulators (CERS) convertible notes are unambiguously defined as complex instruments, which automatically results in restrictions upon offering such notes to non-qualified, i.e. retail investors. Account administrators who are required to assess the suitability of the instruments for their clients may refrain from assessment of the risks and suitability of such instruments for their clients and may therefore create obstacles to the subscription of the respective instrument by retail investors. In the light of the above, PRFoods considers it reasonable to direct the issue to qualified investors in order to ensure successful closing. For the sake of clarity, also the existing shareholders of PRFoods that are eligible as qualified investors may submit applications to subscribe for the notes, but none of the shareholders have the pre-emptive subscription right of the notes.

As the Supervisory Board will receive the right to increase the share capital only with the purpose to ensure implementation of the conversion rights arising from the notes, the issue of new shares by the Supervisory Board needs to be directed at the owners of the respective convertible notes only and the pre-emptive subscription right of the shareholders needs to be excluded.

The issue price of the shares (conversion price) has been established considering the market conditions at the time being so that it would be possible to attract capital from qualified investors due to attractive subscription terms. The issue would likely fail if a higher price would be applied, and the purpose could not be achieved.

Best regards

/digitally signed/
Indrek Kasela
Member of the Management Board of PRFoods