PRFOODS

AS PRFoods

Consolidated Audited Annual Report 2020/2021
(translation from the Estonian original)

2020/2021
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 2020 – 30 June 2021
Auditor	KPMG Baltics OÜ

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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. The Group's shares are listed on the main list of NASDAQ Tallinn Stock Exchange since 5 May 2010 and its bonds are listed on the NASDAQ Tallinn bond list since 6 April 2020.

AS PRFoods' key market is Finland, where we are amongst the three largest fish production companies. Since the acquisition of John Ross Jr. and Coln Valley Smokery in the summer of 2017, the Group has sales experience to 37 countries in Europe, North and South America, and Asia.

Main activities of the Group are fish farming and manufacturing of fish products. The 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 fish farms in Swedish lakes, Turku Archipelago area in Finland and from coastal waters of Saaremaa in Estonia, assuring the highest quality and reliable deliveries. The rest of raw fish is purchased mainly from Norway and Denmark. Fish products are manufactured in four modern factories in Renko and Kokkola (Finland), in Saaremaa (Estonia), and in Aberdeen (Great Britain).

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, increasing thereby the profitability of the company.

Heimon Kala is a brand with a long history, originated in Finland and being one of the most beloved fish producers there. In Estonia, Heimon Kala products have been sold since the end of 2018. We process mostly rainbow trout and salmon in our factories, in smaller quantities also whitefish, perch, pikeperch, vendace, Atlantic and Baltic herrings. We always keep the fish in a place of honour – both when farming and processing it – that is why we raise most of our red fish ourselves and smoke it with alder chips in the traditional way. As our product range is quite wide, a favourite product can be found for the whole family – lightly salted trout slices that have won the title of the Best Fish Product in Estonia, children's favourite trout cutlets or trout roe for a more festive occasion.

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 ahead.

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.
- To achieve operating EBITDA margin at least 7%.
- To distribute up to 30% of the annual net profit as dividends.

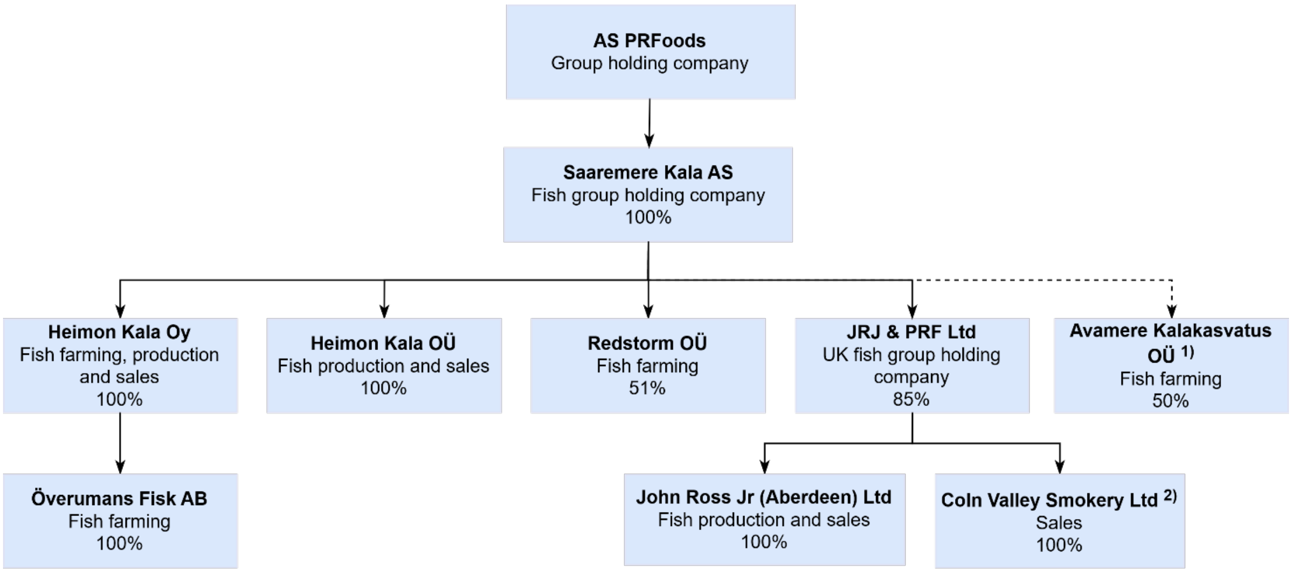
STRENGTHS

- 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.

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.

GROUP STRUCTURE AS AT 30.06.2021



1) *The Group does not consolidate Avamere Kalakasvatus OÜ as it holds neither dominant nor significant control over the company*

2) *64% of Coln Valley Smokery Ltd shares owned by JRJ & PRF Ltd and 36% by John Ross Jr (Aberdeen) Ltd*

As of 01.01.2021, Osaühing Vettel continued its activities under the business name Heimon Kala OÜ. The change in the business name is related to the harmonization of the Group's marketing activities.

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 most significant trademarks of the Group are “PRFoods”, "Heimon Kala" and “John Ross Aberdeen“.

MANAGEMENT REPORT

MANAGEMENT REPORT

OVERVIEW OF ECONOMIC ACTIVITIES

MANAGEMENT COMMENTARY

The most difficult year in group history is over. We were attacked from three fronts: from one side the corona crisis caused a situation, where demand for fish products and raw material prices were dropping drastically. This led to decrease in gross margin and revenue. Secondly, we were entering into the crisis with high financial leverage due to recent acquisitions of companies and banks demanded aggressively us to reduce loan portfolio. Third, group previous management of Finland was not able and didn't want to react to changes, which meant that problems were accumulating in that unit. Dealing with all three crisis at the same time was increasing group loss – we were forced to make decisions, which would not normally have been done.

As a result of above, group's turnover decreased yearly bases 25% to 58.7 million euros(2019/2020: 78.3 million euros).

EBITDA loss 1.3 million euros was the final result – historically first one for us (2019/2020: EBITDA profit 1.9 million euros). Net loss 5.2 million euros (2019/2020: net loss 1.9 million euros).

EBITDA was significantly impacted: raw material prices increased abruptly when corona restrictions were loosened, but at the same time Finnish market sales prices were agreed during winter, when prices were lower. This led to the situation in last quarter, where we were forced to sell some products below COGS. To end this we had to release the local CEO and informed customers about ending non-profitable contracts.

From positive side the group's cash flow from operations was positive by 2 million euros and total cashflow over the period improved by 0.53 million euros. We also reduced our net debt and reduced significantly short term liabilities of the company. Our fish farming unit presented better results and was a backbone of the Scandinavian business. In that field we miss permission from Estonian government to begin with large-scale fish-farming – due to that we missed significant revenue.

Although our Scotland units net profit and turnover decreased up to 30%, John Ross Jr managed to end the year with 1.4 million euros EBITDA. This was outstanding as well as Estonian unit, who managed to rise from month to month retail product sales despite HoReCa markets decrease close to zero.

The number of employees decreased by ca 10% on annual basis. Finland's units cost decrease didn't match the decrease of revenue and margins. In conclusion we can say that Finnish unit was the root cause of problems.

PRFoodsi action plan to overcome the crisis is:

1. Decrease overall debt level through positiive EBITDA and strengthening of equity base.
2. Completely restructure Finnish division, either through disposal or closure of loss-making business units. Eliminate totally all low margin products form Finnish sales.
3. Increase reeteil sales in UK, EU markets, including home market Estonia.
4. Group'strategic focus is on fish farming, as a division that has been profitable every year. Target is to reach by 2023 fish farming volume of 10,000 tons, giving additional 45-50 million euros in sales by year.

Group's financial position is not simple. At the same time, we must remember that 11 million euros bonds have been issued solely for refinancing of John Ross Jr. acquisition and John Ross Jr results have not been impacted so severly, their operational cash flow is very strong and they pay regularly dividends to parent company, therefore we find their leverage to be acceptable. Fish farming requires long term capital for fish feed and this is in process.

Last year we were forced to reduce significantly working capital financing through banks, which put strain on company's finances. We have reduced significantly working capital needs in operations, also through lower inventory. Most important is to restore profitability in the environment of lower sales and restructure loss-making business units.

Having hardened for second year in corona crisis, we know that it is not sustainable to rely on outside help and all difficult decisions need to be taken sooner than later. For our advantage the fish market has started much stronger this year and is more predictable, the demand for our products is growing. The only objective of new financial year is profit and everything that blocks our road to profitabilty must be eliminated.

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/signed/

Sincerely,

Indrek Kasela

KEY RATIOS OF THE GROUP

KEY RATIOS*

INCOME STATEMENT mln EUR (unless stated otherwise)	Formula / Comment	2020/ 2021	2019/ 2020	2018/ 2019	2017/2018	2016/2017
Sales		58.7	78.3	85.7	94.9	51.1
Gross profit	Net sales – Cost of goods sold	5.0	9.6	11.9	13.2	3.9
EBITDA from operations	Profit before one-offs and fair value adjustment on biological assets	-1.2	2.8	4.0	6.0	0.6
EBITDA	Profit (Loss) before financial income and costs, tax, depreciation and amortisation	-1.3	1.9	1.7	4.4	2.0
EBIT	Operating profit (loss)	-3.9	-0.7	-0.5	2.3	0.7
EBT	Profit (loss) before tax	-5.0	-1.8	-1.2	1.4	0.5
Net profit (-loss)		-5.2	-1.9	-1.5	1.0	0.2
Gross margin	Gross profit / Net sales	8.5%	12.2%	13.9%	13.9%	7.7%
Operational EBITDA margin	EBITDA from operations/Net sales	-2.1%	3.5%	4.7%	6.3%	1.2%
EBITDA margin	EBITDA /Net sales	-2.1%	2.4%	2.0%	4.7%	3.8%
EBIT margin	EBIT / Net sales	-6.6%	-0.9%	-0.5%	2.5%	1.4%
EBT margin	EBT / Net sales	-8.5%	-2.2%	-1.4%	1.5%	1.1%
Net margin	Net profit (loss) / Net sales	-8.8%	-2.4%	-1.7%	1.1%	0.4%
Operating expense ratio	Operating expenses / Net sales	16.1%	13.4%	12.5%	10.5%	9.6%
BALANCE SHEET mln EUR (unless stated otherwise)	**Formula / Comment**	**30.06.2021**	**30.06.2020**	**30.06.2019**	**30.06.2018**	**30.06.2017**
Net debt	Short- and long-term loans and borrowings – Cash	22.4	20.7	20.5	18.1	1.0
Equity		15.8	19.8	21.9	23.3	22.7
Working capital	Current assets – Current liabilities	-3.2	-4.0	-3.1	2.8	11.5
Assets		55.6	57.1	62.5	65.5	33.5
Liquidity ratio	Current assets / Current liabilities	0.8x	0.8x	0.9x	1.1x	2.3x
Equity ratio	Equity / Total assets	28.4%	34.7%	35.0%	35.6%	67.8%
Gearing ratio	Net debt / (Equity + Net debt)	58.7%	51.1%	48.3%	43.7%	4.1%
Debt to Asset	Total debt/Total assets	0.7x	0.7x	0.7x	0.6x	0.3x
Net debt-to-EBITDA from operations	Net debt / EBITDA from operations	-17.9x	7.5x	5.1x	3.0x	1.6x
ROE	Net profit (loss) / Average equity	-29.0%	-9.1%	-6.5%	4.3%	0.9%
ROA	Net profit (loss) / Average assets	-9.2%	-3.2%	-2.3%	2.0%	0.6%

** 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 bioassets*

REVENUE

The Group's revenue in the financial year 2020/2021 totalled 58.7 million euros, down by 19.6 million euros, i.e. 25% compared to the previous financial year.

The largest market of the Group has throughout years been Finland sales of which accounted for 64.3% 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 ca 13-15% of total sales. Sales in Estonia, the third largest market have decreased to account for 6.7% of the Group's total sales.

GEOGRAPHIC SEGMENTS

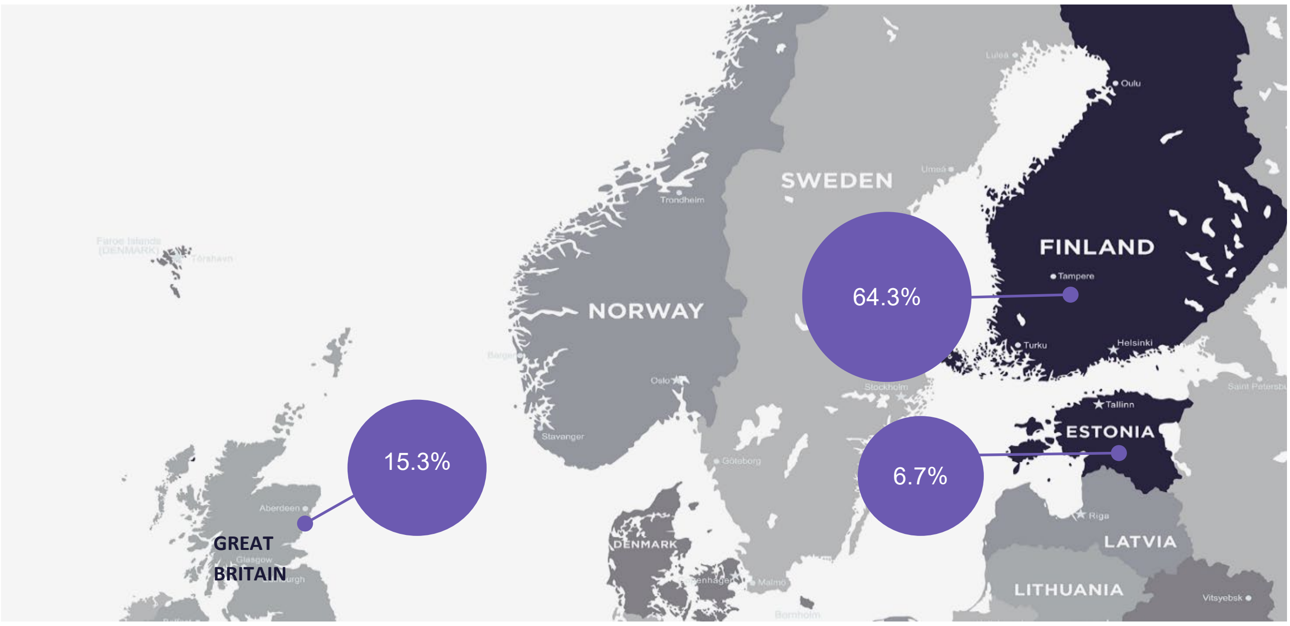
mln EUR	2020/2021	Share, %	2019/2020	Share, %	Change, mln EUR	Change, %	Imp.
Finland	37.7	64.3%	50.9	65.0%	-13.1	-25.8%	▼
United Kingdom	9.0	15.3%	10.2	13.1%	-1.3	-12.4%	▼
Estonia	3.9	6.7%	7.0	9.0%	-3.1	-44.4%	▼
Other	8.1	13.7%	10.2	12.9%	-2.1	-20.3%	▼
Total	**58.7**	**100.0%**	**78.3**	**100.0%**	**-19.6**	**-25.0%**	▼

Finland's revenue in the last financial year was 37.7 million euros, down by 25.8% compared to 50.9 million euros in the previous financial year. The market formed 64.3% of total revenue (2019/2020: 65.0% of total revenue), down by 0.7 percentage points.

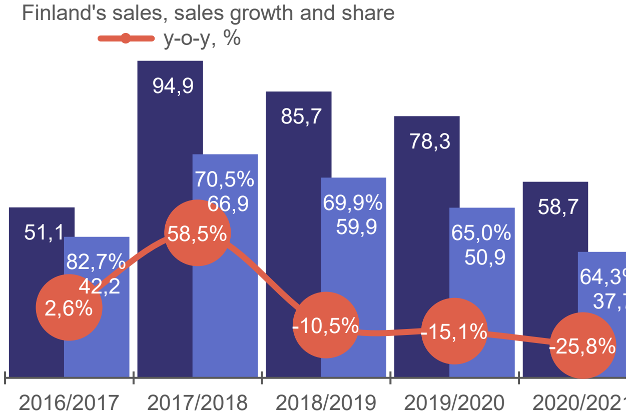
Great Britain's revenue in the financial year was 9.0 million euros, down by 12.4% compared to 10.2 million euros in the previous financial year. The market formed 15.3% of total revenue (2019/2020: 13.1% of total revenue), increased by 2.2 percentage points.

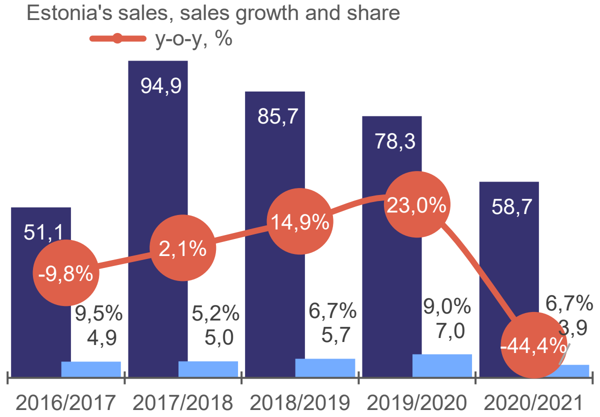
Estonia's revenue in the last financial year was 3.9 million euros, down by 44.4% compared to 7.0 million euros in the previous financial year. The market formed 6.7% of total revenue (2019/2020: 9.0% of total revenue), down by 2.3 percentage points.

Sales to other countries amounted to 8.1 million euros in the financial year accounting for 13.7% of total revenue (2019/2020: 10.2 million euros, share 12.9% 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 comparable over the 5-year period.





PRODUCT SEGMENTS

mln EUR	2020/2021	Share, %	2019/2020	Share, %	Change, mln EUR	Change, %	Imp.
Hot & cold smoked fish	27.2	46.3%	30.1	38.4%	-2.9	-9.7%	▼
Fresh fish and fillets	21.6	36.9%	35.7	45.6%	-14.1	-39.4%	▼
Other fish products	9.9	16.8%	12.4	15.9%	-2.6	-20.7%	▼
Other	0.0	0.0%	0.1	0.1%	0.0	-56.5%	▼
Total	**58.7**	**100.0%**	**78.3**	**100.0%**	**-19.6**	**-25.0%**	▼

The largest product group of the financial year was the hot and cold smoked fish product group, the sales of which amounted to 27.2 million euros and accounted for 46.3% of the total sales, down by 9.7% compared to the previous financial year. In the previous financial year, the sales of the product group totalled 30.1 million euros and accounted for 38.4% of the total. The share of the product group in total sales increased by 7.9 percentage points.

The sales of fresh fish and fillets products declined by 39.4% compared to the previous financial year, amounted to 21.6 million euros and accounted for 36.9% of the total. In the previous financial year, the product group generated sales of 35.7 million euros and accounted for 45.6% of total sales. The share of the product group in total sales decreased by 8.7 percentage points.

The sales of other fish products amounted to 9.9 million euros and accounted for 16.8% of the total. Compared to the previous financial year, when the sales of the product group amounted to 12.4 million euros accounting for 15.9%, the sales declined by 20.7%. The share of the product group in total sales increased by 0.9 percentage points.

CLIENT SEGMENTS

mln EUR	2020/2021	Share, %	2019/2020	Share, %	Change, mln EUR	Change, %	Imp.
Retail chains	32.5	55.3%	33.4	42.7%	-1.0	-2.9%	▼
Wholesale	12.6	21.5%	25.7	32.8%	-13.1	-50.9%	▼
HoReCa	10.6	18.1%	16.7	21.4%	-6.1	-36.4%	▼
Other	3.0	5.1%	2.4	3.1%	0.6	22.7%	▲
Total	**58.7**	**100.0%**	**78.3**	**100.0%**	**-19.6**	**-25.0%**	▼

The largest client group is the retail chains' group, sales of which amounted to 32.5 million euros and accounted for 55.3% of the total sales during the financial year. In the previous financial year, the sales of the product group totalled 33.4 million euros and accounted for 42.7% of the total. The share of the client group in total sales increased by 12.6 percentage points.

Wholsale sales accounted for 21.5% of the total, sales of which amounted to 12.6 million euros. In the previous financial year, the sales of the client group amounted to 25.7 million euros and accounted for 32.8% of the total. The share of the client group in total sales decreased by 11.3 percentage points.

HoReCa sales amounted 10.6 million euros and accounted for 18.1% of the total. In the previous financial year, the sales of the client group amounted to 16.7 million euros and accounted for 21.4% of the total. The share of the client group in total sales decreased by 3.3 percentage points.

COSTS

	2020/2021 mln EUR	2019/2020 mln EUR	Change mln EUR	Imp.	2020/2021 as % of sales	2019/2020 as % of sales	Change %-point	Imp.
Sales	**58.69**	**78.29**	**-19.60**	▼	**100.00%**	**100.00%**		
Cost of goods sold	**-53.73**	**-68.73**	**15.01**	▲	**91.55%**	**87.78%**	**3.77%**	▼
materials in production & cost of goods purchased for resale	-40.29	-54.65	14.36	▲	68.65%	69.80%	-1.15%	▲
labour costs	-6.13	-6.74	0.61	▲	10.44%	8.60%	1.84%	▼
depreciation	-2.17	-2.09	-0.08	▼	3.69%	2.67%	1.02%	▼
other cost of goods sold	-5.14	-5.25	0.11	▲	8.77%	6.71%	2.06%	▼
Operating expenses	**-9.47**	**-10.51**	**1.04**	▲	**16.13%**	**13.42%**	**2.71%**	▼
labour costs	-3.14	-3.85	0.71	▲	5.35%	4.92%	0.43%	▼
transport & logistics services	-3.22	-3.22	0.00	▲	5.49%	4.11%	1.38%	▼
depreciation	-0.46	-0.45	-0.01	▼	0.78%	0.57%	0.21%	▼
advertising, marketing and product development	-0.33	-0.51	0.18	▲	0.56%	0.66%	-0.10%	▲
other operating expenses	-2.32	-2.48	0.16	▲	3.95%	3.16%	0.79%	▼
Other income/expenses	**0.31**	**0.52**	**-0.21**	▼	**0.53%**	**0.66%**	**-0.13%**	▼
incl. one-offs	-0.32	-0.63	0.31	▲	-0.55%	-0.80%	0.25%	▲
Financial income / expense	**-1.09**	**-1.06**	**-0.03**	▼	**-1.85%**	**-1.36%**	**-0.49%**	▼

COST OF GOODS SOLD (COGS)

COGS sold was 53.7 million euros and it accounted for 91.6% of the total sales of the 2020/2021 financial year (2019/2020: 68.7, million euros, 87.8% of sales). COGS decreased compared to the previous financial year by 15.0 million euros.

Purchase cost of raw fish continues to account for the majority (ca 75%) of the largest COGS item “materials in production and cost of goods purchase for resale” that amounted to 40.3 million euros (2019/2020: 54.7 million euros). Remaining costs are mainly attributable to packaging materials and fish feed.

Labour cost of personnel employed in production and fish farms totalled 6.1 million euros and formed 10.4% of total sales (2019/2020: 6.7 million euros, 8.6% of sales), up by 1.8 percentage points compared to the previous financial year.

Other cost of goods sold amounted to 5.1 million euros and formed 8.8% of total sales (2019/2020: 5.3 million euros, 6.7% 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

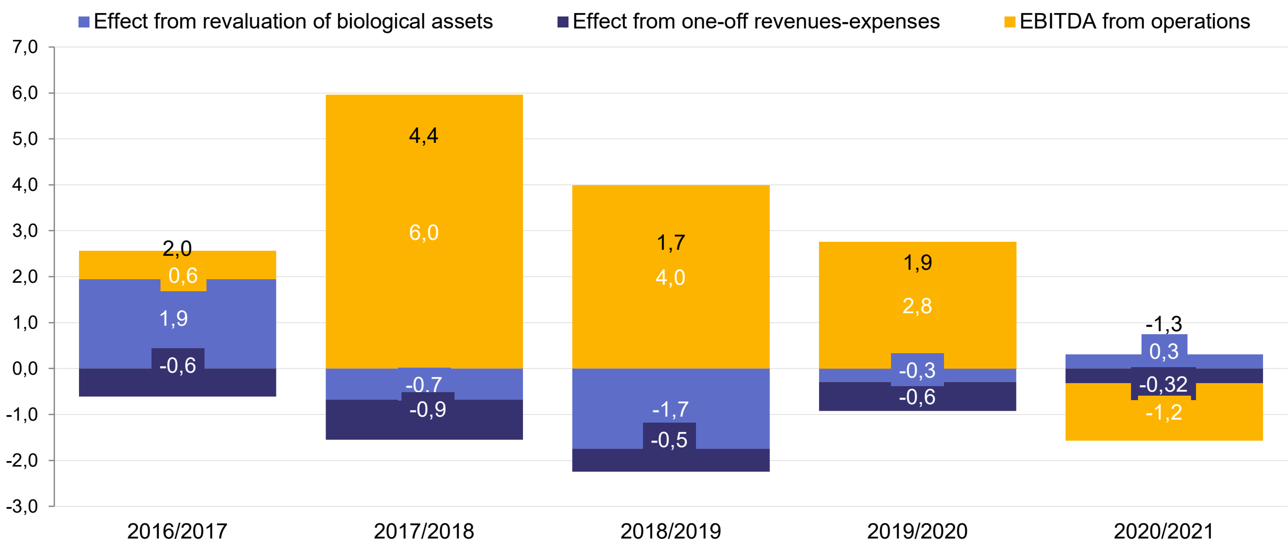
Operating expenses amounted to 9.5 million euros and accounted for 16.1% of the total sales (2019/2020: 10.5 million euros, 13.4% of sales), down by 1.0 million euros compared to the previous financial year.

The majority of operating costs are costs on transport & logistics 3.2 million euros (2019/2020: 3.2 million euros) and on labour 3.1 million euros (2019/2020: 3.9 million euros). The share of labour costs increased by 0.4 percentage points to 5.4% of total sales, whereas the costs on transport & logistics increased by 1.4 precentage points to 5.5% of total sales.

PROFITABILITY

The Group's gross profit of 2020/2021 financial year was 5.0 million euros, i.e. 4.6 million euros less than in the previous financial year (2019/2020: 9.6 million euros). EBITDA from operations before one-offs and fair value adjustments was -1.2 million euros i.e. 4.0 million euros less compared to the previous financial year (2019/2020: 2.8 million euros). EBITDA of the financial year was -1.3 million euros i.e. 3.2 million euros less than in the previous financial year (2019/2020: 1.9 million euros).

One-offs affected EBITDA, EBIT and net profit by -0.3 million euros (2019/2020: -0.6 million euros). Effect from revaluation of bioassets to EBITDA in the past financial year was 0.3 million euros (2019/2020: -0.3 million euros).



Operating loss in 2020/2021 was 3.9 million euros (2019/2020: 0.7 million euros) and net loss was 5.2 million euros (2019/2020: 1.9 million euros).

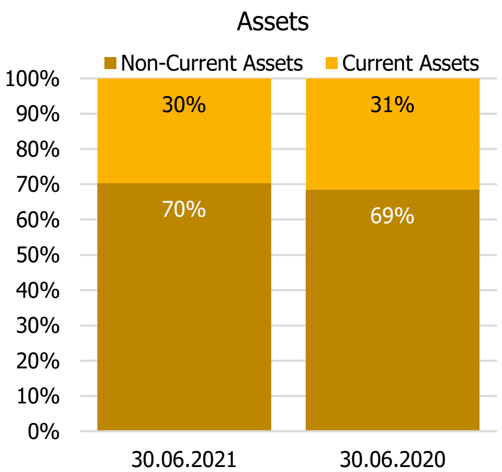
Operating margin in the financial year was -6.6% (2019/2020: -0.9%) and net margin was -8.8% (2019/2020: -2.4%).

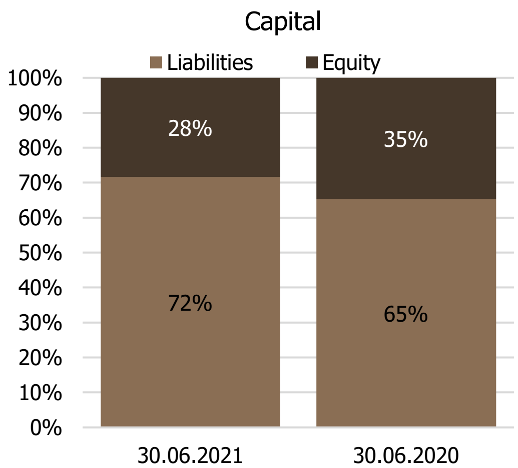
STATEMENT OF FINANCIAL POSITION

As at 30.06.2021 consolidated total assets of the Group stood at 55.6 million euros. The year before i.e. as at 30.06.2020 the balance sheet totalled 57.1 million euros.

The Group`s current assets stood at 16.5 million euros as at 30.06.2021 (30.06.2020: 18.0 million euros). Non-current assets totalled 39.1 million euros (30.06.2020: 39.1 million euros).

Current liabilities totalled 19.7 million euros as at 30.06.2021 (30.06.2020: 22.0 million euros). Non-current liabilities totalled 20.2 million euros (30.06.2020: 15.4 million euros). Equity of PRFoods was 15.8 million euros (30.06.2020: 19.8 million euros).





As at the end of the financial year, the Group's cash and cash equivalents amounted to 2.5 million euros, i.e. 4.5% of the balance sheet total (30.06.2020: 2.3 million euros, 4.0% of the balance sheet total).

Receivables and prepayments amounted to 3.5 million euros as at 30.06.2021, down by 0.1 million euros compared to 30.06.2020, when receivables and prepayments amounted to 3.6 million euros.

As at the end of the financial year, inventories amounted to 5.7 million euros, down by 2.2 million euros compared to the end of the previous financial year i.e. from 7.9 million euros.

Biological assets stood at 4.8 million euros as at 30.06.2021 (30.06.2020: 4.2 million euros), up by 0.5 million euros compared to the end of the previous financial year. Biomass volume as at 30.06.2021 was 846 tonnes (30.06.2020: 945 tonnes), down by 99 tonnes compared to the end of the previous financial year.

Tangible assets of the Group were as at the end of the financial year 15.3 million euros (30.06.2020: 16.2 million euros) and intangible assets were 23.5 million euros (30.06.2020: 22.7 million euros), down by 0.9 million euros and up by 0.8 million euros, respectively, compared to the end of the previous financial year.

Current loans and borrowings of the Group were as at 30.06.2021 7.3 million euros (30.06.2020: 10.6 million euros), down by 3.3 million euros over a year.

Payables amounted to 12.1 million euros as at 30.06.2021 (30.06.2020: 11.1 million euros), up by 1.0 million euros compared to the end of the previous financial year. Trade payables increased by 1.1 million euros, tax payables decreased by 0.3 million euros.

Non-current interest-bearing liabilities stood at 17.6 million euros as at the end of the financial year (30.06.2020: 12.4 million euros) up by 5.2 million euros compared to the end of the previous financial year.

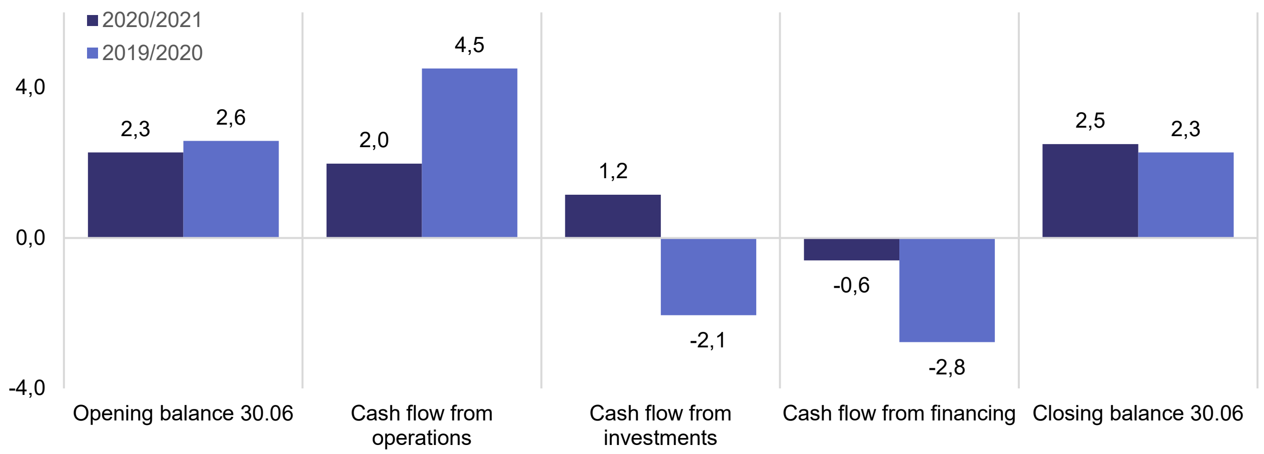
The registered share capital of the Group was 7.7 million euros as at 30.06.2021 (30.06.2020: 7.7 million euros).

CASH FLOWS

PRFoods' cash and cash equivalents totalled 2.3 million euros at the beginning of the financial year of 2020/2021 and 2.5 million euros at the end of the financial year, the period's cash flow amounted to 0.2 million euros. At the same period of previous financial year cash flow amounted to -0.3 million euros.

Cash flow from operations was +2.0 million euros for the 2020/2021 financial year and +4.5 million euros in the previous financial year. Cash flow from investment activities was in the financial year -1.2 million euros and -2.1 million euros the previous financial year. Cash flow from financing activities totalled -0.6 million euros during the financial year compared to -2.8 million euros in the previous financial year.

CHANGE IN CASH FLOWS 2020/2021 VS 2019/2020

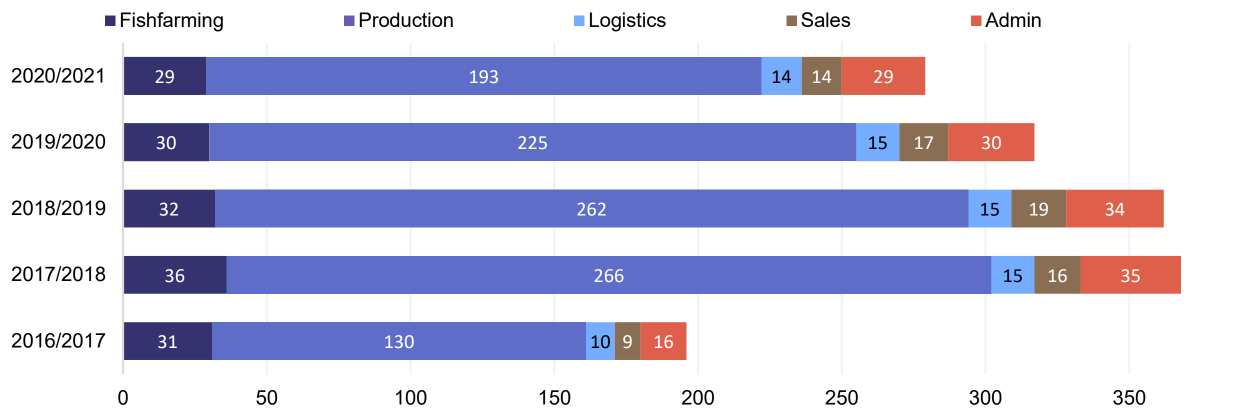


PERSONNEL

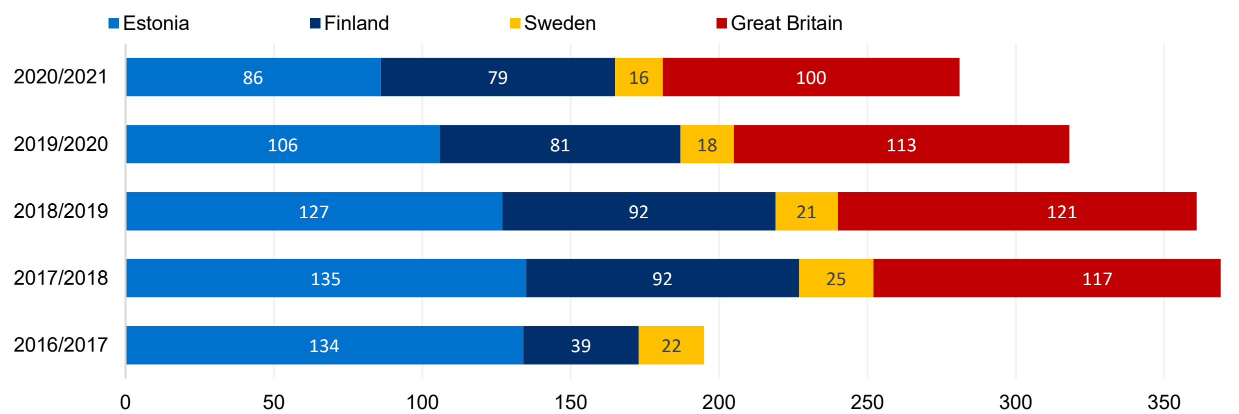
There were on average 281 employees in the Group during the financial year compared to the average number of employees of 318 in the previous financial year. The Group's labour costs decreased from 10.6 million euros in the 2019/2020 financial year to 9.3 million euros in 2020/2021. Manufacturing labour costs amounted to 6.1 million euros (2019/2020: 6.7 million euros), a decrease by 11.4% compared to the previous financial year. The labour costs of support staff totalled 3.1 million euros during the reporting period, an decrease by 0.8 million euros compared to the previous financial year (2019/2020: 3.9 million euros).

	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Average number of employees	281	318	361	368	196
Finland	79	81	92	92	39
Estonia	86	106	127	134	135
Great Britain	100	113	121	117	0
Sweden	16	18	21	25	22
Payroll expense, th EUR	9 266	10 589	10 857	10 415	4 738
Monthly average payroll expense per employee, th EUR	2.75	2.77	2.50	2.36	2.02

Employees per area of activity



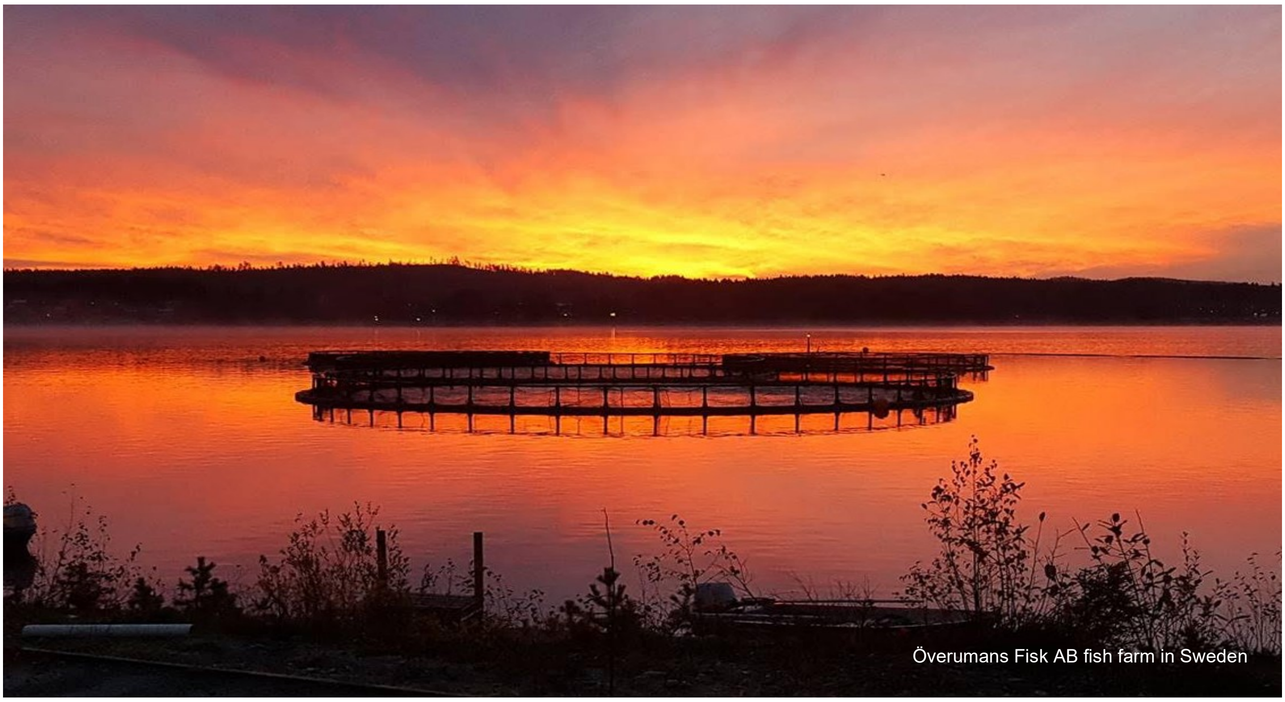
Employees per country



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.

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

MARKET PRICE OF FISH

The fish production 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. Moreover, the far-reaching change in supply chains during the past month in connection with the spread of the virus has increased the amplitude and unpredictability of prices. The Group counters the impact of external environment and volatility of fish price through the changes of the Group's production and sales strategy.

MARKET PRICE OF FISH AT THE END OF PERIOD

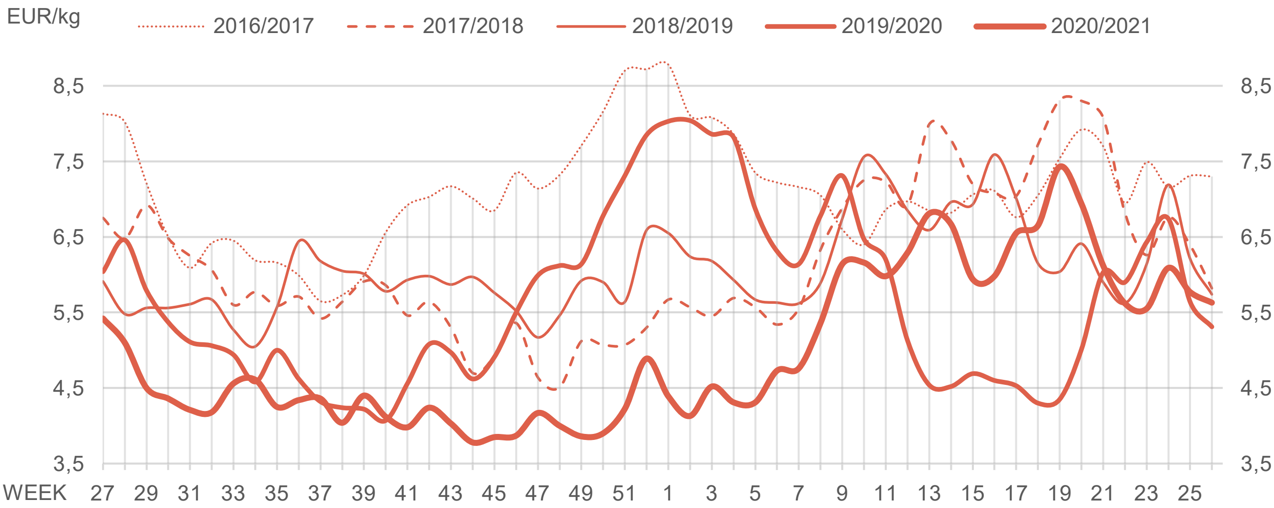
The Group monitors market prices for salmon and rainbow trout: salmon prices from the Nasdaq trading environment and rainbow trout prices from Akvafakta (Norwegian fish industry association) summaries.

EUR/kg	30.06.2021	30.06.2020	30.06.21 vs 30.06.20	30.06.2019	30.06.21 vs 30.06.19	30.06.2018	30.06.21 vs 30.06.18
Salmon	5.63	5.31	6.0%	5.74	-1.9%	5.82	-3.3%
Rainbow trout	5.52	4.36	26.6%	5.76	-4.2%	6.47	-14.7%

As at the end of the reporting period the price of salmon has increased by 6.0% and the price of rainbow trout by 26.6% compared to the prices a year ago. Over the two-year period, the price of salmon has decreased by 1.9% and the trout by 4.2%. The price of salmon has decreased by 3.3% and of rainbow trout by 14.7% compared to the prices three years ago.

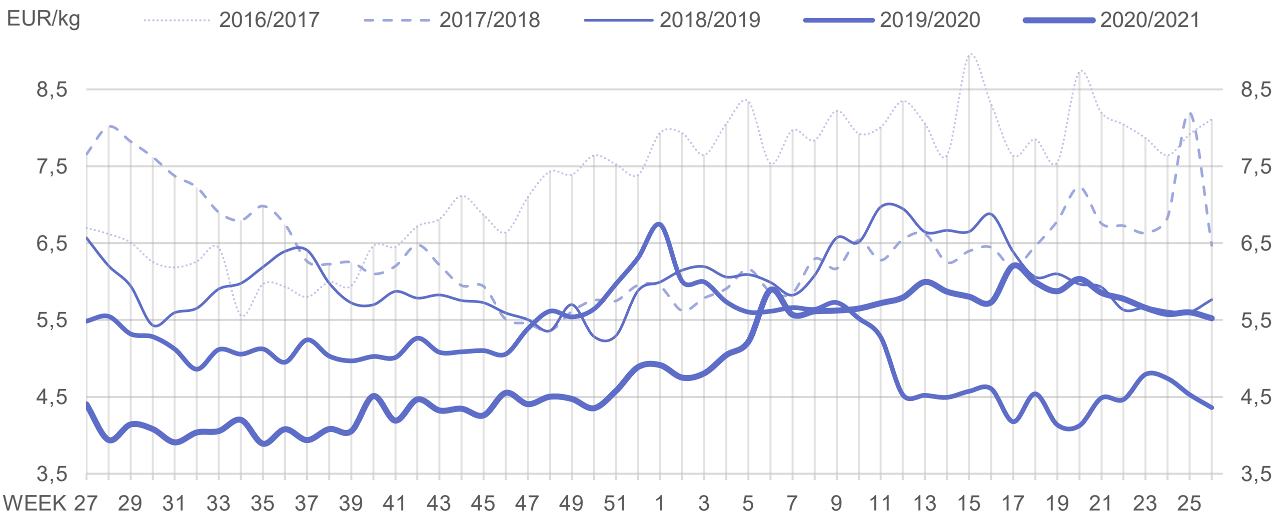
The graphs below illustrate weekly average prices of salmon and rainbow trout.

EXPORT PRICE OF NORWEGIAN SALMON



Source: Nasdaq Salmon price

EXPORT PRICE OF NORWEGIAN RAINBOW TROUT



Source: akvafakta.no

AVERAGE MARKET PRICE OF FISH OF THE PERIOD

EUR/kg	2020/2021	2019/2020	2020/2021 vs 2019/2020	2018/2019	2020/2021 vs 2018/2019	2017/2018	2020/2021 vs 2017/2018
Salmon	4.79	5.57	-14.0%	6.03	-20.5%	6.05	-20.8%
Rainbow trout	4.72	5.14	-8.2%	5.92	-20.3%	6.32	-25.3%

The average market price of salmon during the reporting period has decreased by 14.0% and the price of rainbow trout by 8.2% 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 20.5% and 20.3%, respectively. The average fish prices have decreased compared to the prices three years ago: salmon by 20.8% and rainbow trout by 25.3%.

BIOLOGICAL ASSETS

Biological assets in PRFoods' fish farms is rainbow trout (*Oncorhynchus mykiss*) fish stock accounted in live weight.

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

The Swedish fish farming subsidiary Överumans Fisk AB of AS PRFoods achieved a significant court victory in 2021, where according to a decision made by the Swedish County and Environmental Court, the company has the right to use up to 3,600 tonnes of feed per year in its fish farms. If the new permit is introduced in 2022 or 2023, the management estimates that the turnover of Överumans Fisk Ab will increase approximately 3.5 times compared to recent years and that, depending on the price of fish, the turnover of the subsidiary should reach 13-15 million euros.

CHANGE IN BIOLOGICAL ASSETS, TONNES

	2020/2021	2019/2020	Change, tonnes 2020/2021 vs 2019/2020	Change, % 2020/2021 vs 2019/2020
Biomass* at the beginning of the period	*945*	*987*	-42	-4.3%
Biomass at the end of the period	846	945	-99	-10.5%
Harvested fish (in live weight)	1,973	1,933	40	2.1%

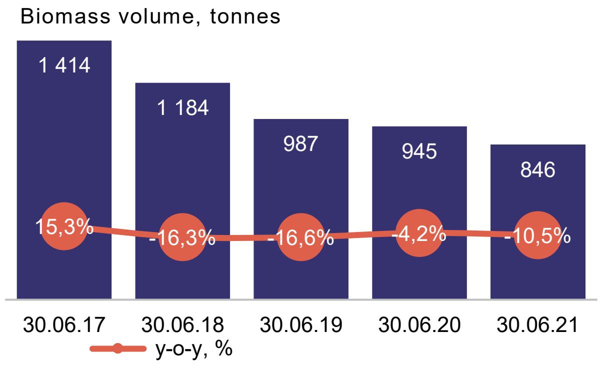
** Biomass – the amount / mass of living substance that characterizes the volume of the living substance*

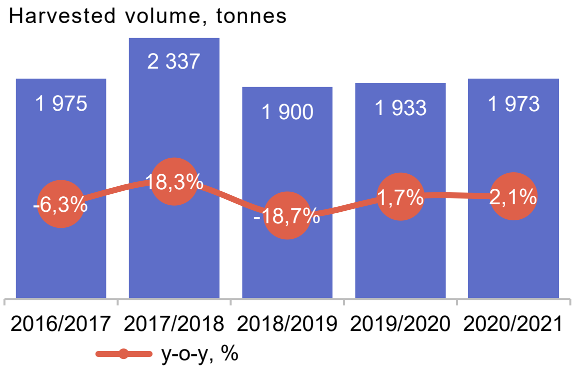
Biological assets totalled 846 tonnes as at 30.06.2021, a decrease by 99 tonnes, i.e. 10.5% compared to the same period last year. A total of 1,973 tonnes fish was harvested during the 12 months of the financial year, i.e. 40 tonnes or 2.1% more compared to the same period a year ago.

BIOMASS VOLUME AND AVERAGE PRICE, EUR/KG

	2020/2021	2019/2020	Change, tonnes 2020/2021 vs 2019/2020	Change, % 2020/2021 vs 2019/2020
Biological assets, mln EUR	4.80	4.25	0.55	12.8%
Biomass volume, tonnes	846	945	-99	-10.5%
Average price, EUR/kg	5.67	4.50	1.17	26.1%
Fair value adjustment of biological assets, mln EUR	0.31	-0.29	0.60	-207.0%

The fair value of biological assets was 4.8 million euros compared to 4.3 million euros a year ago. Average price of biomass was 5.7 euros per kg compared to 4.5 euros per kg during the comparable period a year ago.





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

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 NBLJK OÜ, etc). He serves as a supervisory board member of AS Toode, ELKE Grupi AS, ELKO Grupa AS, Salva Kindlustuse AS, Ridge Capital AS, AS Ekspress Grupp, Elering AS, SA Avatud Eesti Fond, Baltijas Apdrošinašanas Nams AAS. Furthermore, he is involved in companies and NPOs, incl. 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. The term of office of the members of the supervisory board ends on 11.12.2022.

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 KJK Capital Oy. He serves as a board member of Saaremere Kala AS, AS Baltika, AS Toode, ManageTrade OÜ, AB Baltic Mill, UAB Malsena Plius, and also in several investment companies and funds domiciled in Finland, England, Slovenia and Luxembourg, incl. KJK Management SA, KJK Fund SICAV-SIF, KJK Fund II SICAV-SIF and KJK Fund III, Elan d.o.o. and Kaima Capital Capital Oy, Amber Trust Management SA, Amber Trust II Management SA, Kaima Capital Eesti OÜ.

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 boards in several companies, US Real Estate OÜ, OÜ Synd&Katts, Raldon Kinnisvarahalduse OÜ, AS Audentes, AS Lemeks, Crowdestate AS and Creative Union AS to name a few.

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. He is a member of supervisory board 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. 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 a member of supervisory boards of Saaremere Kala AS, AS Linda Nektar, AS Bercman Technologies 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 30.06.2021:

Shareholder	number of shares	ownership interest
Member of the management board – Indrek Kasela	1,613,617	4.17%
Member of the supervisory board – Kuldar Leis	1,223,050	3.16%
Member of the supervisory board – Lauri Kustaa Äimä	125,000	0.32%
Member of the supervisory board – Vesa Jaakko Karo	90,000	0.23%
Member of the supervisory board – Arko Kadajane	8,928	0.02%
Member of the supervisory board – Harvey Sawikin	0	-
Member of the supervisory board – Aavo Kokk	0	-
Total number of shares owned by the members of the supervisory and management boards	3,060,595	7.91%

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

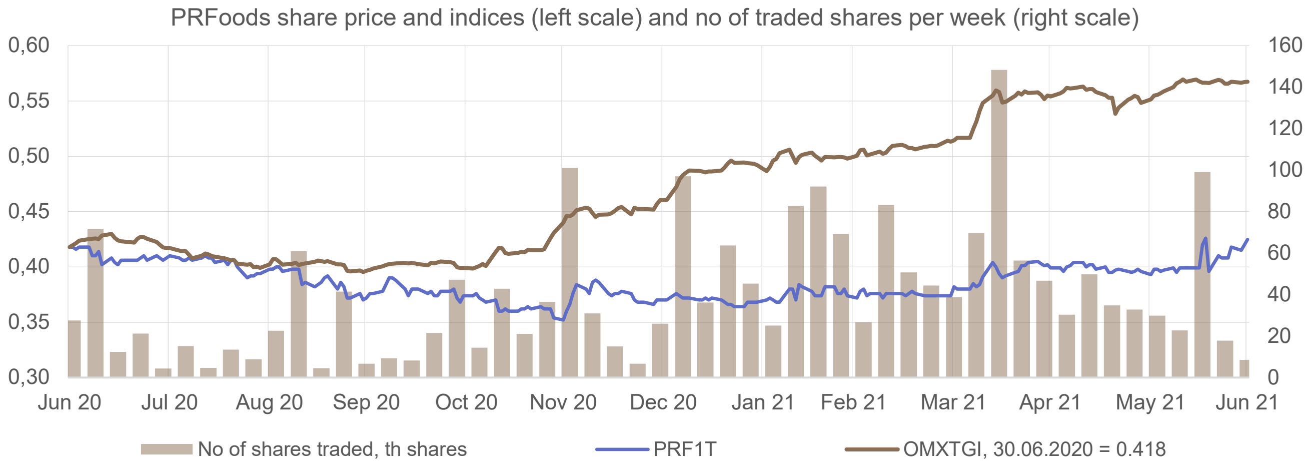
AS PRFoods shares are listed on the main list of Nasdaq Tallinn Stock Exchange since 05.05.2010. There is no official market maker for the shares. AS PRFoods share is a component in OMX Tallinn General Index and in OMX Baltic General Index.

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

The Tallinn Stock Exchange All-Share index decreased by 35.77% over one year, and PRFoods share price increased by 1.67%.

	Index / Share	Ticker	30.06.2021	30.06.2020	Change
●	PRF1T, EUR	PRF1T	0.425	0.418	1.67%
●	OMX Tallinn GI	OMXTGI	1,656.33	1,219.97	35.77%



Source: Nasdaq Tallinn, PRFoods

TRADING STATITICS

Trading Statistics, EUR (unless stated otherwise)	12m 2020/2021	12m 2019/2020	12m 2018/2019	12m 2017/2018	12m 2016/2017
Open	**0.418**	0.502	0.740	0.390	0.380
High	**0.428**	0.534	0.780	0.855	0.412
Low	**0.344**	0.361	0.490	0.366	0.354
Last	**0.425**	0.418	0.534	0.740	0.390
Traded volume, mln pc	**2.08**	1.34	2.20	3.92	2.61
No of trades	**6,737**	2,313	1,762	2,574	1,120
Average trade volume, shares	**309**	579	1,248	1,522	2,335
Turnover, mln	**0.80**	0.60	1.43	2.30	0.99
Market capitalisation, mln	**16.44**	16.17	20.66	28.63	15.09

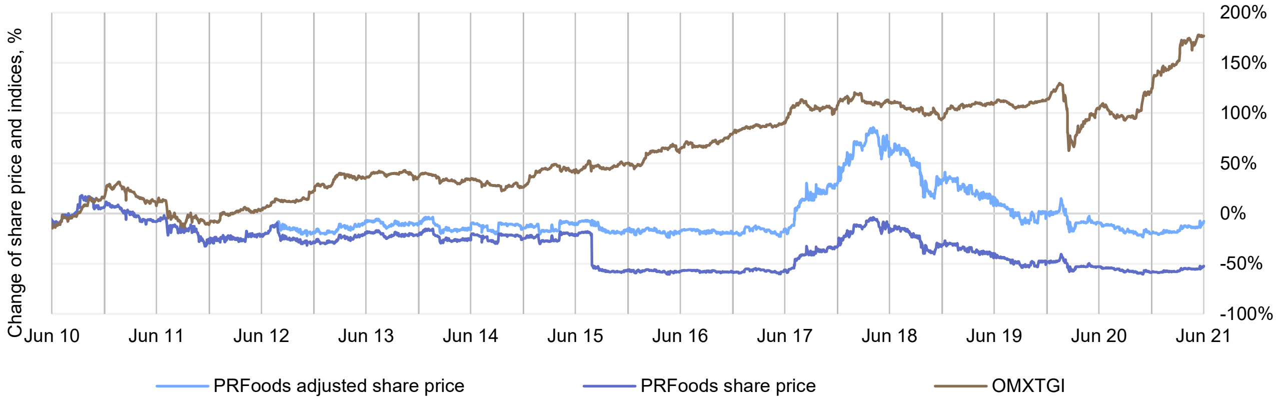
A total of 6,737 trades were conducted with AS PRFoods' shares during the financial year of 2020/2021 (12 months 2019/2020: 2,313 trades). During the period a total of 2.1 million shares changed hands (12 months 2019/2020: 1.3 million shares) forming 5.4% of the company's shares. The average trade volume was 309 shares (12 months 2019/2020: 579 shares).

Turnover of share trading amounted to 0.80 million euros in the financial year of 2020/2021 compared to 0.60 million euros in the previous 12-months period. The highest share price during the financial year of 2019/2020 was 0.428 euros and the lowest was 0.344 euros; a year ago in the comparable period, the highest and the lowest price were 0.534 euros and 0.361 euros, respectively.

The closing price of the share was 0.425 euro as at 30.06.2021 and the company's market capitalisation was 16.44 million euros. As at 30.06.2020 the closing price of the share was 0.418 euro and the company's market capitalisation was 16.17 million euros.

THE DYNAMICS OF THE SHARE PRICE AND INDICES FROM 5TH MAY 2010 TO 30ST OF JUNE 2021:

	Index / Share	Ticker / index	30.06.2021	05.05.2010	Change
●	PRFoods share. EUR	PRF1T	0.425	0.890	-52.25%
●	PRFoods adjusted share price. EUR		0.822	0.890	-7.70%
●	OMX Tallinn GI	OMXTGI	1,656.33	594.56	178.60%



The decrease of AS PRFoods' share price since its listing in 2010, adjusted with the capital reduction payments, is 7.7%. The Tallinn Stock Exchange All-Share index has increased by 178.60% during this period 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 52.2%. 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	30.06.2021	30.06.2020	30.06.2019	30.06.2018	30.06.2017
EV/Sales	(Market Cap + Net Debt) / Sales	0.64	0.47	0.48	0.49	0.31
EV/EBITDA from operations	(Market Cap + Net Debt) / EBITDA from operations	neg	13.39	10.30	7.84	25.89
EV/EBITDA	(Market Cap + Net Debt) / EBITDA	neg	19.58	23.59	10.59	8.21
Price/EBITDA from operations	Market Cap / EBITDA from operations	neg	5.87	5.18	4.80	24.33
Price/EBITDA	Market Cap / EBITDA	neg	8.59	11.85	6.49	7.71
Price-to-Earnings	Market Cap / Net Earnings	neg	neg	neg	28.65	77.37
Price-to-Book	Market Cap / Equity	1.04	0.82	0.94	1.23	0.66

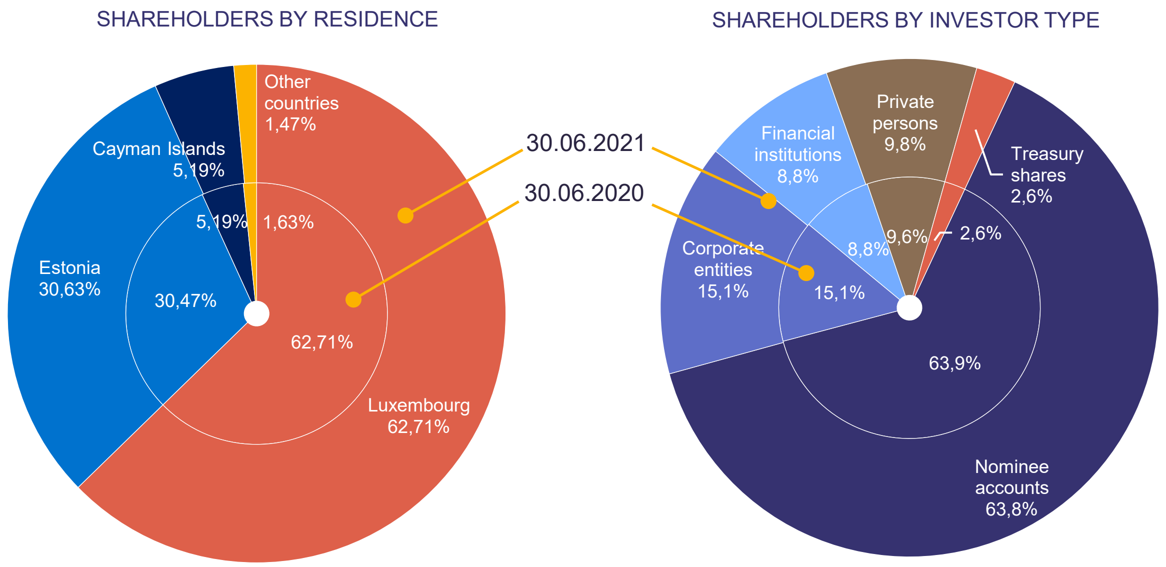
Market Capitalisation (Market Cap), Net Debt and Equity as at June 30.

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

SHAREHOLDER STRUCTURE

SHAREHOLDERS OF AS PRFOODS

	Number of shares 30.06.2021	% of total 30.06.2021	Number of shares 30.06.2020	% of total 30.06.2020	Change
ING Luxembourg S.A. (Nominee account)	24,258,366	62.71%	24,258,366	62.71%	-
Lindermann. Birnbaum & Kasela OÜ	1,613,617	4.17%	1,613,617	4.17%	-
Ambient Sound Investments OÜ	1,385,267	3.58%	1,385,267	3.58%	-
Firebird Republics Fund Ltd	1,277,729	3.30%	1,277,729	3.30%	-
OÜ Rododendron	1,219,589	3.15%	1,219,589	3.15%	-
Compensa Life Vienna Insurance Group SE	750,470	1.94%	750,470	1.94%	-
Firebird Avrora Fund, Ltd.	730,678	1.89%	730,678	1.89%	-
OÜ Iskra Investeeringud	377,874	0.98%	377,874	0.98%	-
Suurimad aktsionärid kokku	31,613,590	81.73%	31,613,590	81.73%	-
Muud aktsionärid	6,069,270	15.69%	6,069,270	15.69%	-
Oma aktsiad	1,000,000	2.59%	1,000,000	2.59%	-
Kokku	38,682,860	100.00%	38,682,860	100.00%	-



STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES, 30.06.2021

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 … 1 000	1,332	62.7%	428,640	1.1%
1 001 … 10 000	676	31.8%	2,137,970	5.5%
10 001 … 50 000	90	4.2%	1,793,239	4.6%
50 001 … 100 000	13	0.6%	921,355	2.4%
100 001 …	15	0.7%	33,401,656	86.4%
Total	**2,126**	**100.0%**	**38,682,860**	**100.0%**

BOND AND BONDHOLDERS

PRFoods issued in the 2019/2020 financial year a total of 90,096 bonds in a private placement and 9,904 bonds in a public offering, with nominal value of 100 euros per bond, the interest rate of 6.25% p.a., and with maturity on 22.01.2025. According the terms of the bonds, the interest on the bonds is paid semi-annually (July and January). At the end of bond subscription period, PRFoods owned 4,926 bonds.

Following the completion of the public offering of the bonds, the bonds were listed on Tallinn Stock Exchange. Trading on Nasdaq Tallinn bond list started on 6 April 2020.

As of 30.06.2021, the number of bonds owned by PRFoods is 535 (30.06.2020: 4,926 bonds) with a nominal value of 53.5 thousand euros (30.06.2020: 493 thousand euros).

07.05.2021 PRFoods announced its plan to issue of subordinated convertible notes for the purpose of improving its capital structure, to ensuring a smoother and faster recovery from the negative impacts caused by COVID-19 in the upcoming 2021/2022 financial year. The terms of issue was confirmed: PRFoods issue up to 350 subordinated convertible notes, with the maximum aggregate nominal value of up to 3.5 million euros, the nominal value of 10,000 euros per subordinated convertible bonds, interest rate of 7% per calendar year and maturity date of 1 October 2025.

As a result of the private placement investors subscribed for 237 subordinated convertible notes, with the aggregate nominal value of 2.37 million euros. Among other investors also the shareholders of PRFoods submitted subscription undertakings in course of the placement by subscribing for a total of 217 convertible notes with the aggregate nominal value of 2.17 million euros, of which 171 convertible bonds with a total nominal value of 1.71 million euros were distributed to the shareholder Amber Trust II S.C.A. by off-setting the claim arising from the bridge loan agreement in the amount of

1.0 million euros entered 01.03.2021 and also the claim arising from the investment loan agreement in the amount of 1.5 million euros entered into on 14.07.2017. Additional information on set-off in Note 14.

In addition, PRFoods announced an additional issue of secured bonds (issued in accordance with the terms of issue of PRFoods on 14.01.2020) in the amount of up to 1.0 million euros, with up to 10,000 bonds with a nominal value of 100 euros per bond, maturity date of 22.01.2025 and 6.25% per calendar year. The additional issue was a targeted placement of PRFoods shareholder Amber Trust II S.C.A to refinance the investment loan granted to PRFoods by the said shareholder in connection with the maturity of the loan.

As part of the targeted placement, Amber Trust II S.C.A subscribed for all 10,000 bonds. The issue price of the bond was set by the management board of PRFoods at 100.25 euro per bond, which Amber Trust II SC.A will pay in full prior to the issuance of the secured bonds, off-setting the outstanding issue of the 1.5 million euro investment loan agreement with PRFoods on 14.07.2017. Additional information on set-off in Note 14.

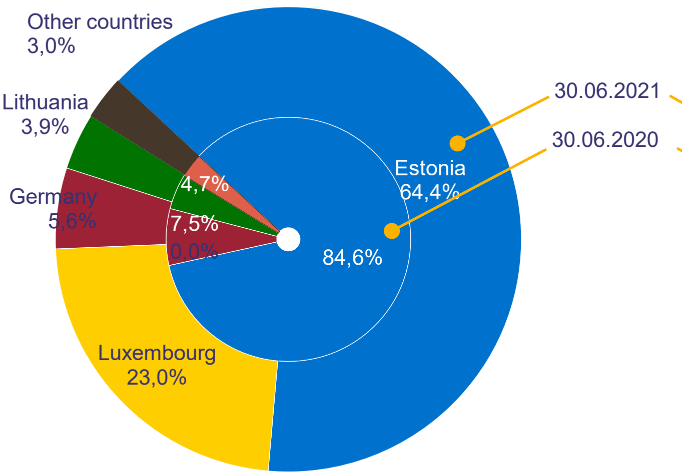
As of 30.06.2021, PRFoods has issued 110,237 bonds, of which 110,000 are secured bonds with a nominal value of 100 euro per secured bond, with a total value of 11.0 million euros, and 237 are subordinated convertible bonds with a nominal value of 10,000 euro per subordinated convertible bond, with a total value of 2.37 million euros.

BONDHOLDER STRUCTURE

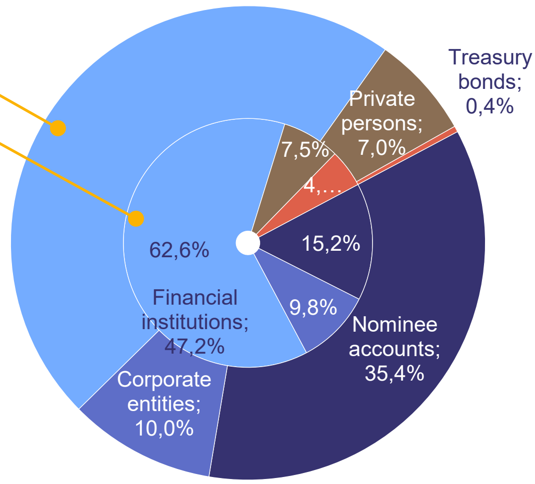
SIX LARGEST BONDHOLDERS OF AS PRFOODS

	Value of bonds 30.06.2021	% of total 30.06.2021	Value of bonds 30.06.2020	% of total 30.06.2020	Change
Swedbank Pensionifond K60	3,940,000	29,5%	3,940,000	39,40%	-
ING Luxembourg S.A. AIF (Nominee account)	3,070,000	23,0%	0	0,00%	3,070,000
Swedbank Pensionifond K30	800,000	6,0%	800,000	8,00%	-
Rietumu Bankas JSC	750,000	5,6%	750,000	7,50%	-
AS SEB Bankas	505,300	3,8%	505,300	5,05%	-
Spring Capital Growth Fund 1	489,100	3,7%	469,200	4,69%	19,900
Compensa Life Vienna Insurance Group SE	475,800	3,6%	325,800	3,26%	150,000
Total largest bondholders	10,030,200	75,0%	6,790,300	67,9%	3,239,900
Other minority bondholders	3,286,300	24,6%	2,717,100	28,4%	569,200
Treasury bonds	53,500	0,4%	492,600	3,7%	-439,100

BONDHOLDERS BY RESIDENCE



BONDHOLDERS BY INVESTOR TYPE



BONDHOLDERS BY VALUE OF BONDS, 30.06.2021

Value of bonds	Number of bondholders	% of bondholders	Value of bonds	% of bond value
1 … 1 000	94	35,3%	61,800	0,5%
1 001 … 10 000	91	34,2%	387,900	2,9%
10 001 … 50 000	60	22,6%	1,330,100	9,9%
50 001 … 100 000	9	3,4%	646,500	4,8%
100 001 …	12	4,5%	10,943,700	81,9%
Total	**266**	**100,0%**	**13,370,000**	**100,0%**

SOCIAL RESPONSIBILITY

We believe that a responsible company does not focus on financial indicators only. Therefore, the environmental and social impact, i.e. the footprint that a company leaves with its existence, is also important to us. Being a part of the environment, we care about our employees, the community, our partners, society and nature.


Moonsund Regatta

We will make effort to develop Estonia as a sailing and maritime country and to restore maritime traditions. We are long-term supporters of the Muhu Väina (Moonsund) regatta, and we also supported the Ice Sailing World Championship in 2019. We have also participated in the Muhu Väina regatta with our team on Reval Cafe Elisa Sailing yacht in the amateur league. Ice hockey is undoubtedly the number one sport for Finns, and supporting local clubs is an honour for local entrepreneurs. PRFoods' Finnish subsidiary Heimon Kala Oy has long-term cooperation with the Hämeenlinna ice hockey team and contributed to the development of the Hämeenlinna ice rink.

We also consider the development of the local economic environment and cultural space important - in Estonia, Finland and Scotland, i.e. in all PRFoods' operating countries and home markets. Since 2018, we have helped the NPO Visit Saaremaa, also contributed to the NPO Estonian Culture Chamber, supported the Hanaholmen Business Forum in Finland, the Glasgow Culture Week in Scotland and the opening of the Arvo Pärt Center.

Our future is children and young athletes. We have supported the activities of these target groups in Estonia through the long-term support of Simple Session, in addition we helped to organize the Sumo European Championships in Tallinn. In cooperation with Postimees Group, we have supported the project initiated by them in 2018 and 2019: Successful people help deprived children (MTÜ Koos Laste Heaks). Through the Good Deed Impact Fund, we have also brought six very important initiatives to life in 2017-2020, which will solve acute problems in Estonian society – from education, social inequality, public health to the environment.

PRFoods' greatest asset is our people, 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

As fish farmers and processors, we follow the principles of sustainable operations throughout the production chain. That is why it is very important for us to have an environmentally friendly feed so that it has a minimal impact on the environment. We also grow shellfish in our Saaremaa farm, which purify and filter water, reducing the environmental impact of fish farming. Our goal is to use environmentally friendly materials in Heimon Kala product packaging - the film and plastic have either been replaced with cardboard and wood pulp in some products or a partially recyclable film has been used. Investing in modern packaging machines and the use of solar energy will help us achieve all this.

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.

Previous financial year, an innovative packaging solution was introduced, which, in addition to reducing the footprint by 70% when following the principles of recycling, further reduces the CO_2 footprint by approximately 25% and the share of plastic in packaging by about 20%.

The use of plastic has been reduced in the group both in final product and in the production:

- The film packaging of the final product has been replaced by thinner ones.
- Production processes have been reorganized so that intermediate packaging of semi-finished products is not required, so the total volume of film packaging used has decreased.

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 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.

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.

CALLING 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, including a proposition on profit distribution, draft articles of association with remarks on the proposed amendments; essential conditions and agreements or draft contracts for 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 boards or other management bodies of other companies shall be provided.

The notice calling the general meeting and the documents pertaining it are published on 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 or proposals diverging from those of the supervisory board it will be recorded in the minutes.

CONDUCT OF THE GENERAL MEETING INCLUDING ADOPTION OF RESOLUTIONS OF THE GENERAL MEETING WITHOUT CONVENING THE MEETING

The annual general meeting of PRFoods shareholders was held on 14.12.2020 and an extraordinary general meeting on 14.05.2021 was held without convening a meeting pursuant to § 2991 of the Commercial Code. Voting took place by submitting ballot papers, where according to the Commercial Code, in case of non-voting, the shareholder is deemed to have voted against the resolution.

The company made all the information available on the possible PRFoods website www.prfoods.ee, where the shareholders could get acquainted with the materials of the general meeting, draft resolutions and other documents of the general meeting. The shareholder was able to send questions about the draft resolutions by e-mail. The shareholder was able to cast his/her vote either by sending a ballot paper filled in and digitally signed or signed and scanned on paper by the voting shareholder or his/her authorized representative by e-mail to investor@prfoods.ee during the voting period or by submitting a ballot paper by sending or sending to the office of AS PRFoods at Pärnu mnt 141, 11314 Tallinn, Estonia.

The resolutions adopted by the extraordinary general meeting of shareholders were published as a stock exchange announcement on the website of PRFoods.

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 has concluded a contract of service with a member of the management board. 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 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 have up to four 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 no bonus systems, i.e. no options, no retirement programmes, etc. in place for remuneration of the member of the management board. The management board member is entitled to receive a severance fee of up to 6 months remuneration.

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 THE MANAGEMENT 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.

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 2020/2021.

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 general meeting of shareholders of AS PRFoods held on 14 December 2020 appointed KPMG Baltics OÜ as the Group's auditor for the financial year 2020/2021.

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 is determined by 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.

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 annual general meeting of shareholders of PRFoods held on 14 December 2020 without convening a meeting by casting its vote in accordance with the information disclosed in the notice of the general meeting. At the meeting, 6 shareholders or their authorized representatives voted, whose shares represented 24,420,640 votes, which accounted for 64.81% of the total number of votes. The meeting was therefore competent to take decisions on matters on the agenda. The management board of AS PRFoods participated in the meeting. The agenda of the annual general meeting was to approve of the annual report for 2019/2020, decision on covering the loss and approval of the auditor for the following financial year, incl. determination of the auditor's fee.

The extraordinary general meeting of shareholders of PRFoods was held on 14.05.2021 without convening a meeting. The management board of PRFoods participated in the meeting and the agenda of the extraordinary meeting included an amendment to the articles of association to ensure the implementation of the conversion rights arising from notes so that the claims arising from such notes could be converted to capital by the resolution of the supervisory board of PRFoods without calling a general meeting of shareholders. The second item on the agenda was the exclusion of the shareholders' pre-emptive right to subscribe for new shares from the conversion of the issued bonds into share capital. Decisions were taken by a 75.57% majority.

The meeting adopted the resolutions on all issues on the agenda of the general meeting according to the proposals made by the supervisory board. Information on the adoption and content of the decisions was disclosed after the meeting through the information system of the NASDAQ Tallinn Stock Exchange and on the company's website 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. During the financial year there were six supervisory board meetings. 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 (30.06.2020: 3.74%).

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 4.17% of the Group's shares (30.06.2020: 4.17%). 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

Below is a list of supervisory boards and management boards of subsidiaries that are 100% owned by AS PRFoods as at 30 June 2021.

Company	Management Board	Supervisory Board
Saaremere Kala AS	Indrek Kasela, Christopher Charles Leigh	Kuldar Leis, Lauri Kustaa Äimä, Emil Metsson
Heimon Kala OÜ	Indrek Kasela, Dagni Viskus, Raivo Polding	
Heimon Kala Oy	Indrek Kasela, Margus Rebane, Risto Parkkila	
Överumans Fisk AB	Indrek Kasela, Margus Rebane	
JRJ & PRF Ltd	Indrek Kasela, Vesa Jaakko Karo, Christopher Charles Leigh, Louise Victoria Leigh-Pearson	
John Ross Jr. (Aberdeen) Ltd	Indrek Kasela, Christopher Charles Leigh, Victoria Louise Leigh-Pearson	
Coln Valley Smokery Ltd	Indrek Kasela, Christopher Charles Leigh, Victoria Louise Leigh-Pearson	
OÜ Redstorm	Margus Rebane, Riho Kilumets	

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. Supervisory Board of PRFoods extended the powers of the current members of the Audit Committee Aleksander Zaporozhev, Mairi Paiste and Aavo Kokk until 15.11.2023. During the financial year, the audit committee had four meetings.

IMPLEMENTING DIVERCITY POLICY

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	30.06.2021	30.06.2020
ASSETS			
Cash and cash equivalents	5	2,500	2,276
Receivables and prepayments	6	3,512	3,578
Inventories	7	5,691	7,884
Biological assets	8	4,795	4,249
Total current assets		16,498	17,987
Deferred tax assets	10	38	54
Long-term financial investments		302	232
Tangible assets	11	15,300	16,179
Intangible assets	12	23,460	22,672
Total non-current assets		39,100	39,137
TOTAL ASSETS		**55,598**	**57,124**
EQUITY AND LIABILITIES			
Interest-bearing liabilities	14	7,325	10,611
Payables and prepayments	15	12,124	11,132
Government grants	16	207	211
Total current liabilities		19,656	21,954
Interest-bearing liabilities	14	17,561	12,368
Payables and prepayments	15	0	190
Deferred tax liabilities	10	1,861	1,920
Government grants	16	746	873
Total non-current liabilities		20,168	15,351
TOTAL LIABILITIES		**39,824**	**37,305**
Share capital	17	7,737	7,737
Share premium		14,007	14,007
Treasury shares		-390	-390
Statutory capital reserve		51	51
Currency translation differences		559	-366
Retained profit (loss)		-6,723	-1,654
Equity attributable to parent		15,241	19,385
Non-controlling interest		533	434
TOTAL EQUITY		**15,774**	**19,819**
TOTAL EQUITY AND LIABILITIES		**55,598**	**57,124**

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

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
15. 11. 2021
Signature / allkiri
KPMG, Tallinn

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	Note	2020/2021	2019/2020
Revenue	18	58,692	78,292
Cost of goods sold	19	-53,727	-68,710
Gross profit		**4,965**	**9,582**
Operating expenses		-9,468	-10,509
Selling and distribution expenses	20	-6,389	-7,060
Administrative expenses	21	-3,079	-3,449
Other income / expense	23	309	519
Fair value adjustment on biological assets	8	311	-291
Operating profit (loss)		**-3,883**	**-699**
Financial income / expenses	24	-1,085	-1,062
Profit (Loss) before tax		-4,968	-1,761
Income tax	25	-193	-134
Net profit (loss) for the period		**-5,161**	**-1,895**
Net profit (loss) attributable to:			
Owners of the Parent Company		-5,069	-1,718
Non-controlling interests		-92	-177
Total net profit (loss) for the period		**-5,161**	**-1,895**
Other comprehensive income (loss) that may subsequently be classified to profit or loss:			
Foreign currency translation differences		925	-152
Total comprehensive income (expense)		**-4,236**	**-2,047**
Total comprehensive income (expense) attributable to:			
Owners of the Parent Company		-4,144	-1,870
Non-controlling interests		-92	-177
Total comprehensive income (expense) for the period		**-4,236**	**-2,047**
Profit (Loss) per share (EUR)	17	-0,13	-0,04
Diluted profit (loss) per share (EUR)	17	-0,11	-0,04

Notes on pages 400-84 are an integral part of the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

EUR '000	Note	2020/2021	2019/2020
Cash flow from operating activities			
Net profit (loss)		-5,161	-1,895
Adjustments:			
Depreciation	11, 12	2,625	2,532
Profit from sale and write-offs of fixed assets		-79	44
Other non-cash items		2,131	325
Changes in receivables and prepayments	6	82	1,709
Changes in inventories	7	2,193	4,096
Changes in biological assets	8	-546	675
Changes in payables and prepayments	15	521	-2,734
Corporate income tax paid	10	210	-240
Net cash inflow (outflow) from operating activities		**1,976**	**4,512**
Cash flow from investing activities			
Sale of tangible and intangible fixed assets	11, 12	263	45
Purchase of tangible and intangible fixed assets	11, 12	-1,542	-1,942
Government grants for acquisition of assets	16	126	0
Purchases and sales of other financial investments		0	-20
Acquisition of subsidiaries, net cash received	9	0	-131
Interests received		0	-5
Net cash inflow (outflow) from investing activities		**-1,153**	**-2,053**
Cash flow from financing activities			
Change in overdraft	14	-2,466	-843
Repayments of loans received	14	-319	-10,324
Proceeds from borrowings	14	2,803	161
Repayments of lease liabilities	13	-704	-593
Proceeds from issuing bonds	14	660	9,416
Own bonds sale	17	429	0
Interests paid		-1002	-583
Net cash inflow (outflow) from financing activities		**-599**	**-2,766**
Net increase (decrease) in cash and cash equivalents		**224**	**-307**
Cash and cash equivalents at beginning of the period	5	2,276	2,583
Change in cash and cash equivalents		224	-307
Cash and cash equivalents at the end of the period	5	2,500	2,276

Notes on pages 400-84 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	Unrea-lised currency differ.	Retained earnings (-loss)	Total	Non-contr. interests	Total equity
Balance at 30.06.2019	**7,737**	**14,007**	**-390**	**51**	**-214**	**64**	**21,255**	**611**	**21,866**
Net profit (loss) for the year	0	0	0	0	0	-1,718	**-1,718**	-177	**-1,895**
Other comprehensive income (expense)	0	0	0	0	-152	0	**-152**	0	**-152**
Total comprehensive income (expense) for the period	0	0	0	0	-152	-1,718	**-1,870**	-177	**-2,047**
Balance at 30.06.2020	**7,737**	**14,007**	**-390**	**51**	**-366**	**-1,654**	**19,385**	**434**	**19,819**
Net profit (loss) for the year	0	0	0	0	0	-5,069	**-5,069**	-92	**-5,161**
Other comprehensive income (expense)	0	0	0	0	925	0	**925**	0	**925**
Total comprehensive income (expense) for the period	0	0	0	0	925	-5,069	**-4,144**	-92	**-4,236**
Other movement	0	0	0	0	0	0	**0**	191	**191**
Balance at 30.06.2021	**7,737**	**14,007**	**-390**	**51**	**559**	**-6,723**	**15,241**	**533**	**15,774**

Additional information in Note 17.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

AS PRFoods ("Parent company") and its subsidiaries (together "Group") are companies operating in farming, production and sales of fish and fish products. AS PRFoods was incorporated in the Estonian Republic on 23 December 2008. The shares and bonds 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 15 November 2021. 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 2020/2021 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS).

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 Group applied the following amendments to standards initially on 1 July 2020.

<u>Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors</u>

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The amendments did not have a material impact on the Group's financial statements when they were initially applied.

<u>Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures</u>

The amendments are mandatory and apply to all hedging relationships directly affected by the uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that the IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- 'Highly probable' requirement
- Risk components
- Prospective assessments
- Retrospective effectiveness test (for IAS 39)
- Recycling of the cash flow hedging reserve.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments did not have a material impact on the Group's financial statements when they were initially applied.

Amendments to IFRS 3 Business Combinations

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The amendments did not have a material impact on the Group's financial statements when they were initially applied.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

The following new standards, interpretations and amendments are not yet effective for the reporting period ended 30 June 2021 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted. These amendments are not yet endorsed by the EU.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Making Materiality Judgements

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted. These amendments are not yet endorsed by the EU.

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2023. Early application is permitted. These amendments are not yet endorsed by the EU.

The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 16 – COVID-19 Related Rent Concessions beyond 30 June 2021

Effective for annual periods beginning on or after 1 April 2021. Earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021.

The amendments extends by one year the application period of the optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The original expedient was issued in May 2020.

A lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (IBOR) (Phase two)

Effective for annual periods beginning on or after 1 January 2021, to be applied prospectively. Early application is permitted.

The amendments address issues that might affect financial reporting as a result of the interest rate benchmark reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

Change in the basis for determining cash flows

The amendments will require the Group to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by the interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. This amendment will not result in a discontinuation of the hedge or designation of a new hedging relationship.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

Disclosure

The amendments will require the Group to disclose additional information to enable users to understand the effect of the interest rate benchmark reform on the Group’s financial instruments, including information about the Group’s exposure to risks arising from the interest rate benchmark reform and related risk management activities.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The European Commission decided to defer the endorsement indefinitely. The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 1 Presentation of Financial Statements

Effective for annual periods beginning on or after 1 January 2023, to be applied retrospectively. Early application is permitted. These amendments are not yet endorsed by the EU.

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The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

The amendments to IFRS 3 update a reference in IFRS 3 to the 2018 Conceptual Framework for Financial Reporting instead of the 1989 Framework. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 16 Property, Plant and Equipment

Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted.

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Effective for annual periods beginning on or after 1 January 2022, to be applied retrospectively. Early application is permitted.

In determining the costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendments clarify that the cost of fulfilling a contract comprises both:

- the incremental costs of fulfilling that contract and
- an allocation of other costs that relate directly to fulfilling contracts.

An entity must apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity will not restate comparative information. Instead, the entity will recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied, because in determining the costs of fulfilling a contract the Group takes into account both incremental costs and other costs that relate directly to fulfilling contracts.

Annual improvements to IFRS standards 2018-2020

Effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Improvements to IFRS (2018-2020) include three amendments to the standards:

- the amendments to IFRS 9 Financial Instruments clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender is on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or

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received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- the amendments to IFRS 16 Leases remove illustrative example 13 accompanying IFRS 16, which in practice creates confusion in accounting for leasehold improvements for both the lessee and lessor. The purpose of the amendment is to remove the illustrative example that creates confusion.
- the amendments to IAS 41 Agriculture remove the requirement to use pre-tax cash flows to measure the fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

The Group does not expect the amendments to have a material impact on its financial statements when initially applied.

Other changes

Other new standards, amendments to standards and interpretations that are not yet effective are not expected to have a significant impact on the Group's financial statements.

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.

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 30, 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 interest-bearing liabilities in the statement of financial position.

FINANCIAL ASSETS

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 2020 and 30 June 2021 and during 2020/2021, financial assets of the Group were classified either as at amortised cost or at fair value through profit and loss.

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 a 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.

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 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.

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 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 interest-bearing liabilities.

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.

TANGIBLE ASSETS

Tangible assets 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.

Tangible assets are carried in the statement of financial position at its cost less any accumulated depreciation and any accumulated impairment losses. Tangible assets acquired under lease are accounted for in the same way as purchased tangible assets. Subsequent expenditures on an item of tangible assets 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 tangible assets 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 tangible assets 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 tangible assets:

- 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.

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Biological assets i.e. fish stock of rainbow trout *(Oncorhynchus mykiss*) is on the separate line "Biological assets" in the statement of financial position.

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 based on the weight)**

  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.

LEASES

In accordance with IFRS 16, the Group recognizes most of the leases as an asset and lease liability, ie these leases are reconginzed in the Group's balance sheet.

As a lessee, the Group leases a number of assets, including machinery and equipment, land and water, as well as buildings.

Upon concluding the agreement, the Group assesses whether the agreement is a lease agreement or whether the agreement includes a lease. A contract is a lease (or includes a lease) if it gives the right to inspect and use the specified property for a specified period of time for a consideration. The Group uses the definition of a lease in IFRS 16 to assess whether an arrangement gives it the right to control and use an asset.

When measuring the lease obligations of leases classified as operating leases, the Group discounted the lease payments using an alternative borrowing rate. The lessee's alternative weighted average interest rate is 2%.

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The group as a tenant

The Group recognizes the right to use the asset and the lease obligation at the inception of the lease. The right-of-use asset is initially measured at cost, which comprises the original amount of the lease obligation. The initial amount of the lease liability is adjusted by the prepayments made, the direct costs incurred and the restoration costs (arising from the dismantling and restoration of the asset). The rental benefits received have been deducted from the amount received.

The right-of-use assets are depreciated on a straight-line basis from the inception of the lease until the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the residual value of the right indicates that the Group intends to exercise the option. In this case, the right to use the asset is depreciated over the useful life of the underlying asset, which is determined on the same basis as for the respective property, plant and equipment held by the Group. In addition, the right of use is reduced in the event of impairment losses. The right of use and the lease obligation are also adjusted for certain revaluations.

The lease liability is initially measured at the present value of the lease payments outstanding at the inception of the lease, using the effective interest rate method of the lease or, if that rate cannot be determined, the alternative borrowing rate. The Group generally uses an alternative borrowing rate as the discount rate.

The Group finds an alternative loan interest rate using various sources of financing. The inputs received are adjusted to take account of the terms of the lease and the type of leased asset in order to arrive at an alternative borrowing rate appropriate for the leased asset.

The lease payments included in the lease obligation include the following components:

- fixed lease payments;
- variable lease payments, if they change according to some basic index (for example, inflation, EURIBOR);
- payments associated with the exercise of options to repurchase, extend or terminate the lease (if management has assessed the exercise of the option sufficiently and the exercise of these options has been taken into account in calculating the lease term);
- guaranteed residual value (expected value of the amount to be paid).

The lease liability is measured at amortized cost. The lease liability is recalculated when there is a change in future lease payments due to an index or rate, a change in the estimate of the guaranteed residual value or a change in the Group's assessment of whether to repurchase, extend or terminate the lease. The lease liability is also remeasured when the fixed payments change.

If the lease liability is revalued for the reasons listed above, an adjustment is made to the carrying amount of the right-of-use asset. The effect of the change in the lease liability is recognized in the income statement when the carrying amount of the right to use the asset is reduced to zero.

The Group has decided not to recognize usufruct assets and lease obligations for low value leases and short-term leases. The Group recognizes lease payments related to these leases as an expense on a straight-line basis over the lease term.

FINANCIAL LIABILITIES

All financial liabilities (trade payables, other short and long-term liabilities, borrowings, listed bonds, 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. Interest-bearing liabilities 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 interest-bearing liabilities. 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 28).

INCOME TAX AND DEFERRED INCOME TAX

Deferred income tax

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

According to the laws of the Republic of Estonia, the company's profit for the financial year is not taxed in Estonia. The corporate income tax liability arises on the distribution of profit and is recognized as an expense (profit or loss for the period) when dividends are declared. Due to the nature of the taxation system, a company registered in Estonia does not incur deferred income tax assets or liabilities, except for a possible deferred income tax liability from the company's investments in subsidiaries, associates and joint ventures and branches.The Group's deferred income tax liability arises for companies located in countries where the profit for the financial year is taxed.

The Group's deferred income tax liability also arises from investments in Estonian subsidiaries, associates and joint ventures and branches, unless the Group can control the timing of the reversal of taxable temporary differences and their reversal is unlikely in the foreseeable future. Examples of reversals of taxable temporary differences are the payment of dividends, the sale or liquidation of an investment and other transactions.

By controlling the subsidiary's dividend policy, i.e the Group can block profit distribution decisions, the Group controls the timing of the reversal of temporary differences associated with that investment. If the parent has decided not to distribute the profit of the subsidiary in the foreseeable future, it does not recognize a deferred income tax liability. If the parent estimates that the dividend will be paid in the foreseeable future, the deferred income tax liability is measured to the extent of the planned dividend payment, provided that there are sufficient funds and equity to pay the dividend at the reporting date.

As the Group does not control the associate's dividend policy, it does not control the timing of the reversal of taxable temporary differences.

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 (2019: 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 20.6% starting from 01.01.2021 (2020: 21.4%), in the Great Britain 19% (2020: 19%) and in Finland 20% (2020: 20%).

REVENUE RECOGNITION

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.

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 18.

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 30.06.2021

EUR '000	Note	At adjusted acquisition cost	Fair value through profit or loss	Total
Cash and bank	5	2,500	0	2,500
Trade receivables	6	2,984	0	2,984
Other receivables	6	73	0	73
Total		5,557	0	5,557

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FINANCIAL LIABILITIES AT 30.06.2021

EUR '000	Note	At adjusted acquisition cost	At fair value through profit or loss	Total
Interest-bearing liabilities	14	22,193	0	22,193
Lease liabilities	13	2,693	0	2,693
Trade payables	15	7,049	0	7,049
Other liabilities	9, 15	0	2,707	2,707
Liabilities to related parties	15	31	0	31
Other liabilities	15	571	0	571
Total		32,537	2,707	35,244

FINANCIAL ASSETS AT 30.06.2020

EUR '000	Note	At adjusted acquisition cost	Fair value through profit or loss	Total
Cash and bank	5	2,276	0	2,276
Trade receivables	6	2,721	0	2,721
Other receivables	6	93	0	93
Total		5,090	0	5,090

FINANCIAL LIABILITIES AT 30.06.2020

EUR '000	Note	At adjusted acquisition cost	Fair value through profit or loss	Total
Interest-bearing liabilities	14	19,871	0	19,871
Lease liabilities	13	3,108	0	3,108
Trade payables	15	5,903	0	5,903
Other liabilities	9, 15	190	2,546	2,736
Liabilities to related parties	15	139	0	139
Other liabilities	15	510	0	510
Total		29,721	2,546	32,267

As at 30.06.2021 and 30.06.2020, 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 Krediidiinfo, 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.

In determining whether the credit risk of a financial asset has increased significantly from the date of initial recognition till 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 views the credit risk of financial assets increasing notably if more than 90 days have passed the due date and there is no activity confirming the receipt by the customer.

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	Unlikely receivables	Total
30.06.2021	2,506	373	105	0	2,984
30.06.2020	2,484	112	125	35	2,756

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	30.06.2021	30.06.2020
Finland	856	540
United Kingdom	1,105	899
Estonia	545	1,045
Total trade receivables	2,506	2,484

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 30.06.2021, free funds were held in the following credit institutions: AS SEB Bank (SEB), OP Corporate Bank, Bank of Scotland Plc, Danske Bank A/S (Swedish branch) 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 30.06.2020, free funds were held in the following credit institutions: AS SEB Bank (SEB), OP Corporate Bank, Bank of Scotland Plc, Danske Bank A/S (Swedish branch) and Swedbank AB group banks (Swedbank). According to Moody's Investor Service, these credit institutions or their parent companies were rated at least "A" as at the 30.06.2020.

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, issuing bonds, 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 lease agreements 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 5,474 thousand euros (30.06.2020: 7,940 thousand euros) (note 14).

After the balance sheet date the SEB Bank has issued a confirmation letter regarding the non-compliance of the special conditions, ie the loan covenants, where the bank has confirmed not to cancel the Agreement extraordinarily in respect of the breach and does not demand early repayment.

Group´s working capital was negative as at 30.06.2021: current liabilities exceed the current assets by 3,158 thousand euros (30.06.2020: 3,967 thousand euros). The negative working capital was caused by the coincidence of several unfavourable conditions in the previous financial year, the main ones being the decline in sales volumes in the Finnish market.

The current liabilities as at 30.06.2021 include liabilities to related parties in amount of 2,707 thousand euros (30.06.2020: 2,546 thousand euros) fair value of the liability to acquire the non- controlling interests in JRJ & PRF Ltd (note 9).

Analysis of non-discounted financial liabilities by maturity

FINANCIAL LIABILITIES AT 30.06.2021

EUR '000	less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing liabilities	5,766	1,125	12,852	723	20,466
Lease liabilities	157	475	1,675	468	2,775
Trade and other payables	7,347	3,011	0	0	10,358
Total liabilities	13,270	4,611	14,527	1,191	33,599

FINANCIAL LIABILITIES AT 30.06.2020

EUR '000	less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing liabilities	129	13,577	9,486	182	23,374
Lease liabilities	128	723	1,800	591	3,242
Trade and other payables	6,115	2,983	190	0	9,288
Total liabilities	6,372	17,283	11,476	773	35,904

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 long-term receivables and payables. All existing long-term leases are denominated in euro and are therefore treated as foreign currency risk-free liabilities.

Breakdown of financial instruments as at 30.06.2021 by underlying currency

EUR '000	Note	EUR	SEK	GBP	Total
Cash and bank	5	2,100	15	385	2,500
Trade receivables	6	1,668	0	1,316	2,984
Other receivables	6	34	37	2	73
Total financial assets		3,802	52	1,703	5,557
Interest-bearing liabilities	14	-21,779	0	-414	-22,193
Lease liabilities	13	-2,085	-151	-457	-2,693
Trade payables	15	-4,889	-657	-1,503	-7,049
Other liabilities	9, 15	0	0	-2,707	-2,707
Total financial liabilities		-28,753	-808	-5,081	-34,642
Net currency position		-24,951	-756	-3,378	-29,085

Breakdown of financial instruments as at 30.06.2020 by underlying currency

EUR '000	Note	EUR	SEK	GBP	Total
Cash and bank	5	1,510	9	757	2,276
Trade receivables	6	1,755	0	966	2,721
Other receivables	6	73	0	20	93
Total financial assets		3,338	9	1,743	5,090
Interest-bearing liabilities	14	-18,983	0	-888	-19,871
Lease liabilities	13	-2,373	-185	-550	-3,108
Trade payables	15	-4,610	-358	-935	-5,903
Other liabilities	9, 15	0	0	-2,546	-2,546
Total financial liabilities		-25,966	-543	-4,919	-31,428
Net currency position		-22,628	-534	-3,176	-26,338

The Group monitors the amount of net currency positions on an ongoing basis to assess the extent of changes in foreign exchange rates. Considering the relative stability of the Group 's main currency – the euro – and other currencies, the share of non-euro currencies as well as the Group' s net operations in Sweden and the United Kingdom, the corresponding net currency positions are insignificant.

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 notes 23 and 24.

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 30.06.2021 the interest rate of the interest-bearing liabilities with floating interest rate would be 0.1 percentage points lower or higher, the interest expense would be 88 thousand euros (30.06.2020: 120 thousand euros) lower or higher. Floating rate loans are, depending on the instrument, linked to 6- to 12-month EURIBOR or the UK central bank base rate.

Below is a summary of the Group's exposure to interest rate risk as at 30.06.2021 and 30.06.2020

AS AT 30.06.2021					
EUR '000	Note	less than 1 year	from 1 to 5 years	Over 5 years	Total
Fixed interest rate					
Interest bearing liabilities		920	14,540	595	16,055
Floating interest rate					
Interest bearing liabilities		6,405	2,298	128	8,831
Total position	14	7,325	16,838	723	24,886

AS AT 30.06.2020					
EUR '000	Note	less than 1 year	from 1 to 5 years	Over 5 years	Total
Fixed interest rate					
Interest bearing liabilities		1,500	9,486	0	10,986
Floating interest rate					
Interest bearing liabilities		9,111	2,700	182	11,993
Total position	14	10,611	12,186	182	22,979

CAPITAL MANAGEMENT

The Group counts loan capital and total equity as capital. As at 30.06.2021, the shareholders' equity totalled 15,774 thousand euros (30.06.2020: 19,819 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.

In order to improve the capital structure, PRFoods issued subordinated convertible bonds to ensure a smoother and faster overcoming of the negative effects caused by COVID-19 in the financial year 2021/2022.

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% (30.06.2021: 28.4%, 30.06.2020: 34.7%) and the ratio of interest-bearing liabilities to assets does not exceed 25% (30.06.2021: 44.8%, 30.06.2020: 40.2%). The ratio of interest-bearing liabilities to assets has been temporarily exceeded due to loans for the acquisition of subsidiaries and bond issues. The bond issues have significantly improved the capital structure, but due to the effects of COVID-19 on the economic environment and including the Group's business operations, the Group ended the last financial year with a loss. Bond issues have significantly improved the capital structure, but due to the effects of COVID-19 on the economic environment and including the Group's business operations, the Group ended last year with a loss.

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. As for 30.06.2021 the bank has confirmed that despite of the breach with the covenant set in agreement, the overdraft loan agreement will be prolonged and does not require early repayment of the overdraft. As of 30.06.2021, this liability in the amount of 5,474 thousand euros has been recognized as current (note 14).

The slower-than-expected decline in the COVID-19 pandemic and the continuing effects of the pandemic have had a negative impact on PRFoods financial years 2020/2021 in addition to PRFoods financial year 2019/2020, which in turn affects PRFoods ability to meet the financial results set out in the terms in the current financial year. PRFoods confirms that the above temporary adverse effects will not affect PRFoods ability to meet its financial obligations under the Terms, including the ability to make future payments on the Notes.

The bondholders confirmed at the bondholders meeting held on 24.05.2021 that they agreed to waive the requirement to comply with the terms and conditions of the bond issue on 14.01.2020 and agreed that non-compliance with the terms and conditions in the financial year 2020/2021 would not be considered a breach.

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	Note	30.06.2021	30.06.2020
Interest-bearing liabilities	14	24,886	22,979
Less: Cash and cash equivalents	5	2,500	2,276
Net debt		22,386	20,703
Total equity		15,774	19,819
Total capital (net debt + equity)		38,160	40,522
Net debt to total capital ratio		59%	51%

FAIR VALUE OF FINANCIAL INSTRUMENTS (NOTES 5,6, 9, 15)

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 30.06.2021 and 30.06.2020. 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 30.06.2021 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 interest-bearing liabilities (mainly listed bonds) have fixed interest rate, and thus, the fair value of non-current financial liabilities is 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), assessment of impairment of goodwill and useful lives of intangible assets 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 4.8 million euros as at the balance sheet date (30.06.2020: 4.2 million euros). The positive change in fair value of biological assets was 0.3 million euros (2019/2020: -0.3 million euros). In the last financial year, the Group did not write off biological assets, during 2019/2020 year, the Group incurred a loss of 24 thousand euros from the write-off of biological assets.

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 2020/2021 in the amount of 25 thousand euros (2020/20121: 38 thousand euros) from the write-off of inventories.

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

The Parent Company has carried out an impairment test for goodwill in the two segments as at 30.06.2021 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 on 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.

The choice of valuations multiples has taken into account sales, which shows the size and volume of the company's market share and EBITDA, which is the ability to generate free cash flow. Based on the above, the company has assigned weightings, which are described in note 12, where the management considers it important to restore and maintain market share and volume, and taking into account the fact that there are no comparable companies with similar market capitalization, such use reduces the impact of the benchmark.

As of 30.06.2021, the management has performed a recoverable value test on goodwill. The carrying amount of goodwill in the Finnish, Swedish and Estonian segments as at 30.06.2021 was 6,422 thousand euros. The value of goodwill was not depreciated after the test results of goodwill value neither for the period of 2020/2021 nor for the period of 2019/2020.

As at 30.06.2021, the carrying amount of the goodwill of the Great Britain segment was 8,104 thousand euros. The value of goodwill was not depreciated after the test results of goodwill value neither for the period of 2020/2021 nor for the 2019/2020.

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 total carrying amount of intangible assets was 23,460 thousand euros as at 30.06.2021 (30.06.2020: 22,672 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.

NOTE 5. CASH AND CASH EQUIVALENTS

EUR '000	Note	30.06.2021	30.06.2020
Cash on hand		14	28
Bank accounts		2,486	2,248
Total cash and cash equivalents	3	2,500	2,276

NOTE 6. RECEIVABLES AND PREPAYMENTS

EUR '000	30.06.2021	30.06.2020
Trade receivables	2,161	2,170
Allowance for doubtful receivables	0	-35
Factoring receivables with regress	823	586
Other receivables	73	93
Prepaid expenses	211	217
Prepaid taxes	241	547
Other prepayments	3	0
Total receivables and prepayments	3,512	3,578

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 overdraft and listed bond covers also receivables, see note 14. The due date analysis of trade receivables is disclosed in note 3.

NOTE 7. INVENTORIES

EUR '000	30.06.2021	30.06.2020
Raw materials and materials	2,211	2,954
Work-in-progress	2,094	1,341
Finished goods	1,310	3,201
Goods purchased for sale	76	388
Total inventories	5,691	7,884

During the financial year of 2020/2021 the Group earned a loss of 25 thousand euros from the write-off of inventories. During the financial year of 2019/2020 the corresponding loss was 38 thousand euros. The commercial pledge secured by the loan also covers inventories (note 14).

NOTE 8. BIOLOGICAL ASSETS

EUR '000	30.06.2021	30.06.2020
Fry	737	570
Juveniles	1,673	2,464
Fish suitable for harvesting	2,385	1,215
Total biological assets	4,795	4,249

As at 30.06.2021, biological assets totalled 846 tonnes (30.06.2020: 945) tonnes having a balance sheet value of 4,795 thousand euros (30.06.2020: 4,429 thousand euros). During the financial year 1,973 tonnes (2019/2020: 1,933 tonnes) fish was harvested.

The Group farms rainbow trout (*Oncorhynchus mykiss*) in its fish farms in Finland, Sweden and Estonia. The group uses Norwegian export statistics for rainbow trout to estimate rainbow trout stocks / Source: http://www.akvafakta.no/.

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.

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CHANGE IN BIOLOGICAL ASSETS

EUR '000	2020/2021	2019/2020
Biological assets at beginning of the period	4,249	4,924
Purchased	1,195	573
Additions	5,079	5,299
Fair value adjustments	311	-291
Harvested	-6,120	-6,212
Written off	-	-24
Fry and live fish sold	-4	-27
Exchange rate differences	85	7
Biological assets at end of the period	4,795	4,249

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 30.06.2021 was 98 tons (30.06.2020: 75 tons). If the biomass volume were 1% lower then the fair value of fish fry at the balance sheet date would be 7 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 7 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 30.06.2021, management estimates that the net realizable value of juvenile fish is not significantly lower than its acquisition cost. Therefore, as at 30.06.2021 and 30.06.2020, 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 6% (30.06.2020: 8%)
- Loss in harvesting 15% (30.06.2020: 15%)
- Fair value of biomass volume suitable for harvesting 547 tonnes (30.06.2020: 337 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%
30.06.2021	+24	-29	+26	-29	-29	+26	+24	-24
30.06.2020	+19	-19	+13	-13	+3	+27	+18	-42

NOTE 9. SUBSIDIARIES

During the financial year there were no business combinations.

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
Heimon Kala OÜ	Estonia	100%	100%	Production of fish products	Saaremere Kala AS
Heimon Kala Oy [1]	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
JRJ & PRF Limited [1]	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 [2]	Estonia	51%	0%	Fish farming	Saaremere Kala AS

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

[2] *The participation has been paid in installements. In the financial year 2019/2020, the last installment of 131 thousand euros was paid*

As of 01.01.2021, Osaühing Vettel continued its activities under the business name Heimon Kala OÜ. The change in the business name is related to the harmonization of the Group's marketing activities.

The ownership percentage of subsidiaries' equity equals the voting rights. The shares of subsidiaries are not listed.

John Ross Jr (Aberdeen) Limited, Coln Valley Smokery Limited

On 19.07.2017 the extraordinary general meeting of AS PRFoods 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.

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 to acquire the 15% non-controlling interest in JRJ & PRF Ltd including a call and a put option, 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 30.06.2021 is 2,707 thousand euros (30.06.2020: 2,546 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. JRJ & PRF Ltd also issued loan notes to Victoria Leigh-Pearson and Christopher Leigh at the time of transaction in total amount 433 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.

Saaremere Kala AS acquired the above-mentioned bonds issued by JRJ & PRF Ltd in the value of 431 thousand euros at the exchange rate valid on the transaction date 31.12.2020.

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

- Symmetrical call and put options can be executed 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 fair value 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 177 thousand euros in 2020/2021 in connection to internal dividend distribution from John Ross Jr (Aberdeen) Ltd. (2019/2020: 239 thousand euros was paid to non-controlling interest holders). Dividend expense was recognized under other operating expenses (in the note 23 among other operating income / expense).

NOTE 10. DEFERRED TAX

DEFERRED TAX ASSETS

EUR '000	Tax losses	Other	Total
Deferred tax assets as at 31.12.2019	3	38	41
Impact on income statement	13	0	13
Deferred tax assets as at 30.06.2020	16	38	54
Impact on income statement	-16	0	-16
Deferred tax assets as at 30.06.2021	0	38	38

DEFERRED TAX LIABILITY

EUR '000	Accelerated income tax amortisation	Fair value adjustment	Other	Total
Deferred tax liability as at 31.12.2019	13	504	1,493	2,010
Impact on income statement	-13	-86	-34	-133
Impact on other comprehensive income	0	-2	45	43
Deferred tax liability as at 30.06.2020	0	416	1,504	1,920
Impact on income statement	0	-68	-37	-105
Impact on other comprehensive income	0	7	39	46
Deferred tax liability as at 30.06.2021	0	355	1,506	1,861

NOTE 11. TANGIBLE ASSETS

EUR '000	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress, prepayments	Total
Cost at 30.06.2019	**13 586**	**18 238**	**1 021**	**199**	**33 044**
Applying IFRS 16 for the first time	1 423	156	0	0	1 579
Adjusted beginning balance of 01.07.2019	**15 009**	**18 394**	**1 021**	**199**	**34 623**
Acquired during the period	281	504	5	1 536	2 326
Reclassification	80	532	21	-633	0
Assets sold and written off	-489	-1 706	-233	0	-2428
Unrealised currency effect	-41	21	4	0	-16
Cost at 30.06.2020	**14 840**	**17 745**	**818**	**1 102**	**34 505**
Acquired during the period	15	579	21	680	1,295
Reclassification	6	1,352	2	-1,360	0
Assets sold and written off	0	-881	-13	0	-894
Unrealised currency effect	182	229	6	0	417
Soetusmaksumus 30.06.2021	**15,043**	**19,024**	**834**	**422**	**35,323**
Accumulated depreciation at 30.06.2019	**-6 010**	**-11 736**	**-763**	**0**	**-18 509**
Depreciation of the period	-767	-1 255	-212	0	-2 234
Assets sold and written off	523	1 525	398	0	2 446
Unrealised currency effect	1	-26	-4	0	-29
Accumulated depreciation at 30.06.2020	**-6 253**	**-11 492**	**-581**	**0**	**-18 326**
Depreciation of the period	-855	-1,361	-48	0	-2,264
Assets sold and written off	0	726	12	0	738
Unrealised currency effect	-8	-161	-2	0	-171
Accumulated depreciation at 30.06.2021	**-7,116**	**-12,288**	**-619**	**0**	**-20,023**
Carrying amount at 30.06.2019	**7,576**	**6,502**	**258**	**199**	**14,535**
Carrying amount at 30.06.2020	**8,587**	**6,253**	**237**	**1,102**	**16,179**
Carrying amount at 30.06.2021	**7,927**	**6,736**	**215**	**422**	**15,300**

The distribution of rental assets by types of fixed assets is presented in note 13. In the reporting year, assets in the amount of 1,295 thousand euros (2019/2020: 2,326 thousand euros) were recorded as non-current assets including lease assets in the amount of 1,005 thousand (2019/2020: 359 thousand euros. As at 30.06.2021 and 30.06.2020, the companies of the PRFoods group did not have binding obligations for the acquisition of tangible fixed assets.

NOTE 12. INTANGIBLE ASSETS

EUR '000	Goodwill	Trademarks and patents	Immaterial rights	Software licences	Pre-payments	Total
Cost at 30.06.2019	**14,173**	**8,695**	**1,032**	**611**	**542**	**25,053**
Acquired during the period	0	0	1	41	211	253
Reclassification	0	0	306	0	-306	0
Assets sold and written off	0	-230	-9	-167	0	-406
Unrealised currency effect	-136	-128	0	0	3	-261
Cost at 30.06.2020	**14,037**	**8,337**	**1,330**	**485**	**450**	**24,639**
Acquired during the period	0	0	9	15	193	217
Reclassification	0	0	470	0	-470	0
Unrealised currency effect	481	460	20	0	8	969
Cost at 30.06.2021	**14,518**	**8,797**	**1,829**	**500**	**181**	**25,825**
Accumulated depreciation at 30.06.2019	**0**	**-1,195**	**-413**	**-476**	**0**	**-2,084**
Depreciation of the period	0	-199	-45	-54	0	-298
Depreciation of assets sold and written off	0	230	7	170	0	407
Unrealised currency effect	0	7	1	0	0	8
Accumulated depreciation at 30.06.2020	**0**	**-1,157**	**-450**	**-360**	**0**	**-1,967**
Depreciation of the period	0	-211	-91	-50	0	-352
Unrealised currency effect	0	-33	-13	0	0	-46
Accumulated depreciation at 30.06.2021	**0**	**-1,401**	**-554**	**-410**	**0**	**-2,365**
Carrying amount at 30.06.2019	**14,173**	**7,500**	**619**	**135**	**542**	**22,969**
Carrying amount at 30.06.2020	**14,037**	**7,180**	**880**	**125**	**450**	**22,672**
Carrying amount at 30.06.2021	**14,518**	**7,396**	**1,275**	**90**	**181**	**23,460**

The Parent Company has carried out an impairment test for goodwill in the two segments as at 30.06.2021 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 on 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 2019/2020 were EV/Sales[1] 1.9 and EV/EBITDA[2] 12.3. As the EBITDA of the segment 2020/2021 was negative due to the COVID pandemic, the EV/EBITDA market ratio does not provide reliable information on the impairment amount of the segment's assets. Consequently, the EV/Sales multiplier was used to test the impairment amount of the segment. Two times lower EV/Sales multiplier 1.0 of market average EV/Sales multiplier (2.0) was used due to the segment's negative EBITDA.. The segment's multiple based market value was 45.2 million euros (2019/2020: 36.0 million euros). The balance sheet value of the segment is 30.0 million euros (2019/2020: 31.6 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 30.06.2021 is equal to the balance sheet value. As for 30.06.2020 the recoverable amount determined was higher than the balance sheet value.

In addition to the impairment test, the management of PRFoods has compared the value of the segments' assets (incl. fish farming rights) with the purchase offers made for these assets. The terms of the offers do not indicate that the value of the segment's assets has decreased below their carrying amount.

The multiples used to assess the Great Britain segment were EV/Sales[1] 2.0 (2019/2020: 1.9) and EV/EBITDA[2] 13.7 (2019/2020: 12.3). Based on the fact that free cash flow and market share are considered equally important in creating the enterprise value, the EV/EBITDA and the EV/Sales multipliers were given a 50% share. The segment's multiple based market value was 22.7 million euros (2019/2020: 24.8 million euros). The balance sheet value of the segment was 18.0 million euros (2019/2020: 16.9 million euros), which was calculated with the following formula: Tangible assets + Goodwill + Current assets – Short-term liabilities – Cash.

The test conducted on 30.06.2021 and 30.06.2020 indicated that the recoverable value is higher than the balance sheet value. In case the multiples were 20.7% lower (2019/2020: 31.8%), i.e. EV/Sales 1.6 (2019/2020: 1.3) and EV/EBITDA 10.9 (2019/2020: 8.4), the recoverable value would equal the value in the balance sheet.

[1] *Enterprise Value / Sales*

[2] *Enterprise Value / EBITDA*

NOTE 13. LEASES

As a lessee, the Group leases a number of assets, including machinery and equipment, land and water, as well as buildings. See note 11.

The Group leases, among other things, assets that are considered to be of low value (assets with a new value of less than EUR 5,000). The Group has decided not to recognize the use rights and lease obligations for these leases. The Group has also not recognized the right of use assets and lease obligations in the case of short-term lease agreements (less than 12 months).

Below is information on the lease agreements for which the Group is the lessee.

RIGHT-OF-USE ASSETS

EUR '000	Land and buildings	Machinery and equipment	Total
Balance as at 30.06.2019	0	0	0
IFRS 16 adoption	1,423	156	1,579
Reclassified finance leases	0	2,176	2,176
Balance as at 01.07.2019	1,423	2,332	3,755
Depreciation of the right-of-use asset during the period	-201	-813	-1,014
Additions of the right-of-use assets	0	359	359
Derecognition of the right-of-use assets	0	0	0
Balance as at 30.06.2020	1,222	1,878	3,100
Depreciation of the right-of-use asset during the period	-195	-930	-1,125
Additions of the right-of-use assets	53	952	1,005
Derecognition of the right-of-use assets	-28	-109	-137
Balance as at 30.06.2021	1,052	1,791	2,843

AMOUNTS RECOGNIZED IN THE INCOME STATEMENT

EUR '000	Total
2020/2021 - all leases according to IFRS 16 accounting principles	
Interest on lease obligations	93
2019/2020 - all leases according to IFRS 16 accounting principles	
Interest on lease obligations	53

Possibilities for renewal of lease agreements

Many leases of machinery and equipment and water areas include renewal options that the Group can use before the end of the lease term. For most contracts, the Group must give notice of the exercise of the renewal option at least one year before the end of the contract period. For certain contracts, the lease term is automatically extended before the end of the contract period. Extension options can only be used by the Group, the lessor does not have the right to do so. The Group assesses at the inception of the lease whether it is probable that the Group will exercise the option to extend it.

Lease liabilities

EUR '000	2020/2021
Lease liabilities 30.06.2020	3,108
Additions of the period	295
Interrupted of the period	-28
Principal payments	-682
Lease liabilities 30.06.2021	2,693
Up to 1 year	614
1-5 years	2 079
Future interest expense on finance leases	-92
Present value of finance lease liabilities	2 785

NOTE 14. INTEREST-BEARING LIABILITIES

EUR '000	Note	30.06.2021	30.06.2020
Lease liabilities	13	614	827
Overdraft		5,474	7,940
Investment loans		514	1,844
Other loans		723	0
Total short-term interest-bearing liabilities		7,325	10,611
Finance lease liabilities	13	2,079	2,281
Loan notes to shareholders	9	0	433
Listed bonds		12,852	9,053
Investment loans		1,942	601
Other loans		688	0
Total long-term interest-bearing liabilities		17,561	12,368
incl. payable within 1-5 years		16,370	12,186
incl. payable in more than 5 years		1,191	182

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EUR '000	Note	2020/2021	2019/2020
Interest-bearing liabilities at the beginning of period		22,979	23,042
Loans		4,214	161
Change in overdraft		-2,466	-843
Bonds to shareholders		-440	0
Listed bonds		3,799	9,053
Lease liabilities	13	-415	1,916
Change of factoring liability		0	-9
Change in value due to the exchange rates		7	-8
Repayments of loans		-2,792	-10,333
Interest-bearing liabilities at the end of period		24,886	22,979

EUR '000	Note	2020/2021	2019/2020
Interest liability at the beginning of the period		427	100
Calculated interests		919	880
Interests paid		-1,002	-553
Interest liability at the end of the period	15	344	427

Overdraft

AS Saaremere Kala has entered into an overdraft agreement with AS SEB Pank. The amount of the overdraft at the beginning of the reporting period was 8.0 million euros, which was reduced by 2.35 million euros during the reporting period. As of 30.06.2021, the amount of the overdraft was 5.65 million euros and 5.5 million euros of the overdraft was in use (30.06.2020: 7.9 million euros).

As of 05.07.2021, the amount of the overdraft is 4.5 million euros, with an interest rate of 6-month EURIBOR + 3.0%, maturing on 31.08.2021. As of 01.09.2021, the term of the overdraft is 31.10.2021 and the interest rate is 6-month EURIBOR + 6.0%.

In the financial year of 2020/2021 the interest rate was 6-month EURIBOR + 2.5% until 30.11.2020 and from 01.12.2020 6-month EURIBOR + 3.0% (2019/2020: 6-month EURIBOR + 2.5%). During the reporting period, the Group paid interest on an overdraft in the amount of 189 thousand euros (208 thousand euros in 2019/2020).

On 15 July 2021, the group account spin-off agreement entered into force, by which Heimon Kala OÜ and Redstorm OÜ, which used the overdraft jointly and belonged to Saaremere Kala AS, were excluded as users of the overdraft.

As of 30.06.2021, the bank has issued a confirmation letter regarding the non-compliance of the special conditions, ie the loan covenants, where the bank has confirmed not to cancel the Agreement extraordinarily in respect of the breach and does not demand early repayment.

The loan is secured by mortgages in the amount of 13.7 million euros, a commercial pledge in the amount of 4.8 million euros, a guarantee by AS PRFoods in the amount of 5.0 million euros and a 100% share pledge of Saaremere Kala AS, Heimon Kala Oy and Överumans Fisk AB.

Investment loans

On 14 July 2017, PRFoods entered into an agreement with the majority shareholder Amber Trust II S.C.A. an investment loan of 1.5 million euros to finance the purchase of subsidiaries at an interest rate of 5% per calendar year. The interest liability on the loan as of 22.06.2021 was 214 thousand euros. On March 1, 2021, PRFoods signed a 1.0 million euros bridge loan with the majority shareholder Amber Trust II S.C.A. to strengthen working capital and to finance the volume of fish farms. The interest rate of the bridge loan was 7% and the repayment term was 31.12.2021. The date of off-setting the loan was 22.06.2021, the amount of the interest liability was 21 thousand euros.

In accordance to the decision of the management board of PRFoods, the principal of the loan arising from the investment loan and the bridge loan agreement was off-set against the claim for payment of the issue price of the secured notes and the issue of subordinated convertible notes to the shareholder. As of 22.06.2021, the principal amount of the investment loan and the principal amount of the bridge loan were set-off by 1.5 million euros and 1.0 million euros, respectively. The interest liability for the bridge loan in the amount of 21 thousand euros and the interest liability for the investment loan in the amount of 191 thousand euros were offset in full. As a result of the set-off, on 14 July 2017, PRFoods paid the balance of the interest liability arising from the loan agreement in the amount of 22.5 thousand euros to Amber Trust II S.C.A by bank transfer.

The balance of the principal of the investment loan taken by Heimon Kala Oy from OP Corporate Bank (OP Yrityspankki Oy) in 2015 (initial loan amount 1.6 million euros) as of 30.06.2021 was 0.25 million euros (30.06.2020: EUR 0.5 million euros). The interest rate of the loan is 12-month EURIBOR + 2.00% and the loan term is 31.08.2022. The loan is secured by a mortgage on a property in Kokkola (Finland).

John Ross Jr. (Aberdeen) Ltd has 3 long-term investment loans from the Bank of Scotland Plc, the outstanding balance of which was 0.41 million euros as of 30.06.2021 (30.06.2020: 0.46 million euros). The maturity of the loans ranges from 5 months to 13 years, with interest rates of 2.65%, 3.5 % and 4.2% + 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.

On 22 October 2020, Heimon Kala OÜ entered into a loan agreement with Maaelu Arendamise Sihtasutus (the Rural Development Foundation) for the automation of a factory in Saaremaa within the framework of the measure “COVID-19 loan for bio- and rural economy entrepreneurs”. The amount of the investment loan is 1.0 million euros with a term of 6 years, the maturity of the loan is 30.09.2026. The interest rate of the loan is 2.5% per annum until 30.09.2022 and 4.5% thereafter. The balance of the loan principal as of 30.06.2021 is 989 thousand euros. The loan is secured by a mortgage and a commercial pledge on the assets of OÜ Heimon Kala and a 100% guarantee from AS PRFoods.

On 04.01.2021, the fish farming company Redstorm OÜ entered into an investment and working capital loan with Maaelu Arendamise Sihtasutus (the Rural Development Foundation) within the framework of the measure “COVID-19 loan for bio- and rural economy entrepreneurs”. The amount of the investment loan is 193 thousand euros and the amount of the working capital financing loan is 610 thousand euros, the maturity of the loans is 31.12.2026. The interest rate of the loan is 2.75% per annum until 31.12.2022 and 4.75% thereafter. The balance of the loan principal as of 30.06.2021 is 803 thousand euros, the repayment period of the loan principal starts in January 2022. The loan is secured by a mortgage and a commercial pledge on the assets of OÜ Redstorm and a guarantee from AS PRFoods in the amount of 0.5 million euros.

Bonds

In the 2019/2020 financial year, PRFoods issued 90,096 bonds in the framework of a directed offer and 9,904 bonds in the framework of a public offering, a bond with a nominal value of 100 euros, with an interest rate of 6.25% per calendar year and a redemption date of 22.01.2025. According to the terms of the covered bond, the interest on the bond is paid semi-annually (July and January). At the end of the covered bond subscription period, PRFoods owned 4,926 bonds.

Following the completion of the public offering of the bonds, the company listed the bonds on the Tallinn Stock Exchange. Trading on the Nasdaq Tallinn bond list began on April 6, 2020.

As of 30.06.2021, the number of bonds owned by PRFoods is 535 (30.06.2020: 4,926 bonds) with a nominal value of 54 thousand euros (30.06.2020: 493 thousand euros).

The listing conditions of the secured bonds set out the conditions (net debt to EBITDA ratio and solvency of loans (DSCR)) that the Group's financial results must meet until the bonds are redeemed. The bondholders confirmed at the bondholders' meeting held on 24.05.2021 that they agreed to waive the requirement to comply with the terms and conditions of the bond issue on 14.01.2020 and agreed that non-compliance with the terms and conditions in the financial year 2020/2021 would not be considered a breach. PRFoods confirms that the above temporary adverse effects will not affect PRFoods' ability to meet its financial obligations under the Terms, including the ability to make future payments on the Notes. Additional information Annex 3.

On 07.05.2021, PRFoods announced that it plans to issue subordinated convertible bonds to improve its capital structure in order to ensure a smoother and faster overcoming of the negative effects caused by COVID-19 in the financial year 2021/2022. The issue was confirmed with the following terms and conditions: PRFoods will issue up to 350 subordinated convertible bonds with a maximum total nominal value of up to 3.5 million euros, a nominal value of 10,000 euro per subordinated convertible bond, with an interest rate of 7% per calendar year and a maturity date of 01.10.2025.

As part of the private placement, investors subscribed for a total of 237 subordinated convertible bonds with a total nominal value of 2.37 million euros. Among other investors, PRFoods shareholders also submitted subscription applications, subscribing for a total of 217 convertible bonds with a total nominal value of 2.170 million euros, of which 171 convertible bonds with a total nominal value of 1.71 million euros were distributed to the shareholder Amber Trust II SCA. By off-setting the claim arising from the loan agreement in the amount of 1.0 million euros and also the claim arising from the loan agreement in the amount of 1.5 million euros entered into on 14.07.2017.

In accordance with the decision of the supervisory board of PRFoods at 14.05.2021, a private placement offer of secured bonds was made to the shareholder Amber Trust II S.C.A., as a result of which Amber Trust II S.C.A. subscribed to all of the 10,000 secured bonds offered under the targete prvate placement with a nominal value of 100 euros per secured bonds, with a maturity date of 22.01.2025, early redemption right and a fixed interest rate of 6.25% per calendar year. The subscription price for the secured bons – designated to be 100.25 euro per secured bond by the management of PRFoods – will be fully paid by Amber Trust II S.C.A. prior to the issue of the secured bonds by way of setting-off the respective issue price against the claim of outstanding principal and part of the interest under the 1.5 million euros loan agreement entered into with PRFoods on 14.07.2017.

The secured bonds and subordinated convertible bonds subscribed by Amber Trust II S.C.A were set-off as follows:

- The issue price of the secured bonds in the amount of 1,002.5 thousand euros was off-set against the principal of the investment loan entered on 14.07.2017 (1.5 million euros), which means that the Amber Trust II S.C.A claim of 711.0 thousand euros is excluded from the investment loan, of which 497.5 thousand euros is the principal of the loan and 213.5 thousand euros is interest.
- The issue price of convertible bonds in the amount of 1.71 million euros was set-off against the principal of the bridge loan entered on 01.03.2021 in the amount of 1.0 million euros and accrued interest in the amount of 21 thousand euros and the loan receivable 711.0 thousand euros. As a result of the set-off, Amber Trust II S.C.A will have an interest claim against PRFoods in the amount of 22.5 thousand euros arising from the loan agreement on 14.07.2017, which PRFoods paid to Amber Trust II S.C.A by bank transfer.

The interest liability on secured bonds and convertible bonds as of 30.06.2021 was 304 thousand euros (30.06.2020: 261 thousand euros), which was paid to the bondholders on 22.07.2021 and 01.10.2021, respectively.

Detailed information on the terms and conditions of the bond issue is published in stock exchange announcements, including the bond issue prospectus.

NOTE 15. PAYABLES AND PREPAYMENTS

EUR '000	Note	30.06.2021	30.06.2020
Trade payables	3	7,049	5,903
Payables to employees		903	865
Other short-term liabilities	9	2,707	2,546
Interest payables	14	344	427
Other payables		258	222
Tax liabilities, incl.:		863	1,169
Social security tax		158	122
VAT		366	740
Personal income tax		101	136
Corporate income tax		98	102
Other taxes		140	69
Total short-term payables and prepayments		12,124	11,132
Other long-term liabilities		0	190
Total long-term payables and prepayments		0	190

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Other short-term liabilities as at 30.06.2021 include a non-controlling interest redemption amount of 2,707 thousand euros (30.06.2020: 2,546 thousand euros).

NOTE 16. GOVERNMENT GRANTS

EUR '000	Note	2020/2021	2019/2020
Deferred income from government grants at the beginning of period		1,084	1,321
Government grants received and repaid during the period, net		246	221
Change in value due to the exchange rates		-5	-5
Recognized as income for labour force compensation during the period	23	-189	-221
Recognized as income for investments during the period	23	-204	-232
Deferred income from government grants at the end of period		932	1,084
incl. income within 1 year		207	211
incl. income within 2-17 years		746	873

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. Government grants recognized in income during the reporting period 204 thousand euros (2019/2020: 232 thousand euros).

Due to the special situation caused by Covid-19, the Group used government grants to partially reimburse labour costs in the amount of 189 thousand euros (2019/2020: 221 thousand euros).

NOTE 17. EQUITY

As at 30.06.2021 the Group had 38 682 860 shares (30.06.2020: 38 682 860), including 1 000 000 treasury shares (30.06.2020: 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. As at 30.06.2020 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.

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.

Reduction of share capital

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.

24.05.2021 the resolution of the shareholders amended the clause of the articles of association where the supervisory board has the right to increase the share capital of the public limited company on 14.05.2021 within three years from the entry into force of the amendment to the articles of association. to the extent necessary for the conversion of convertible bonds issued pursuant to this Decision. The supervisory board may not increase the share capital by more than 3,500,000 euros. The supervisory board may decide to increase the share capital by contributions in kind. The Articles of Association are available on the homepage of AS PRFoods www.prfoods.ee.

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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 30.06.2021	Ownership interest 30.06.2021	Number of shares 30.06.2020	Ownership interest 30.06.2020
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	62.7%	24,258,366	62.7%

Earnings per share

Earnings per share are calculated as the ratio of the net profit attributable to equity holders of the parent to the weighted average number of shares outstanding during the period.

	2020/2021	2019/2020
Net profit (loss) attributable to equity holders of the company, EUR '000	-5,069	-1,718
Average number of shares, thousand	38,683	38,683
Earnings (Loss) per share, EUR	-0.13	-0.04
Basic earnings (loss) per share, EUR	-0.13	-0.04
Diluted earnings (loss) per share, EUR	-0.11	-0.04

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. At the annual general meeting held on 19.12.2019 shareholders decided to cover the net loss of 1,472 thousand euros for the 2018/2019 financial year from the retained earnings. The annual general meeting held on 30.11 2018 decided to transfer 2,850 euros to reserves from net profit of the 2017/2018 financial year.

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. Due to the difficult economic situation, the management moard proposes to the general meeting of Shareholders not to pay dividends for the past financial year.

Non-controlling interest

As non-controlling interest OÜ Fodiator's 49% holding in OÜ Redstorm is recognized. See also note 9.

NOTE 18. 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 0.1% in the accounting period and 0.1% in the 2019/2020 financial year.

Starting from the financial year of 2017/2018 the Group monitors two geographical segments: i) the Finland, Sweden and Estonia segment and ii) the United Kingdom segment.

EUR '000	2020/2021 Finland, Sweden, Estonia	2020/2021 Great Britain	2020/2021 Total	2019/2020 Finland, Sweden, Estonia	2019/2020 Great Britain	2019/2020 Total
External revenue	45,196	13,496	58,692	62,793	15,507	78,300
Inter-segment revenue	0	0	0	0	-8	-8
Total revenue	45,196	13,496	58,692	62,793	15,499	78,292
Fair value adjustment of biological assets	311	0	311	-291	0	-291
EBITDA*	-3,166	1,908	-1,258	164	1,669	1,833
EBITDA from business operations**	-3,334	2,085	-1,249	846	1,908	2,754
Depreciation and amortisation	-2,151	-474	-2,625	-2,044	-488	-2,532
Operating profit / loss	-5,317	1,434	-3,883	-1,880	1,181	-699
Financial income and expenses	-938	-147	-1,085	-893	-169	-1,062
Income tax	-26	-167	-193	112	-246	-134
Net profit (-loss)	-6,281	1,120	-5,161	-2,661	766	-1,895
Segment assets	35,624	19,974	55,598	37,834	19,290	57,124
incl. current assets	13,871	2,627	16,498	15,428	2,559	17,987
incl. biological assets	4,795	0	4,795	4,249	0	4,249
incl. non-current assets	21,753	17,347	39,100	22,406	16,731	39,137
Segment liabilities	32,697	4,607	37,304	36,063	4,605	40,668
Segment investments in tangible and intangible assets	2,069	510	2,579	2,452	135	2,587
Assets acquired through business combination***	0	0	0	1,650	0	1,650

** EBITDA – operating profit adjusted with depreciation and impairement cost*
*** before fair value adjustment of bioassets and one-offs*
**** financial instruments, deferred taxes not included*

SALES BY GEOGRAPHICAL REGIONS

EUR ‘000	2020/2021	2019/2020
Finland	37,701	50,871
United Kingdom	8,967	10,245
Estonia	3,906	7,023
Other	8,118	10,153
Total	58,692	78,292

NON-CURRENT ASSETS BY LOCATION

EUR ‘000	2020/2021	2019/2020
Great Britain	17,808	17,165
Finland	10,103	10,762
Estonia	8,345	8,543
Sweden	2,504	2,381
Total	38,760	38,851

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

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

EUR '000	2020/2021	2019/2020
Client 1	13,284	14,189
Client 2	19,369	12,867
Total	32,653	27,056

NOTE 19. COST OF GOODS SOLD

EUR '000	Note	2020/2021	2019/2020
Materials in production & cost of goods purchased for resale		-40,291	-54,650
Staff costs	22	-6,125	-6,737
Depreciation and amortisation		-2,165	-2,087
Other costs of goods sold*		-5,146	-5,236
Total cost of goods sold		-53,727	-68,710

** 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 20. SALES AND MARKETING EXPENSES

EUR '000	Note	2020/2021	2019/2020
Advertising, marketing and product development		-327	-534
Transportation and logistics services		-3,152	-3,150
Staff costs	22	-1,120	-1,549
Warehouse service		-91	-130
Depreciation and amortisation		-330	-341
Utilities		-194	-179
Short-term lease expenses		-226	-200
Other sales and marketing expenses*		-949	-977
Total sales and marketing expenses		-6,389	-7,060

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

NOTE 21. GENERAL AND ADMINISTRATIVE EXPENSES

EUR '000	Note	2020/2021	2019/2020
Staff costs	22	-2,021	-2,303
Depreciation and amortisation		-130	-104
Consulting and advisory services*		-136	-197
Information and communication services		-63	-78
Legal services		-41	-26
Transportation expenses		-69	-69
Business trips and costs of entertaining guests		-34	-96
Other general and administrative expenses**		-585	-576
Total general and administrative expenses		-3,079	-3,449

** In the financial year of 2020/2021 the Group has paid auditing fees in the amount of 95 thousand euros (2019/2020: 140 thousand euros) and 41 thousand euros (2019/2020: 75 thousand euros) for other limited assurance engagements as well as other advisory services.*

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

NOTE 22. STAFF COSTS

EUR '000	Note	2020/2021	2019/2020
Wages and salaries		-7,680	-8,804
Social security tax and other labour taxes		-1,586	-1,785
Total staff costs	19, 20, 21	-9,266	-10,589
Number of employees at end of the period		262	274
Average number of employees during the year		281	318

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”.

EUR '000	Note	2020/2021	2019/2020
Staff costs of employees working under employment contract		-8,340	-9,508
Staff costs of members of management or control board	26	-926	-1,081
Total staff costs		-9,266	-10,589
Average number of employees working under employment contract		262	274
Average number of members of management or control board		16	16
Average number of employees during the year		281	361

NOTE 23. OTHER OPERATING INCOME AND EXPENSES

EUR '000	Note	2020/2021	2019/2020
Gain on disposal and write-off of non-current assets	11, 12	74	51
Income from government grants	16	393	453
Foreign exchange income/expense		120	164
Other operating income/expense		-278	-149
Total other operating expenses		309	519

NOTE 24. FINANCIAL INCOME AND EXPENSE

EUR '000	2020/2021	2019/2020
Interest income	3	9
Other financial income	74	27
Foreign exchange income/expense	139	-62
Interest expense	-1,288	-995
Other financial expenses	-13	-41
Total	-1,085	-1,062

NOTE 25. INCOME TAX EXPENSES

EUR '000	Note	2019/2020	2019/2020
Profit (Loss) before tax (consolidated)		-4,968	-1,761
Income tax expense /-income		314	254
Deferred income tax expense / income	10	-121	-120
Effect on income statement		193	134

NOTE 26. 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	2020/2021 Purchase	2020/2021 Sale	2019/2020 Purchase	2019/2020 Sale
Companies related to members of the Management and Supervisory Boards	Services	208	7	77	3
Total		208	7	77	3

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	Payables as at 30.06.2021 EUR '000	Payables as at 30.06.2020 EUR '000
Amber Trust II S.C.A.	Shareholder AS PRFoods	Investment loan and interests	0	1,639
Amber Trust II S.C.A.	Shareholder AS PRFoods	Bond and interest of bond	2,680	0
Lindermann, Birnbaum & Kasela OÜ	Liabilities	Bond and interest of bond	98	0
Christopher Leigh	Shareholder of JRJ & PRF Ltd	Loan note	0	277
Victoria Leigh-Pearson	Shareholder of JRJ & PRF Ltd	Loan note	0	156
Christopher Leigh	Contingent consideration	Payable for non-controlling interests	1,732	1,629
Victoria Leigh-Pearson	Contingent consideration	Payable for non-controlling interests	975	917
Total			5,485	4,618

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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	Note	2020/2021	2019/2020
Short-term benefits	22	926	1,081
Total		926	1,081

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 83 thousand euros (30.06.2020: 83 thousand euros).

NOTE 27. 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 30.06.2021 the book value of AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus was 218 thousand euros (30.06.2020: 148 thousand euros).

NOTE 28. 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 84 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 the financial years of 2020/2021 and 2019/2020 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 29. COING CONCERN

COVID-19 pandemic

In the 2020/2021 financial year, the Group's operations and financial performance continued to be affected by the pandemic caused by COVID-19 and its slower-than-expected decline, as well as the extraordinary effects that the pandemic and the measures taken to prevent it have had on the economic environment. The corona effect and the measures taken to prevent it have had a significant negative impact on the fishing industry as well as on the Group's operations, liquidity position and financial results. At the same time, the economic environment has clearly improved in the second half of 2021 and we have been able to raise production prices.

To improve our financial results and financial position, we have:

- raised production prices
- reduced the range of products and abandoned unprofitable products

- reduced operating costs

In addition, it is planned:

- to divest the Finnish fish farming business during the year in order to reduce the Group's debt burden
- if necessary, transfer other assets and rights, the ownership of which is not directly necessary for the operation of the business
- restructure debts by proposing to creditors to extend payment deadlines and reduce amounts

In the opinion of the management board, the Group is a going concern and there is no significant doubt as to the entity's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis, based on the management board's assessment of the Group's ability to continue as a going concern for at least 12 months after the date of approval.

NOTE 30. EVENTS AFTER BALANCE SHEET DATE

AS PRFoods

Holders of subordinated convertible bonds were able to apply for the conversion of the bonds allocated to them into PRFoods shares at the conversion price fixed in the terms of the bonds in the period 01-30.09.2021. As of 01.10.2021, PRFoods has not accepted the offer to convert subordinated convertible bonds into shares. The next opportunity to announce a conversion request is in the period 01-30.03.2022.

PRFoods has hire Oaklins Baltics to carry out the pricing and potential sale process of PRFoods subsidiaries.

John Ross Jr. (Aberdeen) Ltd.

On July 1, 2021, John Ross Jr. (Aberdeen) entered into a loan agreement with Santander UK Plc for GBP 1.5 million (1.7 million euros), with a maturity of 4 years and an interest rate of 3,5% + UK Bank Base rate. This loan refinances the 3 investment loans taken from Bank of Scotland Plc with a final balance of GBP 0.35 million (0.4 million euros) as at 30 June 2021 and realizes an option agreement between Saaremere Kala AS and the British holding company JRJ & PRF Limited as a result, Saaremere Kala AS will acquire 15% of the shares of the holding company JRJ & PRF Limited. The loan is secured by a mortgage from John Ross Jr. (Aberdeen) assets.

NOTE 31. THE PARENT COMPANY PRIMARY'S FINANCIAL STATEMENTS

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	30.06.2021	30.06.2020
ASSETS		
Cash	1,064	609
Short-term financial investments	3,360	0
Receivables and prepayments	1,785	988
Total current assets	6,209	1,597
Investments in subsidiaries	10,378	10,378
Long-term financial investments	11,818	14,348
Tangible fixed assets	5	5
Intangible assets	310	347
Total non-current assets	22,511	25,078
TOTAL ASSETS	**28,720**	**26,675**
EQUITY AND LIABILITIES		
Loans and borrowings	0	1,500
Payables and prepayments	413	453
Total current liabilities	413	1,953
Loans and borrowings	12,852	9,053
Total non-current liabilities	12,852	9,053
Total liabilities	**13,265**	**11,006**
Share capital	7,737	7,737
Share premium	14,007	14,007
Statutory capital reserve	51	51
Treasury shares	-390	-390
Retained loss	-5,950	-5,736
Total equity	15,455	15,669
TOTAL EQUITY AND LIABILITIES	**28,720**	**26,675**

STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2020/2021	2019/2020
Revenue	146	146
Gross profit	**146**	**146**
Operating expenses		
Sales and marketing expenses	-6	-26
Administrative and general expenses	-448	-619
Other income/expenses	8	1
Operating loss	**-446**	**-644**
Financial gain (loss) from investments in subsidiaries and associates	70	17
Financial income/costs	16	140
Profit (Loss) before tax	**-214**	**-341**
Income tax	0	0
Net profit (loss)	-214	-341
Total comprehensive income (loss)	-214	-341

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CASH FLOW STATEMENT

EUR '000	2020/2021	2019/2020
Cash flow from operating activities		
Net profit (loss)	-214	-341
Adjustments:		
Depreciation	49	21
Income/loss from asset sale	-24	-4
Income/loss from associates	-70	-17
Other non-cash items	-251	-140
Changes in receivables and prepayments	-30	6
Changes in payables and prepayments	56	-523
Net cash inflow (outflow) from operating activities	**-484**	**-998**
Cash flow from investing activities		
Sale of tangible and intangible fixed assets	24	5
Purchase of tangible and intangible fixed assets	-13	-44
Loans granted	-1,010	-9,360
Repayments of loans granted	250	360
Interests received	253	110
Net cash inflow (outflow) from investing activities	**-496**	**-8,929**
Cash flow from financing activities		
Loans received	1,000	0
Repayments of lease liabilities	0	-22
Proceeds from issuing bonds	1,062	9,416
Interest paid	-627	0
Net cash inflow (outflow) from financing activities	**1435**	**9394**
Net increase (decrease) in cash and cash equivalents	**455**	**-533**
Cash and cash equivalents at beginning of year	609	1,142
Change in cash and cash equivalents	455	-533
Cash and cash equivalents at the end of the period	1,064	609

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STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Share premium	Treasury shares	Statutory capital reserve	Retained earnings (loss)	Total equity
Balance at 30.06.2019	**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 under the equity method						15,625
Adjusted unconsolidated equity at 30.06.2019						21,257
Increase of statutory reserve capital	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Comprehensive expense for reporting period	0	0	0	0	-341	-341
Total change	0	0	0	0	-341	-341
Balance at 30.06.2020	**7,737**	**14,007**	**-390**	**51**	**-5,736**	**15,669**
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						14,094
Adjusted unconsolidated equity at 30.06.2020						19,385
Comprehensive expense for reporting period	0	0	0	0	-214	-214
Total change	0	0	0	0	-214	-214
Balance at 30.06.2021	**7,737**	**14,007**	**-390**	**51**	**-5,950**	**15,455**
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						10,164
Adjusted unconsolidated equity at 30.06.2021						15,241

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

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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 2020/2021 financial year on pages 8-85 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.
- AS PRFoods and its subsidiaries are going concerns.

/signed/

Indrek Kasela

Member of the Management Board

15 November 2021

Independent auditors' report

To the Shareholders of AS PRFoods

(Translation of the Estonian original)

Report on the Audit of the Consolidated Financial Statements

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS PRFoods and its subsidiaries (collectively, the Group) as at 30 June 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended (1 July 2020 to 30 June 2021) in accordance with International Financial Reporting Standards as adopted by the European Union.

We have audited the consolidated financial statements of the Group, which are set out on pages 36 to 84 of the consolidated financial statements, which comprise:

the consolidated statement of financial position as at 30 June 2021,

the consolidated statement of comprehensive income for the year then ended,

the consolidated statement of cash flows for the year then ended,

the consolidated statement of changes in equity for the year then ended, and

– the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditors' 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 Code of Ethics for Professional Accountants (Estonia) (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Audit Scope

Because we are solely responsible for our audit opinion, we are also responsible for the direction, supervision and performance of the group audit. In this respect, we have determined the type of work to be performed for Group entities based on their financial significance and/or the other risk characteristics.

We, as Group auditors, determined 7 of the Group's 9 entities to be significant Group components and we subjected those components to a full scope audit. These components include AS PRFoods, Saaremere Kala AS, Heimon Kala OÜ, Heimon Kala OY, JRJ & PRF Ltd, John Ross Jr. (Aberdeen) Ltd ja Coln Valley Smokery Ltd.

For the components Redstorm OÜ and Överumans FISK AB we conducted an audit of selected account balances at Group level.

For the remaining non-significant components, we performed analytical procedures at Group level to re-examine our assessment that there were no significant risks of material misstatement within them.

We also performed procedures over the consolidation process at Group level.

Coverage of the Group's consolidated revenue and consolidated total assets with procedures performed consolidated revenues 100% and 90% of consolidated assets.

The audit work on the financial information of the significant Group components AS PRFoods, Saaremere Kala AS and Heimon Kala OÜ and the audit of selected account balances for Redstorm OÜ and Överumans FISK AB was performed by the Group audit team in Estonia. The audit work on the financial information of the significant Group component Heimon Kala OY was performed by KPMG Finland. The audit work on the financial information of the significant Group components JRJ & PRF Ltd, John Ross Jr. (Aberdeen) Ltd ja Coln Valley Smokery Ltd was performed by a non-KPMG auditor. The Group audit team instructed the component auditors as to the areas to be covered and determined the information required to be reported to the Group audit team. We had regular communications with the component auditors and executed audit file reviews, where necessary.

By performing the procedures mentioned above over the Group entities, together with additional procedures at the Group level, we have been able to obtain sufficient and appropriate audit evidence to form an opinion on the consolidated financial statements as a whole.

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.

Measurement of biological assets	
Refer to notes 4 and 8 of the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group's consolidated statement of financial position as at 30 June 2021 includes biological assets in the amount of EUR 4,795 thousand, further discussed in note 8. Due to the magnitude and related estimation uncertainty, the measurement of biological assets is a key audit matter and required our particular attention during the audit. Even	In this area, we conducted, among others, the following audit procedures: • We assessed whether the Group's accounting policies for biological assets are in compliance with IFRS. • We analysed the measurement of biological assets, including the correctness of the inputs, assumptions and methodologies applied and the

small changes in the inputs used may have a significant impact on the assessment of fair value and, thus, also on the Group's financial results. The biological assets consist mainly of fish grown in the Group's fish farms in Finland and Sweden. The fair value of fry is measured based on their biomass and weighted average market price. Market price is determined by reference to bid prices. The fair value of fish suitable for harvesting is measured based on their estimated biomass less the weight loss arising on realisation and the weighted average market price, i.e. the market price of the similar assets of independent parties, adjusted for the effect of existing differences. Due to the lack of an active market, juvenile fish are measured at cost. Cost is compared to the net realisable value of juvenile fish, which is the estimated fair value of fish suitable for harvesting at the date the juvenile fish become suitable for harvesting less the estimated costs to grow juvenile fish to the point of being suitable for harvesting and to make the sale.	reasonableness and appropriateness of conclusions drawn. • In particular, using available market information, we assessed the reasonableness of the following management's estimates: - biomass; - market prices; - selling costs; - harvesting loss and the costs incurred in growing juvenile fish to the state of being suitable for harvesting, to determine possible impairment. • We also recalculated the fair value calculations prepared by management. • Furthermore, we assessed the adequacy of the disclosures related to biological assets.
Measurement of goodwill	
Refer to Notes 4 and 12 to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group's statement of financial position as at 30 June 2021 includes goodwill of 14,518 thousand euros which is described in more detail in Note 12. We have considered the measurement of goodwill to be a key audit matter because goodwill accounts for 26% of the Group's assets as at the reporting date and the recoverable amount of goodwill has been determined based on management's estimates. The ongoing COVID-19 pandemic has increased the uncertainty inherent in the valuation and impairment testing of assets. The Group's management tests goodwill for impairment by reference to market ratios, which involves the use of estimates both in the compilation of a reference group of comparable companies and in the	In this area, we conducted, among others, the following audit procedures: • We evaluated whether the impairment tests on goodwill had been performed in accordance with the requirements of IAS 36. • Assisted by our own valuation specialist, we checked the accuracy of the inputs, the assumptions and the methodologies applied as well as the reasonableness and appropriateness of the conclusions drawn. • We checked the calculation of the recoverable amount of goodwill prepared by management. • We assessed the adequacy of the disclosures related to goodwill in the consolidated financial statements.

interpretation of the data for the reference group.	

Other Information

Management is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our auditors' 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 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. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

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 and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management 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 management 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, management 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 management 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.

Auditors' 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 auditors' 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 International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgement 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 management.
- Conclude on the appropriateness of management'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, then we are required to draw attention in our auditors' 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 auditors' 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditors' 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

We were appointed by those charged with governance on 19 December 2019 to audit the consolidated financial statements of AS PRFoods for the year ended 30 June 2021. Our total uninterrupted period of engagement is two years, covering the periods ending 30 June 2020 to 30 June 2021.

We confirm that:

– our audit opinion is consistent with the additional report presented to the Audit Committee of the Group;

– we have not provided to the Group the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

Tallinn, 15 November 2021

/signed/	/signed/
Indrek Alliksaar	Lembi Uett
Certified Public Accountant, Licence No 446	Certified Public Accountant, Licence No *566*

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PROPOSAL FOR COVERING LOSS

The Management Board of AS PRFoods proposes to the General Meeting of Shareholders to cover the loss in amount of 5,069 thousand euros for the financial year ended 30 June 2021 in the following manner:

a) 51 thousand euros from the statutory reserve capital;

b) 5,018 thousand euros from the share premium.

/signed/

Indrek Kasela

Member of the Management Board

15 November 2021