PRFOODS

AS PRFoods

2017/2018 Consolidated Annual Report (18 months)
(translation from the Estonian original)

31.10.2018

18 MONTHS 2017/2018

ANNUAL REPORT

P R F O O D S

Business name	AS PRFoods
Commercial register number	1150713
Address	Pärnu mnt 141, 11314 Tallinn, Estonia
Phone	+372 603 3800
Fax	+372 603 3801
Website	prfoods.ee
Main activities	Production and sale of fish products Fish farming
Reporting period	1 January 2017 – 30 June 2018
Auditor	AS PricewaterhouseCoopers

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Corporate profile

AS PRFoods (hereinafter "Group") is a company engaged in fish farming, processing and sales, and it is listed on the main list of NASDAQ Tallinn Stock Exchange since 5 May 2010.

AS PRFoods' key market is Finland, where the company is 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 expanded its sales to 37 countries in Europe, North and South America, and Asia.

Main activity of the Group is fish manufacturing in four contemporary production buildings in Renko and Kokkola (Finland), in Saaremaa (Estonia), and in Aberdeen (Great Britain).

Our main products are salmon and rainbow trout products. Approximately 2/3 of the raw fish used in the Group's rainbow trout production is harvested from the Group's fish farms in Swedish lakes and Turku Archipelago area in Finland, assuring the highest quality and reliable deliveries.

Salmon is purchased mainly from Norway and other Scandinavian countries, Denmark, Sweden and also from Scotland. On a smaller scale European whitefish and Baltic herring are used in production. In addition, a notable volume of red caviar is made from fish harvested in the Group's own fish farms.

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.

Shareholders approved the purchase of John Ross Jr (Aberdeen) and Coln Valley Smokery on the EGM held on 19.07.2017 and the purchase of Trio Trading Ab Oy on the EGM held on 28.08.2017. The EGM held on 11.12.2017 approved changing the financial year of the Group to last from 01.07 till 30.06. As a result, the financial year of 2017/2018 lasts exceptionally for 18 months.

STRUCTURE OF THE PRFOODS GROUP AS AT 30 JUNE 2018

AS PRFoods
Group holding company

100%
Saaremere Kala AS
Fish group holding company

100%
Heimon Kala Oy
Fish farms, production and sale of fish products

100%
Överumans Fisk AB
Fish farms

100%
Trio Trading Ab Oy
Fish production and sale of fish products

100%
Vettel OÜ
Fish production and sale of fish products

100%
Gourmethouse OÜ
Sale of fish products

85%
JRJ & PRF Ltd
Fish group holding company

100%
John Ross Jr (Aberdeen) Ltd
Production and sale of fish products

100% *
Coln Valley Smokery Ltd
Sale of fish products

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

In addition, the Group holds 20% in AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology).

The indisputable competitive advantage of the Group is its vertical integration – fish farming, production and sales.

The Group's Finnish trademarks include "Heimon Gourmet" and "Saaristomeren", and the most recent "Fishk". Products of these well-known and appreciated fish brands have been a part of Finnish daily and festive dishes for more than 20 years.

The most notable brands of the newly acquired companies and for export markets are "John Ross Jr (Aberdeen)" and "Coln Valley Smokery".

GROUP COMPANIES

Subsidiary	Domicile	Ownership interest 30.06.2018	Ownership interest 31.12.2016	Area of activity	Owner
Saaremere Kala AS	Estonia	100%	100%	Fish group holding company	AS PRFoods
Vettel OÜ [1]	Estonia	100%	100%	Production of fish products	Saaremere Kala AS
GourmetHouse OÜ [1]	Estonia	100%	100%	Sale of fish products	Saaremere Kala AS
Heimon Kala Oy [2]	Finland	100%	100%	Fish farming, processing and sale of fish and fish products	Saaremere Kala AS
Överumans Fisk AB	Sweden	100%	100%	Fish farming	Heimon Kala Oy
Trio Trading Ab Oy [2]	FInland	100%	-	Production and sale of fish products	Saaremere Kala AS
JRJ & PRF Limited [3]	Scotland	85%	-	Fish group holding company	Saaremere Kala AS
John Ross Jr. (Aberdeen) Limited	Scotland	100%	-	Production and sale of fish products	JRJ & PRF Limited
Coln Valley Smokery Limited	Great Britain	100%	-	Sale of fish products	64% JRJ & PRF Limited 36% John Ross Jr. (Aberdeen) Limited

[1] As per the decision from 29.06.2018 the merger of GourmetHouse OÜ and Vettel OÜ completed on 10.09.2018
[2] 01.10.2018 decision to merge Heimon Kala Oy and Trio Trading Ab Oy, scheduled to be completed by 31.01.2019
[3] The Group has forward agreements to acquire 100% of the company.

MISSION

We wish our products to be healthy, modern and available to as broadest clientele. We try to continually maintain and grow consumers' trust. We are a benchmark of caring, innovation and quality. We are a socially responsible enterprise and care for the environment as a food producer.

VISION

AS PRFoods is a well-known and environmentally friendly international company engaged in the production and sale of fresh fish and fish products in Scandinavia, Great Britain and the Baltic markets, and delivering premium fish products globally.

STRATEGIC OBJECTIVES

The strategy of AS PRFoods is as follows:

- To be among the three leading brands in our operating markets and a recognized premium seafood brand globally;
- Our financial target is to achieve operating EBITDA margin at least 7%;
- To distribute up to 30% of the annual net profit as dividends.

STRENGTHS

- Objective-driven organisational development;
- Leading brands in the Scandinavian, Baltic markets and in the Great Britain;
- Well-established products on the Finnish and Great Britain market for more than 30 years;
- Geographically suitable scope and diversified product portfolio ensure sustainable development;
- Solid financial stability of the company.

RISKS

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

FUTURE PLANS AND INTENTIONS

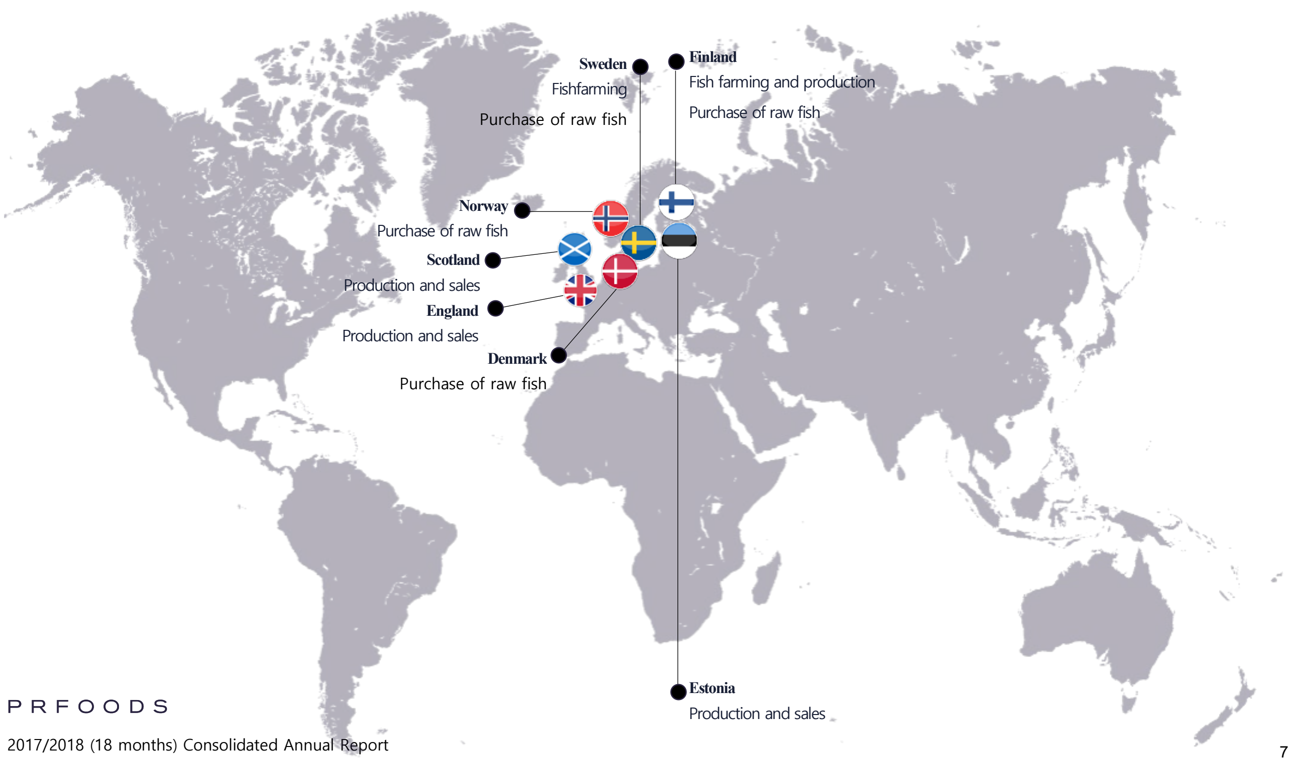
The objective of PRFoods is to increase production capacity and to boost sales volumes of fish products. The Group is actively involved in developing new products for expanding to new export markets. As a clear leader in its business area, the objective of PRFoods is to increase the Group's profitability and to renew the focus on products with higher added value. As introducing the Group's own brands is in its early stage in Scandinavia and elsewhere in the world, the management expects the Group's growth period is yet to come.

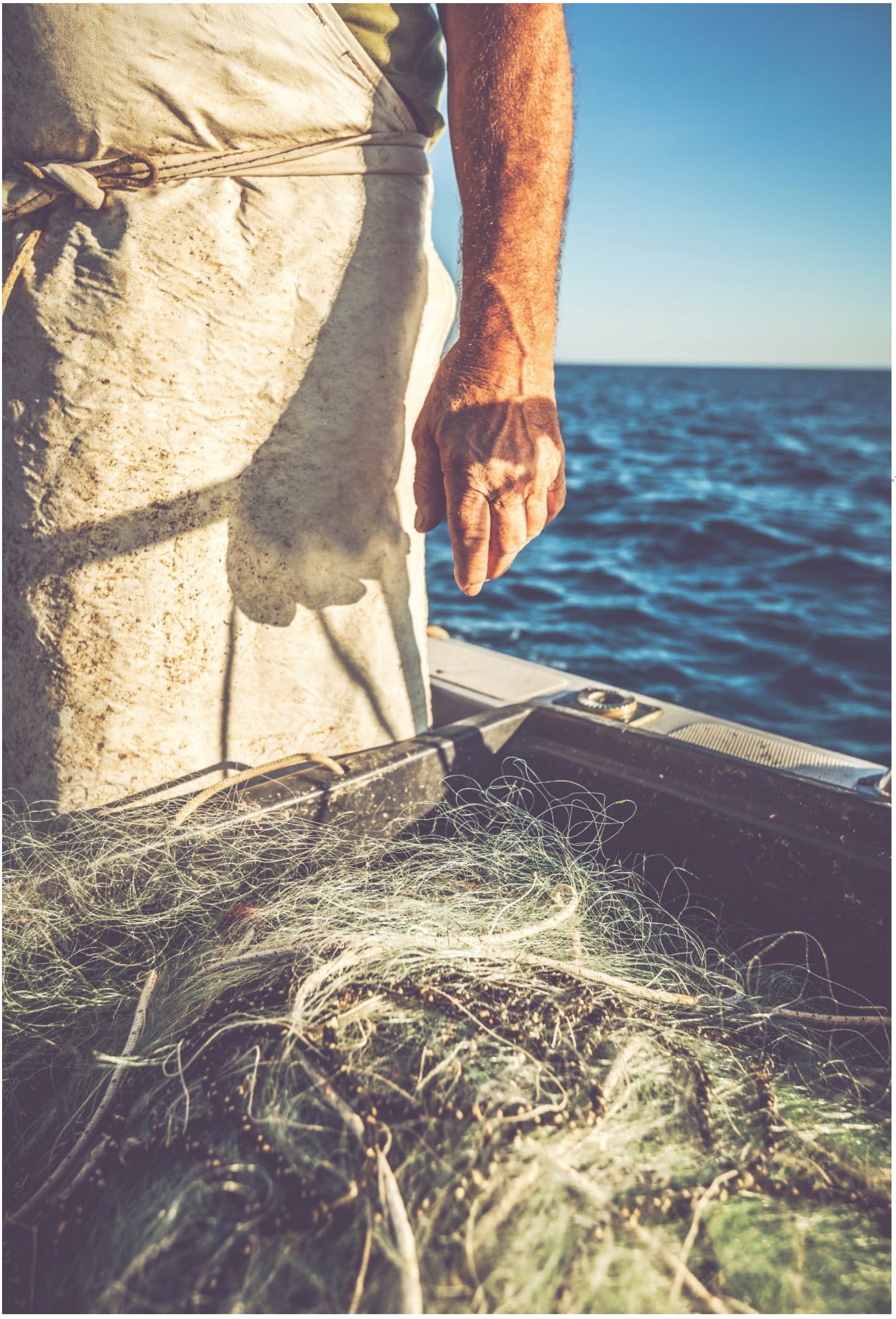
Additional information about the Group's various risks and assessments and their possible impact on estimated future events is provided in Chapters "Financial risks" and "Management judgements and estimates" (Notes 3 and 4). In addition, it includes risk factors that are related to the price volatility of raw fish, impact of revaluation of biological assets on the company's financial results, diseases that are putting live fish at risk, risks related to weather conditions, environmental risks, risks involved in trade restrictions, risks related to taxation and accounting, reputation risks and legislative risks as well as the political events that are influencing the whole world.

Legislative risks are related to various changes and amendments in provisions and articles in the legislation regulating and governing the fish industry, including strict regulations imposed on food safety, laws governing water harvesting production and processing, competition and anti-corruption rules as well as other directives not listed above that must be obeyed by the Group in its production and marketing operations in various jurisdictions.

In drawing up the Group's future plans and intentions, the management of PRFoods takes into account the information it is aware of at the time based on information available and its best intentions. Actual results may significantly differ from the plans due to many different factors, variables, risks and insecurity impacting the realization.

THE GEOGRAPHY OF PRODUCTION AND SALES





Statement of the Chairman of the Management Board

The first new financial year has come to the end. We would like to remind you that as we moved to a new financial year, the last full reporting period was 18 months. The current financial year which began on 01.07.2018 lasts for 12 months, as usual, and ends on 30.06.2019. It is important to keep that in mind when comparing the company's results with previous periods.

The last financial year was ground-breaking for PRFoods. We acquired two companies, one in Finland and the other in Great Britain, which resulted in the Group's turnover growing more than two times. After balance sheet date we also acquired a majority shareholding in RedStorm OÜ, a company operating in fish farming and processing in Estonia. PRFoods' focus on raw material remains unchanged and we concentrate on farming and production of salmonoids. Our production portfolio was increased mostly in premium fish and raw fish segments.

During the new financial year, we aim at capitalizing on synergies of the Group via unifying internal processes and increasing efficiency, along with directing additional resources to more aggressive marketing. As a new route, we started fish farming operations in Estonia, in addition to Finland and Sweden. The aim is both to reduce the dependency on raw material as well as to offer better products from local and fresh fish. The company has applied for farming licences of up to 10,000 tonnes of rainbow trout in Estonian seashore. In case we could acquire all the licences, our farming volumes would increase fourfold, significantly influencing stability of deliveries and profitability. We are happy to announce that the first Estonian-farmed 100 tonnes of rainbow trout has been of exceptional quality.

The Group has made investments in order to keep up with customer preferences and the EU legislative norms regarding packaging requirements in food industry and environmental standards. We are to adopt recyclable packages in the Estonian production facilities already in 2019 and during years 2020-2021 in other factories. Our aim is to use 100% recyclable or biodegradable materials. Last year we also implemented solar energy usage in the production facilities in Finland and also made necessary investments in Estonia.

All these activities are important for us – for not only to be one of the most modern and responsible fish processers in Estonia, but also in Finland and Great Britain, securing thereby a long-term trust of consumers and also to increase the value of our products in the eyes of consumers, our employees and partners.

PRFoods pro forma 18-months 2017/2018 annual year closed with total turnover of 154.6 million euros and 7.3 million euros of EBITDA from operations (EBITDA incl. revaluation of biological assets and one-offs from transactions was 5.7 million euros). Net profit amounted to 0.7 million euros.

Consolidated results of the 18 months of 2017/2018 were following:

- Consolidated turnover 118.50 million euros, an increase by +149.8%, i.e. +71.07 million euros.
- Gross margin 12.4%, increase by 3.9 percentage points.
- Negative effect from revaluation of biological assets -0.52 million euros (12 months 2016: positive effect +2.26 million euros).
- Effect of one-offs on the result -1.08 million euros (12 months 2016: negative effect of -0.40 million euros).
- EBITDA from operations +5.80 million euros, an increase by +5.05 million euros.
- EBITDA +4.19 million euros, an increase by +1.58 million euros (EBITDA without the effect of one-offs +5.27 million euros, an increase by +2.26 million euros).
- Operating profit +1.49 million euros, an increase by +0.11 million euros (operating profit without the effect of one-offs +2.57 million euros, an increase by +0.79 million euros).
- Net profit 0.06 million euros, a decrease by -0.66 million euros (net profit without the effect of one-offs +1.14 million euros, an increase +0.02 million euros).

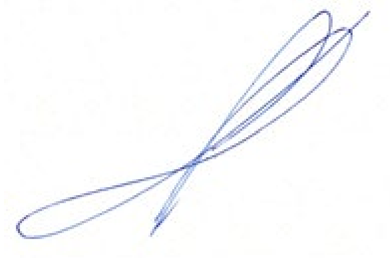
Even though the results are satisfactory and correspond to the expectations of the management, the significant increase in the price of raw material had to be taken into account. The management anticipates the price of salmonoids to hold its level in short- and mid-term as demand substantially exceeds supply. Due to this, we aim to considerably increase fish farming capacity and intend to increase farming volumes by 4 times across the regions.

We also incurred one-off restructuring costs, affecting positively our results only in future periods (relocating Coln Valley production to Aberdeen). Following the growth of the Group, additional personnel was employed in support functions (IT, finances), rearrangements were also made in sales and marketing, where a more centralized structure was applied.

The balance sheet of PRFoods remains strong. Net debt to EBITDA ratio is 3, net debt levels at 18.1 million euros, and equity is 23.3 million euros.

The management is satisfied with the results of 18 months, we thank our customers and partners and hope to remain one of the most inspirational employers in the industry. We look forward to 2019 as it is the first year, when the whole Group operates on the new grounds, one-time costs of restructurings should be lower, and rapid investments into production and equipment should speed up the time of bringing modern products to market. Our own fish farming is to reveal a great perspective.

The management of PRFoods proposes to pay a dividend of 1 euro sent per share from the retained profit.



Sincerely,

Indrek Kasela

PRFOODS

Management Report

Management Report

OVERVIEW OF THE ECONOMIC ACTIVITIES

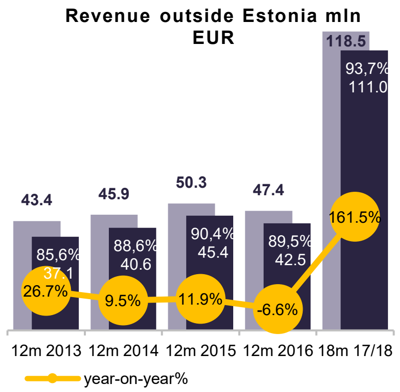
KEY RATIOS*

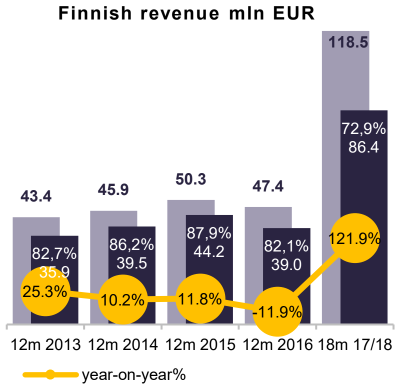
Profit & Loss, EUR mln	formula / comment	18m 2017/2018	12m 2016	12m 2015	12m 2014	12m 2013
Sales		118.5	47.4	50.3	45.9	43.4
Gross profit	Net sales – Cost of goods sold	14.7	4.0	6.8	5.3	4.2
EBITDA from operations	Profit before one-offs and fair value adjustment on biological assets	5.8	0.8	2.9	0.4	0.3
EBITDA	Profit (-loss) before financial income and costs, tax, depreciation and amortisation	4.2	2.6	2.0	0.5	1.3
EBIT	Operating profit (-loss)	1.5	1.4	0.9	-0.6	0.2
EBT	Profit (-loss) before tax	0.5	1.1	1.1	-1.4	-0.8
Net profit (-loss)		0.1	0.7	1.2	-1.5	-0.9
Gross margin	Gross profit / Net sales	12.4%	8.5%	13.5%	11.5%	9.6%
Operational EBITDA margin	EBITDA from operations/Net sales	4.9%	1.6%	5.8%	0.8%	0.8%
EBITDA margin	EBITDA /Net sales	3.5%	5.5%	4.0%	1.1%	3.0%
EBIT margin	EBIT / Net sales	1.3%	2.9%	1.7%	-1.3%	0.4%
EBT margin	EBT / Net sales	0.4%	2.4%	2.1%	-3.0%	-1.7%
Net margin	Net profit (-loss) / Net sales	0.05%	1.5%	2.3%	-3.3%	-2.0%
Operating expense ratio	Operating expenses / Net sales	10.5%	10.1%	10.8%	13.4%	12.8%
Balance Sheet, EUR mln	**formula**	**30.06.2018**	**31.12.2016**	**31.12.2015**	**31.12.2014**	**31.12.2013**
Net debt	Short- and long-term loans and borrowings - Cash	18.1	0.3	-0.6	-2.6	13.2
Equity		23.3	23.8	23.2	33.7	37.3
Working capital	Current assets - Current liabilities	2.8	12.4	11.4	22.6	9.9
Assets		65.5	35.1	29.5	40.4	63.8
Liquidity ratio	Current assets / Current liabilities	1.1	2.4	3.7	5.6	1.6
Equity ratio	Equity / Total assets	35.6%	67.9%	78.8%	83.3%	58.4%
Gearing ratio	Net debt / (Equity + Net debt)	43.7%	1.2%	-2.5%	-8.3%	26.1%
Net debt-to-EBITDA from operations	Net debt / EBITDA from operations	3.1	0.4	-0.2	-7.0	38.0
ROE	Net profit (-loss) / Average equity	0.2%	3.0%	4.1%	-4.2%	-2.4%
ROA	Net profit (-loss) / Average assets	0.1%	2.2%	3.4%	-2.9%	-1.4%

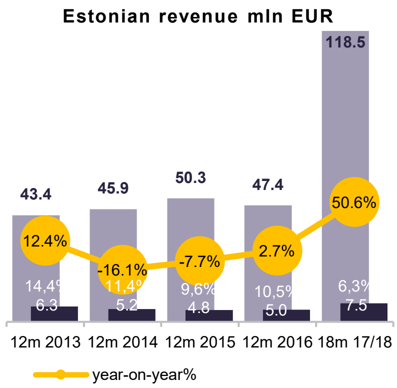
*consolidating unit is a holding and makes up to insignificant part of the Group, therefore consolidating unit's ratios are not presented.

REVENUE

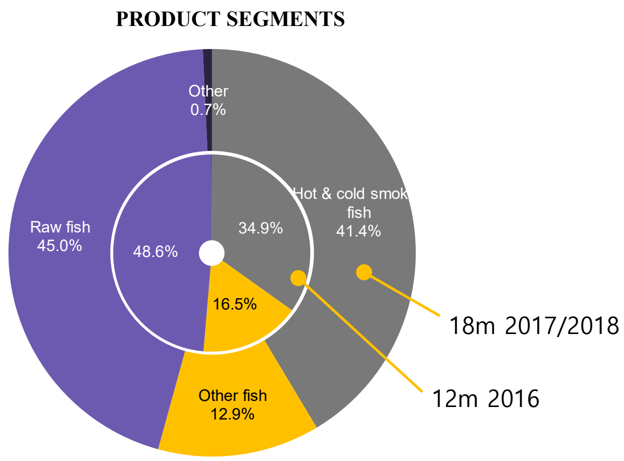
Consolidated revenue of 18 months 2017/2018 amounted to 118.5 million euros, up 2.5 times compared to the previous financial year (12 months 2016: 47.4 million euros). The Group's sales outside Estonia amounted to 111.0 million euros and formed 93.7% of the Group's revenue (12 months 2016: 42.5 million euros and 89.5%, respectively).

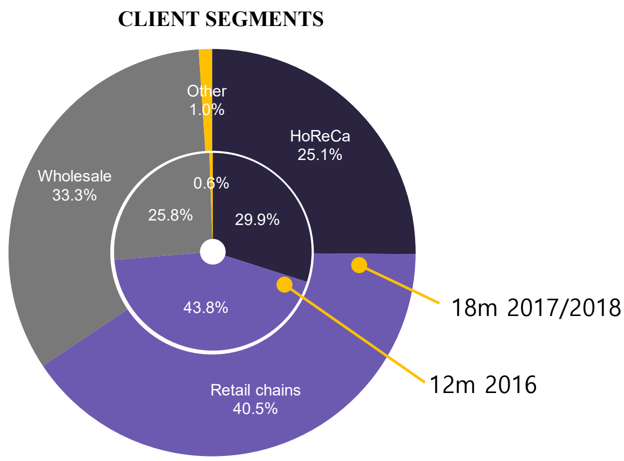






Finnish revenue increased by 47.5 million euros from 39.0 million euros to 86.4 million euros. The share of Finnish revenue amounted to 72.9% of total turnover of the last financial year having decreased by 9.2 percentage points compared to the previous financial year (12 months 2016: 82.1% of revenue). The share of Estonian revenue decreased compared to the financial year of 2016 by 4.2 percentage points forming 6.3% of total revenue while in monetary terms the sales increased to 7.5 million euros (12 months 2016: 5.0 million euros). As a new main market Great Britain showed a revenue of 13.3 million euros accounting for 11.2% of total turnover. The share of other countries increased by 2.1 percentage points and accounted for 9.5% of total turnover in the past financial year (12 months 2016: an increase by 4.9 percentage points, 7.4% of revenue). Latvia accounted for the largest growth amounting to 146.9% i.e. 3.0 million euros (12 months 2016: increase by 150.1%, i.e. 1.3 million euros). The Group's new export markets in the 18 months of 2017/2018 include France where sales amounted to 3.0 million euros, Greece with sales of 0.8 million euros, Sweden with sales of 0.4 million euros and to Italy with sales of 0.4 million euros.



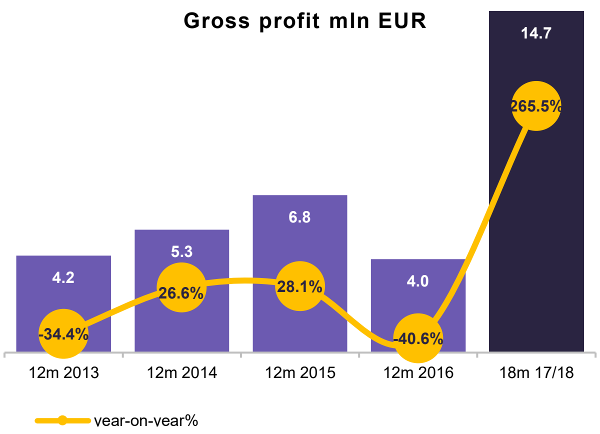


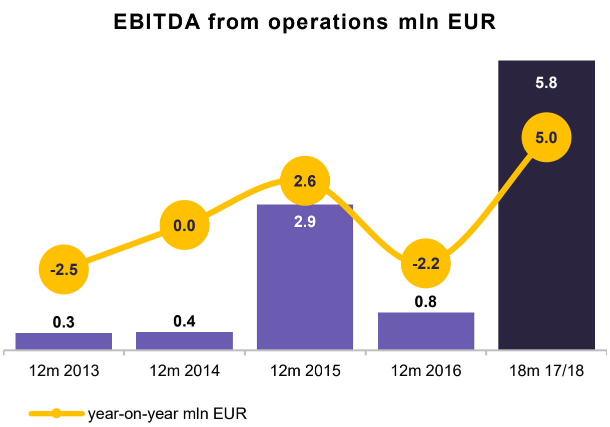
The largest growth in revenue came from smoked products' group with total growth of 32.5 million euros, i.e. up by 196.9% (12 months 2016: a decrease by 2.3 million euros, i.e. down by 12.1%). Revenue increased in the fish and fish fillets product group by 30.3 million euros, up by 131.4% (12 months 2016: an increase by 2.2 million euros, i.e. up by 10.6%). Revenue in other fish products' group increased by 7.4 million euros, up by 94.9% (12 months 2016: a decrease by 2.8 million euros, i.e. down by 26.2%).

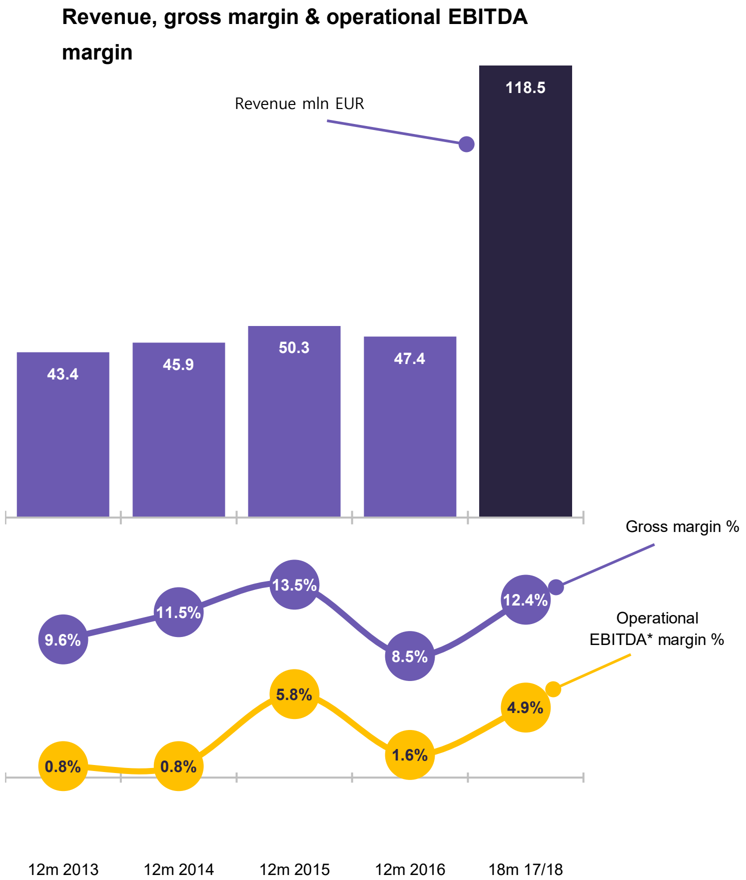
In the client segment the revenue increased in wholesale sector by 27.3 million euros, in retail sector by 27.2 million euros and in HoReCa sector by 15.6 million euros (12 months 2016: an increase by 2.3 million euros, a decrease by 5.6 million euros and an increase by 0.3 million euros, respectively), i.e. the growth rates were 223.5%, 131.2%, and 109.7%, respectively (12 months 2016: up by 23.7%, down by 21.2 % and 2.3%, respectively).

PROFITABILITY

18 months 2017/2018 consolidated gross profit was 14.7 million euros (12 months 2016: 4.0 million euros). EBITDA from operations before one-offs and fair value adjustment on biological assets totalled 5.8 million euros (12 months 2016: 0.8 million euros), up by 5.0 million euros from the previous financial year (12 months 2016: down by 2.2 million euros). EBITDA of the reporting period was 4.2 million euros, up by 1.6 million euros compared to the end of the previous financial year (12 months 2016: EBITDA 2.6 million euros, an increase by 0.6 million euros).

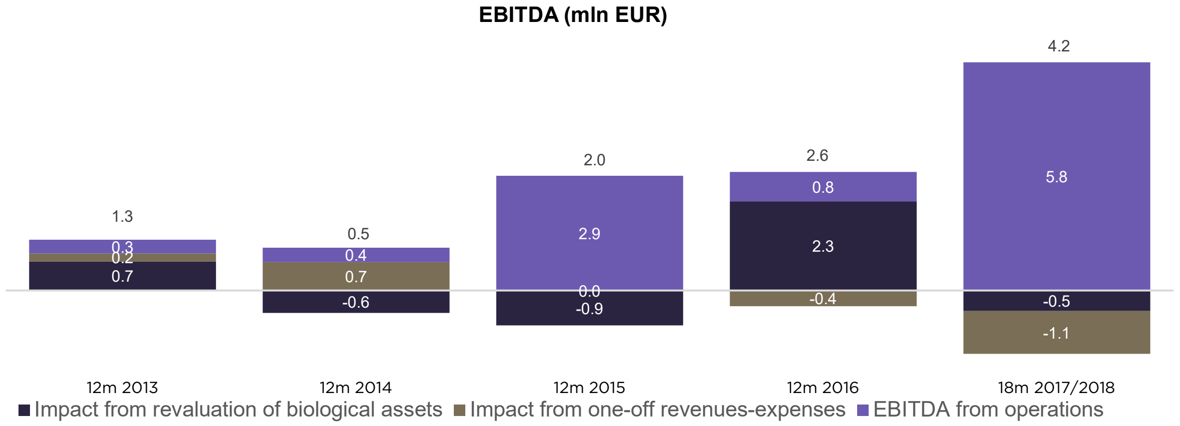




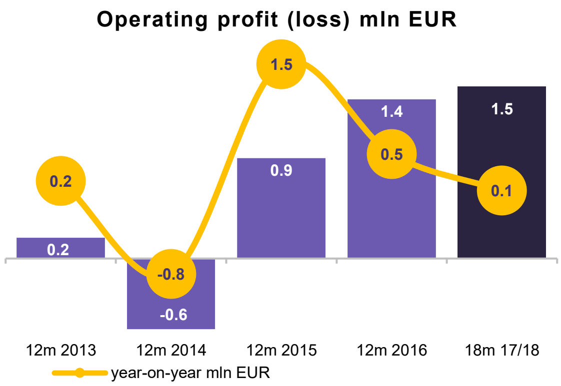


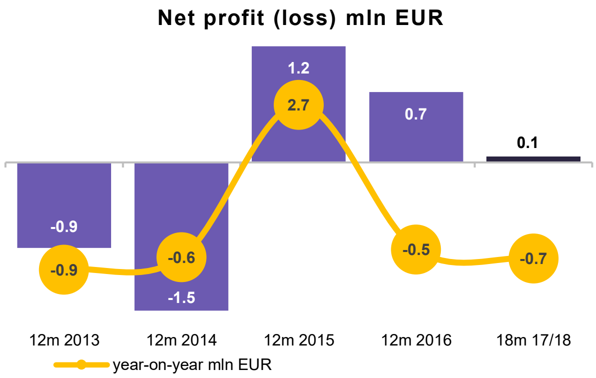
*before one-offs and fair value adjustment on biological assets

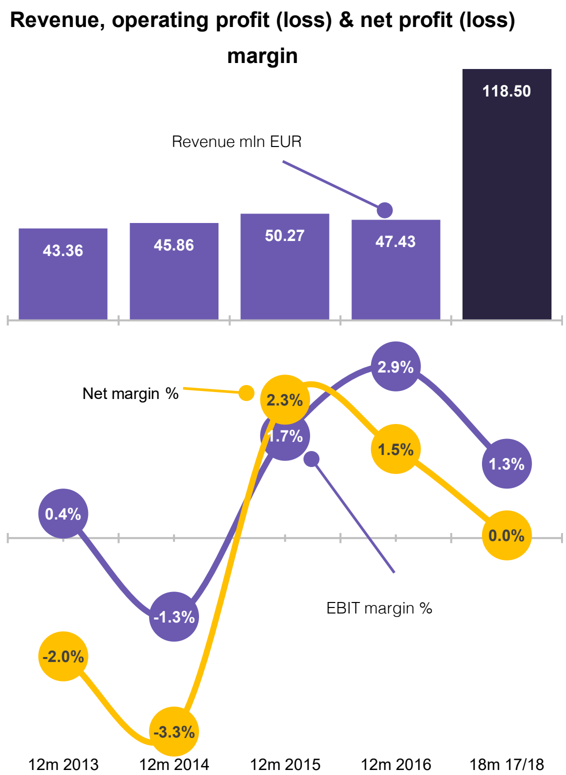
The combined impact of one-off costs on EBITDA, operational profit and net profit was -1.1 million euros (12 months 2016: -0.4 million euros). In the financial year 18 months 2017/2018 the Group had extraordinarily larger one-off costs related to acquisitions of daughter companies and renewal of the Group's brand. PRFoods does not foresee such extraordinary one-off costs during the next financial year.



Operating profit of 18 months 2017/2018 was 1.5 million euros (12 months 2016: 1.4 million euros). Net profit of the financial year was 0.1 million euros (12 months 2016: net profit 0.7 million euros). Operating profit increased compared to the previous financial year by 0.1 million euros (12 months 2016: operating profit increased by +0.5 million euros). Net profit decreased compared to the end of previous financial year by 0.7 million euros (12 months 2016: net profit decreased by 0.5 million euros). Operating profit margin was 1.3% (12 months 2016: 2.9%) and net margin was 0.05% (12 months 2016: 1.5%). Net the one-off costs in 18 months 2017/2018 and 12 months 2016 the increase of operating profit was 0.8 million euros and net profit increased by 0.02 million euros (12 months 2016: an increase of operating profit by 0.9 million euros and a decrease by net profit by 0.1 million euros).







CASH POSITION

At the end of the reporting period, the Group had cash and cash equivalents worth 6.0 million euros (9.1% of the balance sheet volume). As at 31.12.2016, the balance of financial funds were 4.4 million euros (12.5% of the balance sheet volume). The working capital was 2.8 million euros (31.12.2016: 12.4 million euros). The decrease in working capital includes provisions of short-term liabilities of non-controlling interests in the amount of 2.6 million euros and deferred payables for shares of John Ross Jr. (Aberdeen) in amount of 2.1 million euros. Total equity as at 30.06.2018 was 23.3 million euros (35.6% of the balance sheet total). On 31.12.2016 total equity amounted to 23.8 million euros (67.9% of the balance sheet total).

LIQUIDITY AND SOLVENCY RATIOS

Ratio	formula	30.06.2018	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Liquidity ratio	Current assets / Current liabilities	1.1	2.4	3.7	5.6	1.6
Net debt to EBITDA from operations	Net debt/EBITDA from operations	3.1	0.4	-0.2	-7.0	38.0
Debt to Total assets	Debt / Total assets	0.6	0.3	0.2	0.2	0.4
Equity ratio	Equity / Total assets	35.6%	67.9%	78.8%	83.3%	58.4%
Gearing ratio	Net debt / (Equity + Net debt)	43.7%	1.2%	-2.5%	-8.3%	26.1%

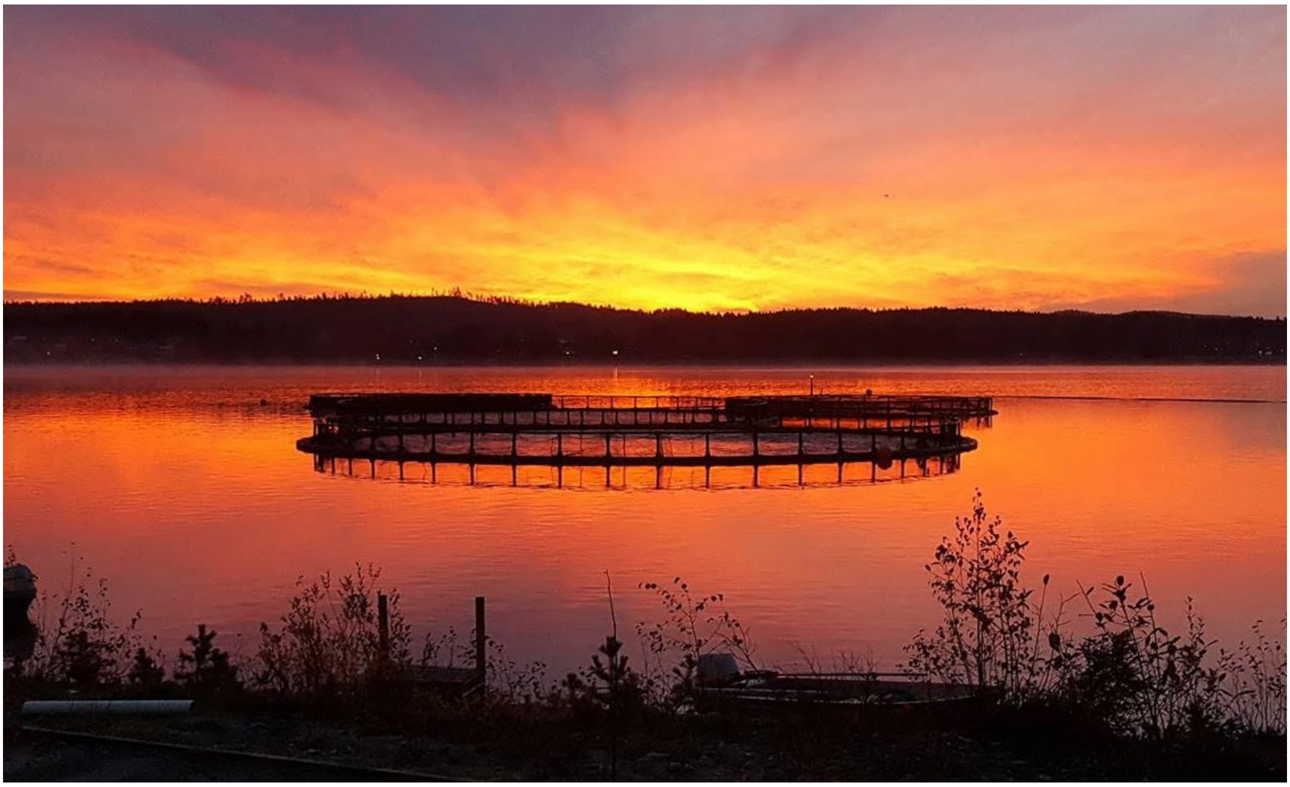
Net debt was positive, totalling 18.1 million euros as of the closing date (31.12.2016: positive 0.3 million euros). Increase in net debt is caused by investment loans for acquiring new subsidiaries. The Group's solvency is continually good and financial risk low. Financial gearing showing net debt ratio to gross capital was 43.7% as at 30.06.2018 (31.12.2016: 1.2%). Net debt to EBITDA from operations' ratio was 3.1 as at 30.06.2018 (31.12.2016: 0.4). Liquidity ratio showing the Group's ability to pay short-term obligations was at 30.06.2018 1.1 (31.12.2016: 2.4). The Group has been able to maintain its financial position ensuring sustainability and helping to adjust more flexibly to complex market conditions.

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 and in the archipelago in Turku area in Finland, ensuring that customers receive fast and high-quality deliveries. The Group mainly harvests rainbow trout and to a lesser extent also European whitefish (*Coregonus lavaretus*).

Vertical integration i.e. integration up- and downwards in the technological chain enables the Group to reduce costs in certain phases of fish harvesting. Also, the vertical integration in the value chain of fish business allows the Group to benefit from enhanced control foremost over fish processing and marketing functions. 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 of required for processing as well as price stability of raw material.

The remaining raw fish, mainly salmon, is purchased from Norway and other Scandinavian countries and Scotland. To a lesser extent, the Group purchases perch, pike-perch, Baltic herring, European whitefish and vendace as the preferred fish species of Finnish consumers. As about 80% of the sales price of fish products is determined by the price of raw fish and inferior quality raw material encompasses higher production costs, securing of high-quality raw fish is one of the key success factors of the Group.



Överumans Fisk AB, a fish farm in Sweden

THE MARKET PRICE OF FISH

The fish industry is extremely dependent on availability and market 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 farms' 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 the supply and demand of fish results in constantly fluctuating market price of raw fish. The Group compensates the impact of external environment and volatility of salmon price through the changes of the Group's production and sales strategy.

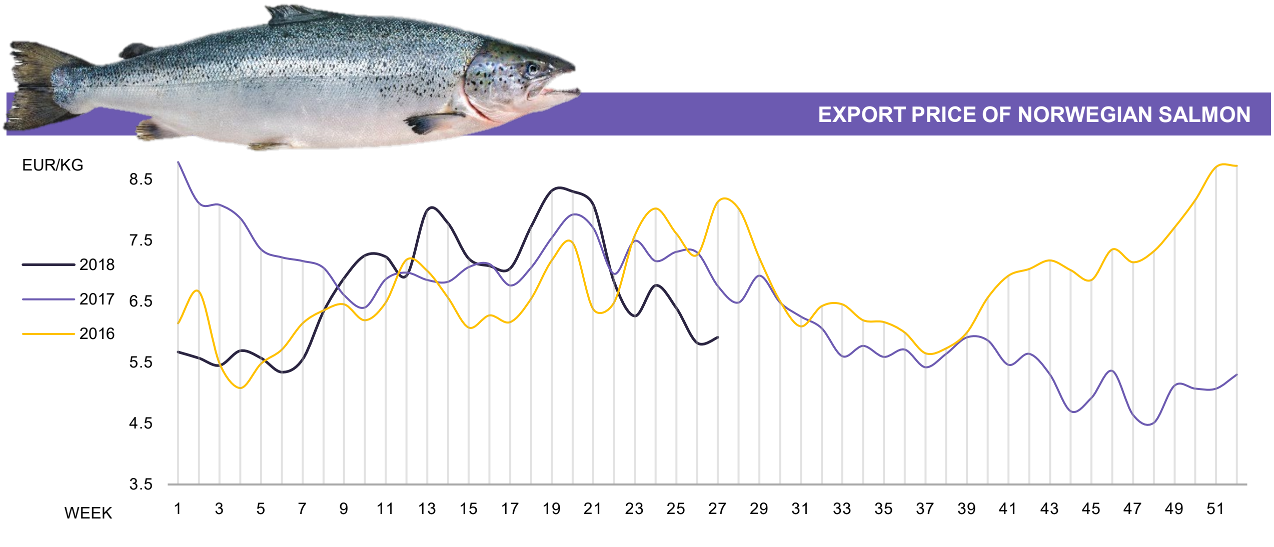
The Group's main product is rainbow trout, which has historically been cheaper than salmon. Consumers start buying cheaper salmon species, including rainbow trout, when the market price of salmon increases. In addition, high quality fish which is produced in its own fish farming helps to mitigate the increase of market price of salmon and because of that it is critically important for the Group to have its own fish farming. The price of rainbow trout during the past two years as a result of increased demand has increased to historically highest levels, surpassing the price of salmon as at compiling the report.

MARKET PRICE			Change		Change
EUR/KG	30.06.2018	31.12.2016	30.06.2018 / 31.12.2016	31.12.2015	30.06.2018 / 31.12.2015
Salmon	5.82	8.72	-33.3%	5.90	-1.4%
Rainbow trout	6.47	7.39	-12.4%	4.44	45.7%

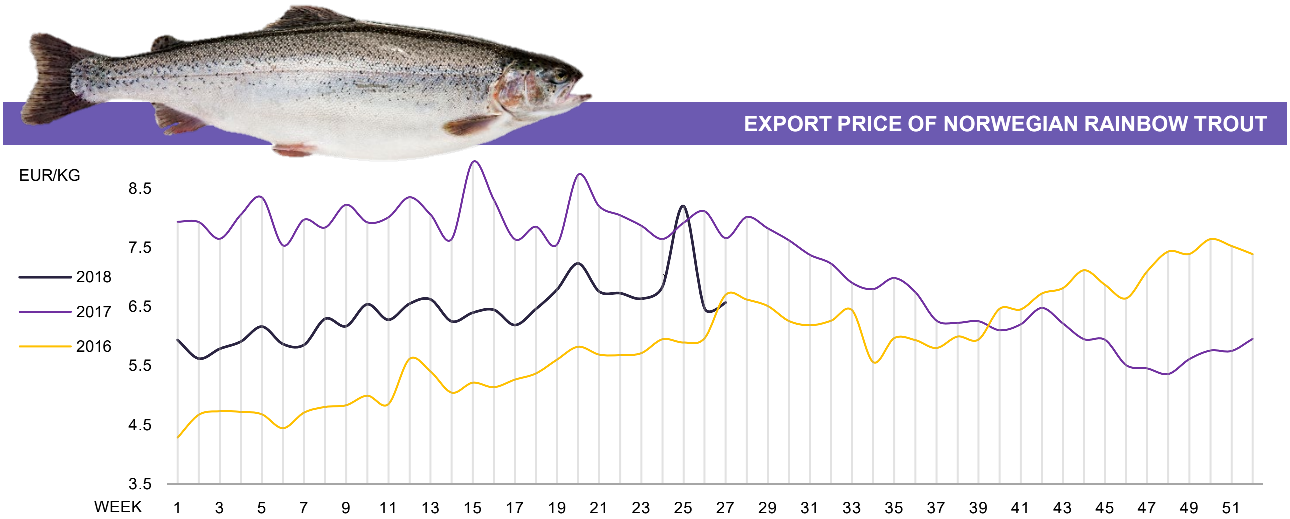
As at 30.06.2018 the price of salmon has decreased by 33.3% compared to 31.12.2016 and the price of rainbow trout by 12.4%.

AVERAGE MARKET PRICE 18 MONTHS			Change		Change
EUR/KG	18m 2017/2018	12m 2016	18m 2017/2018 / 12m 2016	12 m 2015	18m 2017 /2018/ 12m 2015
Salmon	6.40	6.68	-4.2%	4.59	39.4%
Rainbow trout	6.76	5.73	18.0%	4.42	53.0%

The average price of salmon decreased by 4.2% in the financial year 2017/2018 compared to the financial year of 2016 and the average price of rainbow trout increased by 18.0%.



Source: NASDAQ Salmon Index



Source: akvafakta.no

BIOLOGICAL ASSETS

Biological assets comprise of live weight fish stock accounted for in fish farms, including the following species:

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

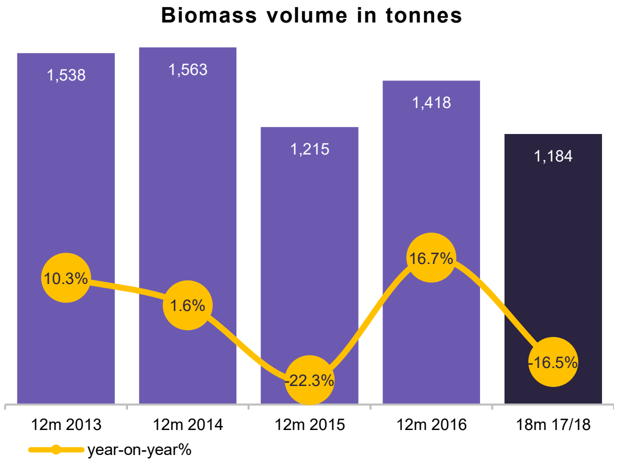
The Group uses the Norwegian export statistics (source: akvafakta.no) to assess the value of rainbow trout's stock. For assessing the value of whitefish stock, the monthly market price survey of the Finnish Fish Farmers' Association is used. When the market price of raw fish increases or decreases, so 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 high price of rainbow trout had a direct impact on the Group`s financial results of 18 months 2017/2018. Although the price of the Norwegian trout has decreased during the second half of 2017 and in the beginning of 2018, it remained very high compared to historical prices.

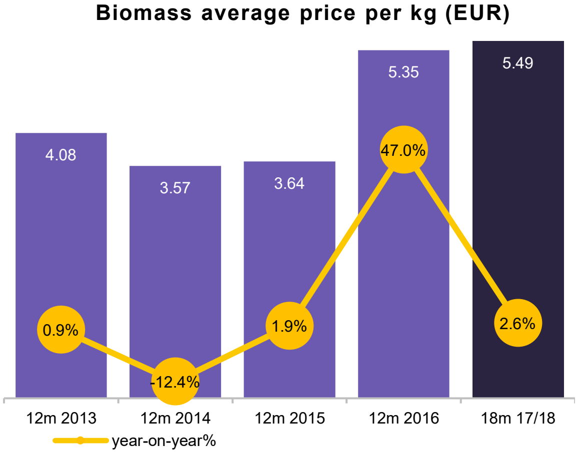
CHANGE IN BIOLOGICAL ASSETS IN TONNES			Change in tonnes	Change %
EUR/KG	18m 20172018	12m 2016	18m 2017/2018 / 12m 2016	18m 2017/2018 / 12m 2016
Biomass at the beginning of the period	1,418	1,215	203	16.7%
Biomass at the end of the period	1,184	1,418	-234	-16.5%
Harvested (in live weight)	-2,959	-2,045	914	44.7%

The growth of biological assets during 18 months 2017/2018 was positive, in total 6.7 million euros (12 months 2016: an increase by 7.9 million euros). The spring and summer of 2017 were unusually cold both in Finland and Sweden and the summer of 2018 untypically warm and therefore has the additional growth of fish been unusually modest. Also, the price of rainbow trout has started to decline being 12.4% lower in 30.06.2018 compared to 31.12.2016.

The fair value of biological assets was 6.5 million euros as at 30.06.2018 (31.12.2016: 7.6 million euros).

BIOMASS VOLUME AND AVERAGE PRICE PER KILOGRAM (EUR)	12m 2013	12m 2014	12m 2015	12m 2016	18m 2017/2018
Biological assets (mln EUR)	6.3	5.6	4.4	7.6	6.5
Biomass volume in tonnes	1,538	1,563	1,215	1,418	1,184
Average price per kg (EUR)	4.08	3.57	3.64	5.35	5.49
Fair value adjustment on biological assets (mln EUR)	+0.74	-0.57	-0.89	+2.26	-0.52

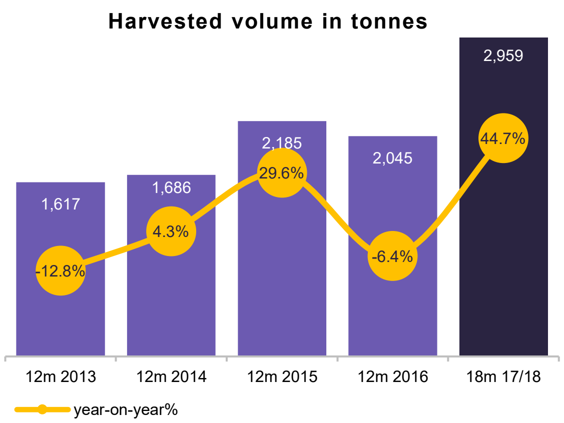


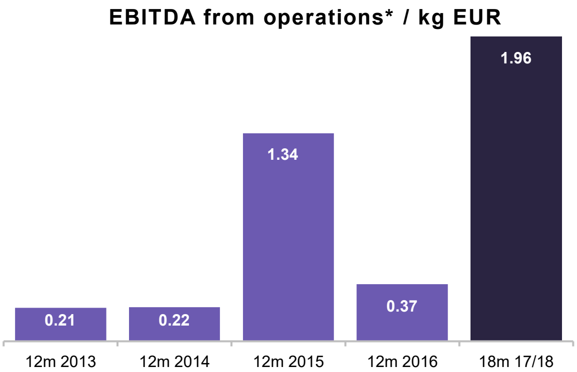


Fish is processed in production plants of Heimon Kala Oy, Trio Trading Ab Oy and Vettel OÜ. The Group's own distribution network in Finland and in Estonia enables it to ensure rapid and quality supplies to our customers. 2,959 tonnes of production was reckoned during 18 months 2017/2018 and 2,045 tonnes during 12 months of 2016.

PRODUCTION VOLUME	12m 2013	12m 2014	12m 2015	12m 2016	18m 2017/2018
Revenue (mln EUR)	43.4	45.9	50.3	47.4	118.5
EBITDA from operations* (mln EUR)	0.3	0.4	2.9	0.8	5.8
Harvested volume (tonnes)	1,617	1,686	2,185	2,045	2,959
EBITDA from operations* / kg (EUR)	0.21	0.22	1.34	0.37	1.96

** before one-offs and fair value adjustment on biological assets*





SEASONALITY OF THE BUSINESS

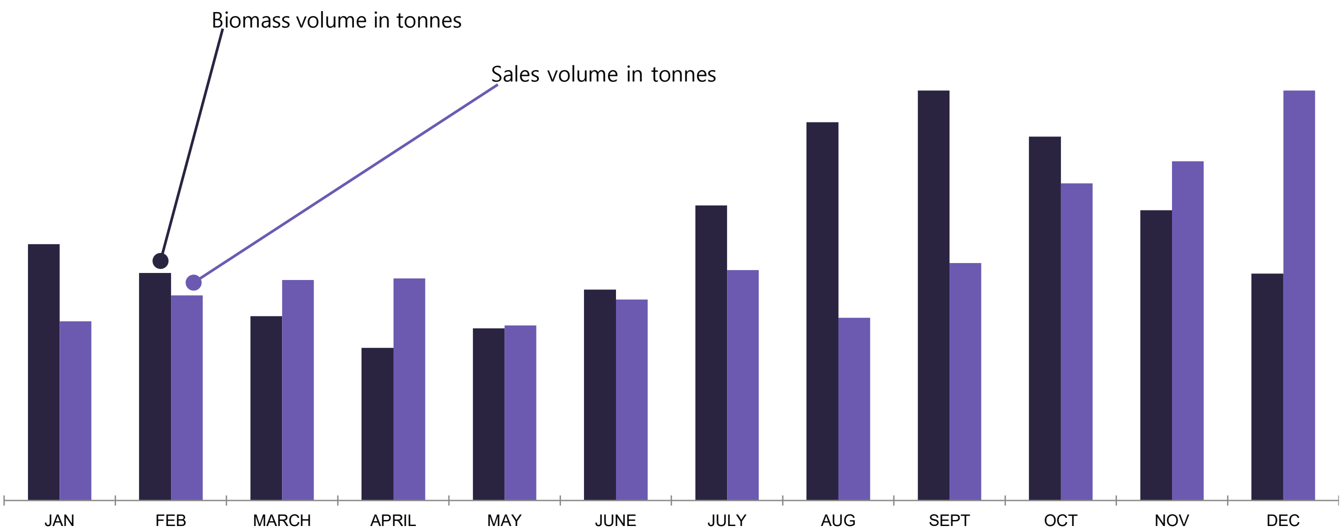
In fish farming, considering the growth of biomass, the low season lasts from November till May and the high season from June to September. Biomass growth is influenced by temperature in seas and lakes. Trout, for instance, grows faster from summer till autumn when the water is warmer. During winter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

The long production cycle and the need to balance the volatility of market prices of raw materials require notably larger investments in net working capital as compared to some other food industry businesses. In the high season of farming, there is a considerable working capital need for purchasing fish feed and livestock. In addition, day-to-day production operations require sufficient stocks. For instance, in autumns when the supply of raw fish exceeds the market demand and the price level is the lowest of the year, companies consider purchasing large quantities of favourably priced raw materials (mainly trout) used in the ongoing production process. In the final third of the year, in the autumn-winter period when producers are selling fish harvested in their fish farms, the cash flow from operating activities is positive. In other words, notable fluctuation of net working capital is an entirely normal phenomenon in the fish business during the year.

In the period when cash flow from operations is negative, the Group pays special attention to cash conversion cycle by optimising the use of current assets. For balancing the cash circulation, the Group uses factoring and, if necessary, takes use of an overdraft facility. The volatility level of current assets depends on the financial year due to the specific features business seasonality and is influenced by several factors incl. high dependence on weather conditions.

SEASONALITY OF THE BUSINESS

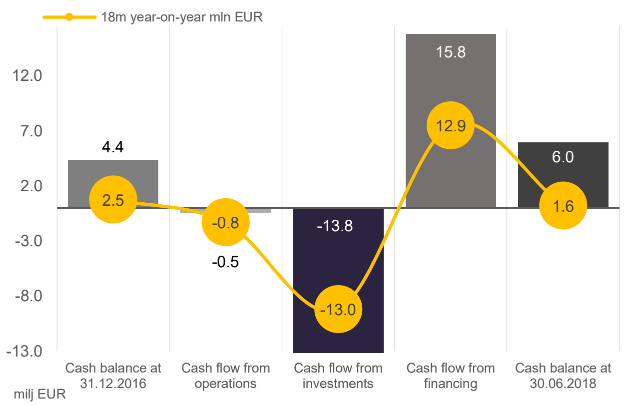
The graph illustrates the seasonal character of the business by months, reflecting the growth of biomass volume in fish farming and sales volume in production.



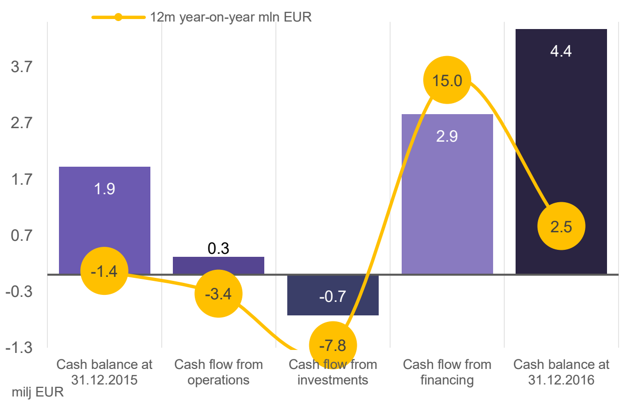
CASH FLOWS

The change in the Group's 18 months 2017/2018 cash position was +1.6 million euros in total (12 months 2016: +2.5 million euros).

CHANGE IN CASH AND CASH EQUIVALENTS 18 MONTHS 2017/2018



CHANGE IN CASH AND CASH EQUIVALENTS 12 MONTHS 2016



Cash flow from operations of 18 months 2017/2018 was -0.5 million euros (12 months 2016: +0.3 million euros), down by 0.8 million euros compared to 31.12.2016. The cash flow from operations was negatively influenced by increase in inventories (impact on cash flow -7.3 million euros) and increase in receivables and prepayments (impact on cash flow -0.6 million euros). The cash flow from operations was positively influenced by increase in payables and prepayments (impact on cash flow +6.0 million euros) and decrease in biological assets (impact on cash flow +1.1 million euros).

Cash flow from investments was -13.8 million euros (12 months 2016: -0.7 million euros). Investments less cash received from daughter companies totalled 13.0 million euros. Payments for non-current assets totalled 1.3 million euros. Grants to projects during the financial year of 18 months 2017/2018 amounted to 0.3 million euros.

Cash flow from financing totalled +15.8 million euros (12 months 2016: +2.9 million euros). The cash flow from financing was influenced by receiving investment loans in the amount of 14.0 million euros and increase of the overdraft facility by 4.7 million euros. During the reporting period the investment loans were paid back in the amount of 1.2 million euros, investment loan and finance lease interests by 0.7 million euros and principal payments of finance lease by 0.6 million euros (12 months 2016: increase in the overdraft facility 3.4 million euros, no investment loans were paid back, and principal payments of financial lease amounted to 0.3 million euros). The remaining share of financing activities comprise of payments for repurchasing own shares, interest payments, and dividends to JRJ&PRF Ltd non-controlling interests.

FISH PRODUCTS

We are determined and passionate about what we do. It is our objective to serve our customers through high-quality and delicious products, offering only the best, most innovative and healthiest choice of food. Being close to consumers, we understand their needs, and by constantly developing our product range focus on offering products of higher added value.

Overview of our product portfolio on the website of Heimon Kala Oy: www.heimonkala.fi, John Ross Jr (Aberdeen) Ltd website: https://www.johnrossjr.com/, Coln Valley Smokery Ltd website: http://www.colnvalley.co.uk/, and Trio Trading Ab Oy website http://fishk.fi/.

Fish and fish products have traditionally been an important part of the diet of Finns. The annual consumption of fish and fish products in Finland is ca 18 kg per capita. Finnish consumers are generally loyal to the established brands and tastes. The Group has proven itself as a reliable partner of Finnish retail chains in producing their *private label* products which account for a significant share of the production.

Fish and fish products have played an important role also in Great Britain. The annual consumption of fish and fish products in Great Britain is ca 8 kg per capita. Both John Ross Jr (Aberdeen) and Coln Valley Smokery are known as premium product providers on local market and abroad. Their brands have been on the market for over 150 years and they use traditional smoke kilns in production process.

The Group offers fresh fish and various fish products to respond to customer demands in terms of taste, convenience and purchasing power.

The most popular products are, among others:

Hot smoked fish (whitefish, rainbow trout, mackerel and salmon);

Cold smoked fish (rainbow trout, salmon, whitefish);

Low-salt fish (rainbow trout, salmon, whitefish).

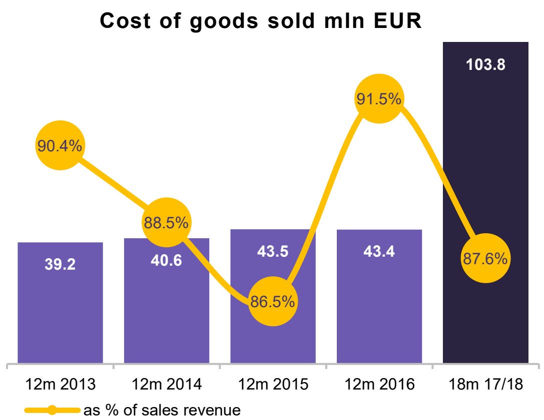
In addition, the product range includes:

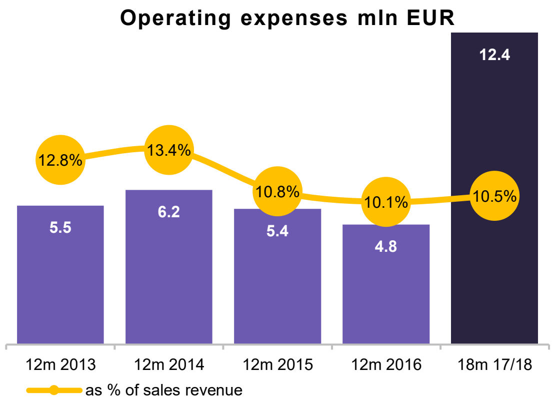
- Fried fish (Baltic herring fillet, salmon balls, fried fish fillets and rainbow trout fillets);
- Grilled fish (salmon);
- Salted fish (herring, Baltic herring);
- Fresh fish (unpacked or in a vacuum package);
- Fish roe and caviar (rainbow trout, salmon, whitefish, vendace);
- Ready-made meals (fishballs,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

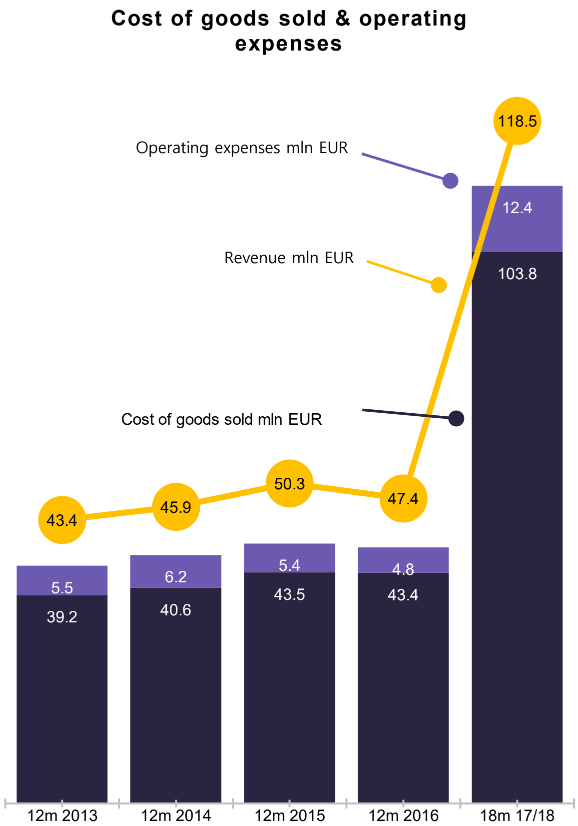
COST ANALYSIS

Sales revenue increased in 18 months 2017/2018 by 71.1 million euros i.e. 2.5 times compared to 12 months 2016. Cost of goods sold (COGS) increased during the same time by 60.4 million euros i.e. 2.4 times, and the share of COGS to total revenue decreased by 3.9 percentage points. The average price of salmon declined by 4.2% over 18 months 2017/2018 compared to 12 months 2016, the average price of trout increased by 18.0%. As the price of raw material is very volatile this year, the Group aims to abandon low-margin products.

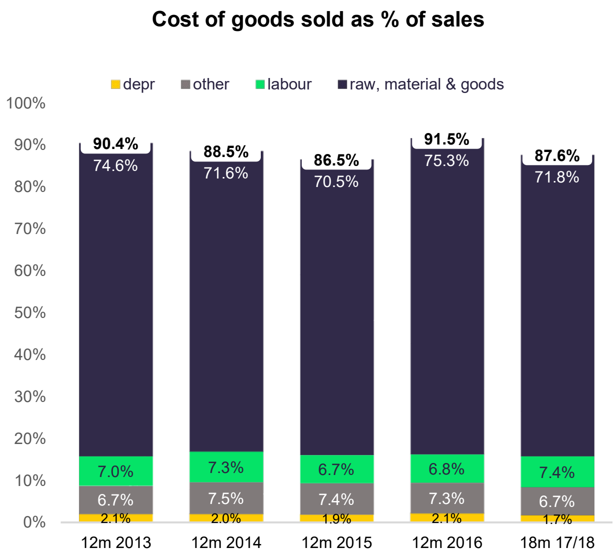
Operating costs increased in 18 months 2017/2018 by 7.6 million euros i.e. 2.6 times compared to 12 months 2016 totalling 12.4 million euros (12 months 2016: 4.8 million euros) and form 10.5% of revenue (12 months 2016: 10.1%).

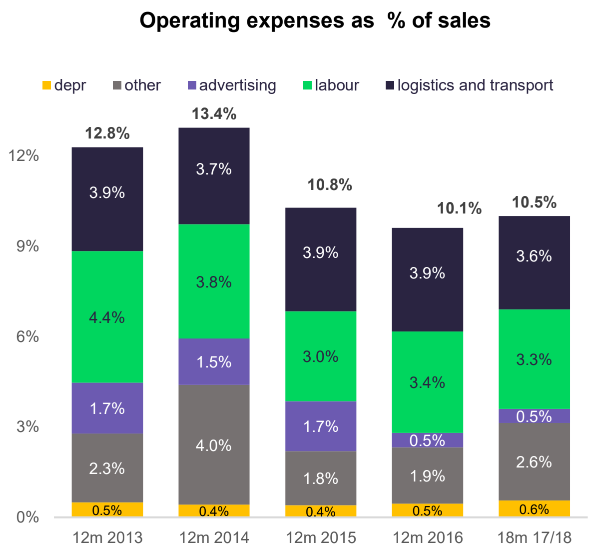






The tables below illustrate costs' structures, COGS and operating costs, as a percentage to sales revenue of a financial year over a five-year period.





COGS accounted for 87.6% of sales revenue of 18 months 2017/2018, down by 3.9 percentage points from 91.5% in 12 months 2016. Operating expenses formed 10.5% of the period's sales revenue - an increase by 0.4 percentage points compared to the previous financial year.

The majority of COGS comprises of costs on raw material and other materials (incl. fish feed, raw fish, packaging) used in the manufacturing process of fish products. These costs amounted to 71.8% of sales in 18 months 2017/2018, down by 3.4 percentage points compared to 12 months 2016. All other COGS items (salaries, amortization, other costs) being relatively stable over time account for about 15-16% of sales. For instance, the share of salaries in production and fish farming in relation to sales ranged during the past five financial years between 6.7-7.5%, being 7.4% in the past financial year (12 months 2016: 6.8%). The share of other costs to sales decreased compared to the previous financial year by 0.6 percentage points levelling at 6.7% (12 months 2016: 7.3%). Other costs comprise of costs on heating, electricity, rent and utility costs as well as auxiliary costs related to fish farming and production. Depreciation costs of non-current assets in relation to sales decreased in comparison to the previous financial year from 2.1% to 1.7%.

The largest cost items among operating expenses during 18 months 2017/2018 were costs to logistics and transportation forming 3.6% of sales (12 months 2016: 3.9%) and payroll expenses forming 3.3% of sales (12 months 2016: 3.4%).

The Group's total payroll expense formed 10.7% of sales in 18 months 2017/2018 (12 months 2016: 10.2%).

BALANCE SHEET ANALYSIS

The consolidated total assets of AS PRFoods were 65.5 million euros as at 30.06.2018 (31.12.2016: 35.1 million euros), an increase by 30.4 million euros, i.e. up by 86.8%, from the end of the previous financial year (12 months 2016: an increase by 5.6 million euros, up by 19.0%). The main source of growth was acquisitions of daughter companies.

The Group's current assets as at 30.06.2018 amounted to 29.8 million euros and the balance of cash and bank accounts was 6.0 million euros (31.12.2016: 21.4 million euros and 4.4 million euros, respectively). Receivables and prepayments increased by 0.7 million euros compared to 31.12.2016 (12 months 2016: an increase by 0.4 million euros) totalling 4.7 million euros (31.12.2016: 4.1 million euros).

Inventories were 12.7 million euros (31.12.2016: 5.4 million euros), having increased from the end of the previous financial year by 7.3 million euros (12 months 2016: a decrease by 0.2 million euros).

Biological assets amounted to 6.5 million euros as at 30.06.2018 (31.12.2016: 7.6 million euros), down by 1.1 million euros compared to the end of the previous financial year (12 months 2016: an increase by 3.2 million euros). Biomass volume was 1,184 tonnes as at 30.0.6.2018 (31.12.2016: 1,418 tonnes), down by 234 tonnes compared to the end of the previous financial year (12 months 2016: an increase by 203 tonnes).

Accounts payable and prepayments amounted to 14.3 million euros as at 30.06.2018 (31.12.2016: 5.1 million euros), up by 9.1 million euros compared to the end of the previous financial year (12 months 2016: up by 1.4 million euros). Trade payables increased by 2.3 million euros (12 months 2016: an increase by 1.6 million euros). Short-term loans and borrowings include deferred payments for John Ross Jr. (Aberdeen) shares in the amount of 2.1 million euros (31.12.2016: nil) and an obligation to purchase non-controlling interests in the amount of 2.6 million euros. (31.12.2016: nil). The management of the Group assesses the likelihood of purchasing the non-controlling interests as unlikely.

Short-term loans and borrowings increased by 8.8 million euros (12 months 2016: an increase by 3.4 million euros) totalling 12.6 million euros on 30.06.2018 (31.12.2016: 3.7 million euros). The increase was caused by increased use of overdraft facility by 4.7 million euros (12 months 2016: an increase by 3.4 million euros) and by short-term portion of investment loans in the amount of 4.1 million euros (12 months 2016: nil).

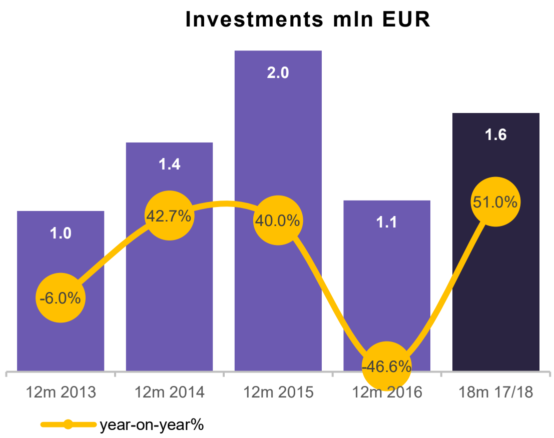
Long-term obligations amounted to 15.2 million euros as at 30.06.2018 (31.12.2016: 2.2 million euros), up by 13.0 million euros (12 months 2016: an increase by 0.2 million euros). Long-term investment loans totalled 10.3 million euros as at 30.06.2018 (31.12.2016: nil).

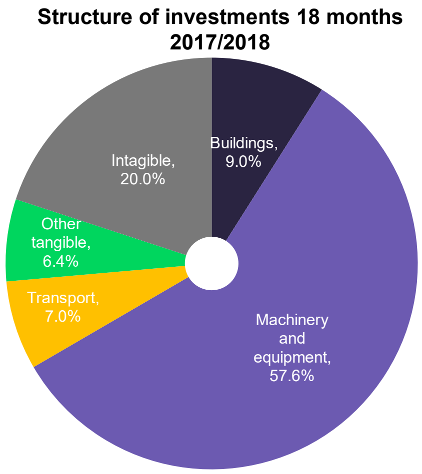
PRFoods equity totalled 23.3 million euros as at 30.06.2018 (35.6% of balance sheet total). Comparable data from 31.12.2016: 23.8 million euros (67.9% of balance sheet total).

The registered share capital of the Group was 7.7 million euros as at 30.06.2018 (31.12.2016: 7.7 million euros). On annual general meeting held on 30.05.2017, the shareholders resolved to allocate 36 thousand euros out of 12 months' 2016 profit to reserves and not to distribute the remaining profit.

INVESTMENTS

AS PRFoods' investments into tangible and intangible assets during the 18 months 2017/2018 amounted to 1.6 million euros (12 months 2016: 1.1 million euros).





The Group continues to invest in 2018/2019 financial year into production equipment and software to make its production process more efficient. The planned investments include investments in Renko's (Finland) salting machine, freezers and roe processing equipment. In Saaremaa (Estonia), the plans include investments into packaging line equipment as well as into improvements of production software. Investments in Aberdeen (Scotland) foresee updating production equipment. In addition, smaller investments are planned to upkeep the existing equipment. Majority of the investments in fish farming are related to the acquired abroad and the planned-to-be fish farms in Estonia.

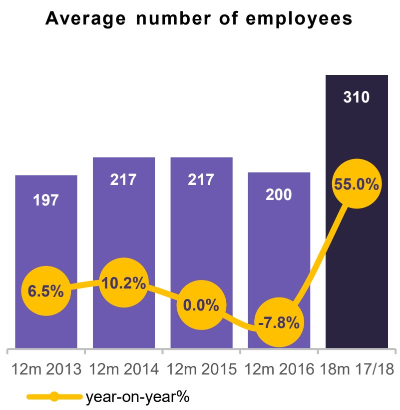
Truck filled with production on its way from Saaremaa, Estonia to Finland

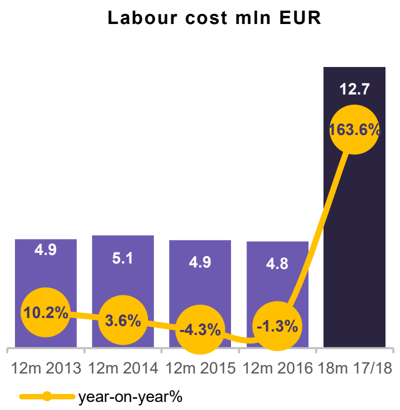
TEAM

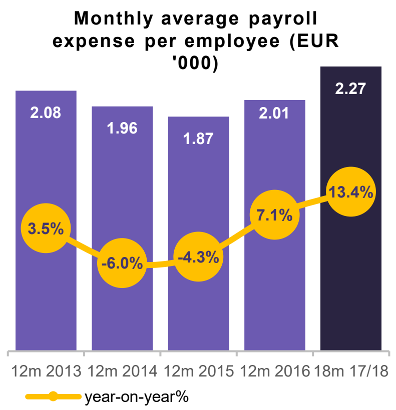
Diversity of the living environment and growing mobility enables us to increasingly choose our place of residence and work. Thanks to the Scandinavian agricultural policy and purposeful and environmentally conscious use of natural resources, rural enterprise is viable and sustainable. We are competitive in the joint European economic area, and we are able to provide healthy domestic food to the local population as well as be successful in foreign markets.

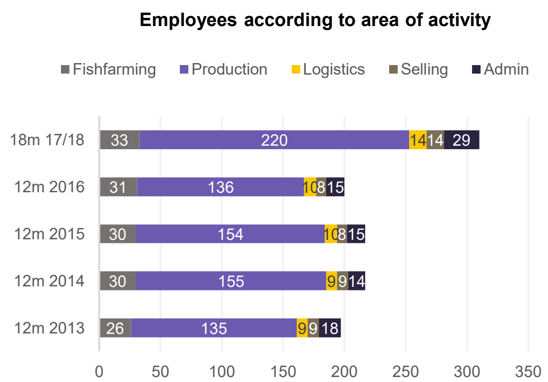
> Fishing industry – it is much more than just work, it's a lifestyle.
>
> For us, every employee is important.

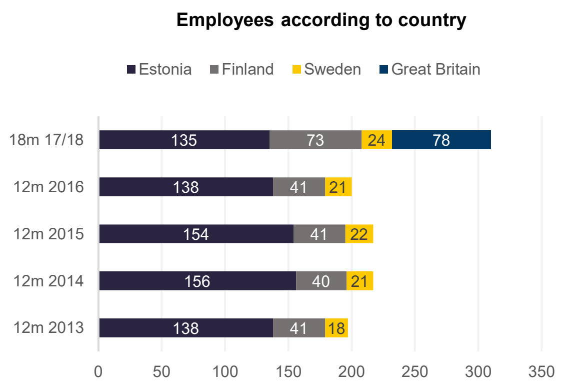
The average number of employees during the past financial year was 310 compared to the 12 months 2016 average of 200. As at the end of the financial year the Group had 377 employees. The increase in the number of employees and payroll expenses is due to the acquisitions of daughter companies in the past financial year. The payroll expenses of the Group increased from 4.8 million euros during 12 months 2016 to 12.7 million euros in 18 months 2017/2018. The labour costs in production were 8.8 million euros (12 months 2016: 3.2 million euros), up by 2.7 times compared to 12 months 2016. The labour costs of support personnel during the reporting period were 3.9 million euros, up 2.5 times compared to 12 months 2016 (12 months 2016: 1.6 million euros).











ENVIRONMENTAL RESPONSIBILITY

The Group owns fish farms in Sweden and in Finland, 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.

In the past financial year, the Group's investments totalled 1.6 million euros. We invested in improving energy efficiency of fish production facility in Renko, Finland and installed solar panel system. Investments are also made into production equipment to improve usage of resources. During 12 months of 2016 investments into the equipment of Finnish and Swedish fish farms totalled 0.3 million euros. In 2015, we invested in the wastewater treatment plant of the slaughterhouse of our fish farm in Finland as it had problems with nitrogen. After increasing the capacity of the treatment plant, the cleaning efficiency of all emissions was 96-100%. In connection with an export project of fish roe to Japan, we needed more fresh water for processing the fish roe that is now produced with the reverse osmosis method from seawater in order to reduce the burden on the local borewell.

As an international fish producer, the Group continues to reduce the influence of its activities on the environment also in the coming years.

SOCIAL RESPONSIBILITY

We are responsible for our decisions and activities that influence our employees and, through them, local communities, cooperation partners, environment and on the society at large. As a company that harvests and produces fish, the sea is not only the main lifeline of our business, but also plays an important part in promoting cultural quality of life. In order to share and give back to the society, we sponsor yachting regattas of tall ships. We support, as much as possible, the continued development of Estonia as a yachting and maritime nation and the restoration of seagoing traditions that have developed impressively even in spite of the 50-year pause. Being one of the sponsors of regattas is important for us, because it is linked to both Estonia and Finland - our two main markets - both of which have long seagoing traditions. In 2016, we sponsored Moonsund Regatta and Helsinki-Tallinn Race. In the route of Moonsund Regatta that included Saaremaa, a very important community for us, we raced ourselves as part of the amateur team of Yacht Reval Café Elisa Sailing Team. Helsinki-Tallinn Race is Estonia’s and Finland’s largest regatta of tall ships with night-time yachting.


Moonsund Regatta

Since ice hockey is definitely the most popular sports in Finland, supporting the home team is a matter of pride for local enterprises. Heimon Kala Oy continued its long-term cooperation with the Hämeenlinna ice hockey team and the Hämeenlinna ice hockey arena. In Finland, the Heimon Kala production facility has its own team and organises friendly matches with cooperation partners.


Exhibition game in Hämeenlinna ice arena

We support and contribute to organising sports and cultural events in Finland, Estonia and Sweden, the countries where the Group’s companies operate. PRFoods values highly the cultural life and events in the neighbourhood of its employees and continues the contribution also in the future.

HEATEO MÕJUFOND

Heateo Mõjufond – The Good Deed Foundation – investing in influential societal initiatives is the first philanthropy fund in Estonia. Contributors to the fund are both private persons and companies who care for Estonia. Within 3 years, we aim to soar high 4-6 initiatives that solve acute problems in the Estonian society – from education, social inequality, public health to environment.

SHAREHOLDER INFORMATION

Ordinary General Meeting of Shareholders

Ordinary general meeting of shareholders of AS PRFoods will be held on 30 November 2018 starting at 11:00 at the conference room "Beta" of hotel Radisson Blu Hotel Olümpia Tallinn (address: Liivalaia 33, Tallinn, Estonia). As part of our policy of transparent activities, we will broadcast the general meeting of shareholders online. The meeting will be chaired by the chairman of the management board of AS PRFoods Indrek Kasela who will also distribute information about the issues on the agenda of the general meeting of shareholders. For technical reasons, the participants in the online broadcast cannot execute their shareholders' rights (voting). The online broadcast will be recorded and published at the Group's website www.prfoods.ee.

Consolidated financial results will be published in financial year 2018/2019 as follows:

2018 week 46	2018/2019 financial year unaudited results of 1st quarter and 3 months
2019 week 8	2018/2019 financial year unaudited results of 2nd quarter and 6 months
2019 week 20	2018/2019 financial year unaudited results of 3rd quarter and 9 months
2019 week 34	2018/2019 financial year unaudited results of 4st quarter and 9 months
2019 week 43	2018/2019 financial year audited results of 12 months

In addition to quarterly reports, the Group publishes monthly it's sales revenue.

All notices are published in Estonian and English, and after they are made available in the information system of the stock exchange, will be made available also on the Group's website www.prfoods.ee. In order to receive the notices published by AS PRFoods the form on the Group's website shall be filled in.

MANAGEMENT AND SUPERVISORY BOARD

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 management board shall consist of one to four members pursuant to the articles of association of the company.

Indrek Kasela (born 1971), who holds LL.M (Master of Laws) degree from New York University (1996), BA degree in law from the University of Tartu (1994) and serves as a member of management board of several Group entities, such as Saaremere Kala AS and Vettel OÜ. He serves also as supervisory board member of AS Toode, ELKE Grupi AS, ELKO Grupa AS, Salva Kindlustuse AS, AS Ridge Capital, AS Ekspress Grupp, Elering AS, Tulundusühistu Tuleva and a management board member of OÜ Transtech Service, Lindermann, Birnbaum & Kasela OÜ, ManageTrade OÜ, Noblessneri Jahtklubi OÜ, KellyBar OÜ, Gridio OÜ and Fine, Wood and Company OÜ, as well as board member of several companies and NPOs domiciled in the Baltic States and Russian Federation.

The **Supervisory Board of AS PRFoods** is currently comprised of six members. It is chaired by **Lauri Kustaa Äimä**, and the members are **Aavo Kokk**, **Harvey Sawikin**, **Vesa Jaakko Karo**, **Arko Kadajane** and **Kuldar Leis**.

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 management board. According to the articles of association of AS PRFoods, the supervisory board has three to seven members elected by the general meeting of shareholders for the term of three years.

Lauri Kustaa Äimä (born 1971) holds a Master's degree in Economics from the University of Helsinki. He has been a member of the supervisory board of the company since its foundation. Lauri Kustaa Äimä is the managing director and founding shareholder of Kaima Capital Oy. He serves as a board member of AS Tallink Group, Salva Kindlustuse AS, AS Baltika and ManageTrade OÜ as well as the Lithuanian companies AB Baltic Mill, UAB Malsena Plius and Latvian companies BAN Insurance, JSC Rigas Dzirnavnieks, and also in several investment companies and funds domiciled in Finland, England, Netherlands, Slovenia and Luxembourg.

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 currently the manager and partner of the investment consultation company Catella Corporate Finance (Estonia) and a member of management boards of OÜ Synd&Katts and Raldon Kinnisvarahalduse OÜ as well as a member of the supervisory boards of AS Audentes, AS Lemeks and Creative Union AS.

Harvey Sawikin (born 1960) holds degrees from the Columbia University and Harvard Law School and has been a member of the supervisory board of the company since May 2009. Harvey Sawikin is currently a lead manager of Firebird Fund, Firebird New Russia Fund, Firebird Mongolia GP LLC, Firebird Republics Fund and Firebird Avrora Fund. He is a member of the New York State Bar.

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

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

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

As at 30.06.2018, the members of management and supervisory board and persons/companies related to them hold the shares of AS PRFoods as indicated below:

Shareholder	30.06.2018 number of shares	ownership interest
Chairman of the supervisory board until 02.02.2015, member of the management board from 02.02.2015 – Indrek Kasela	1,564,553	4.04%
Member of the supervisory board – Kuldar Leis	1,302,166	3.37%
Member of the supervisory board, chairman of the supervisory board from 02.02.2015 – 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	no shares	-
Member of the supervisory board – Aavo Kokk	no shares	-
Total number of shares owned by the members of the supervisory and management board	3,090,647	7.99%

SHARE AND SHAREHOLDERS

The registered share capital of the company is 7,736,572 euros which is divided to 38,682,860 ordinary shares without nominal value with accountable value of 0.20 euros per share (nominal value of a share was 10.0 Estonian kroons until 13 April 2011, 0.60 euros till 3 September 2012, and 0.50 euros till 2 October 2015). All shares are freely transferable, of the same kind and have equal voting and dividend rights.

AS PRFoods shares are listed in the main list of NASDAQ Tallinn Stock Exchange since 5 May 2010. PRFoods shares do not have an official market maker. AS PRFoods has conducted trades with own shares, see Note 18.

ISIN	EE3100101031	Issued shares	38,682,860
Symbol of share	PRF1T	Listed shares	38,682,860
Market	BALTIC MAIN LIST	Listing date	05.05.2010
Nominal value	0 EUR	Minimum quantity of tradable securities	1 share

THE PRFOODS SHARE IS PART OF THE FOLLOWING MAIN INDICES:

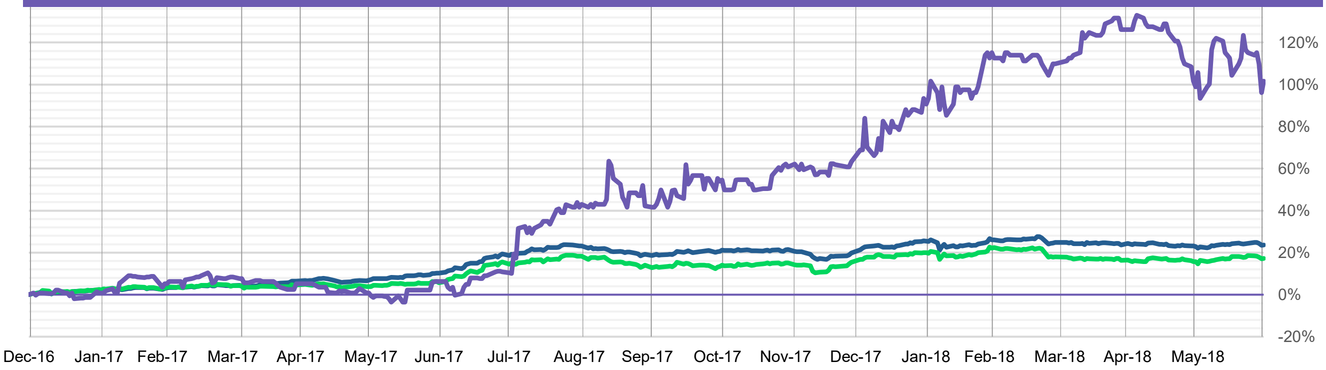
Index	Description	Type	Short name
OMX Tallinn GI	OMX Tallinn All-Share index	Gross index	OMXT
OMX Baltic Benchmark GI	OMX Baltic All-Share index	Gross index	OMXBBGI

The Nordic and Baltic markets use a common classification of indices. It includes All-Share, Tradable, Benchmark and Sector indices. The indices are calculated in euros as gross (GI) indices. All indices are chain-linked, meaning that they are calculated based on the price level of the previous trading day. All Baltic indices, except sector indices have base values of 100 and the base date is 31.12.1999. The base date of the Tallinn All-Share index is 03.06.1996. The composition of the tradable and benchmark indices is revised twice a year based on the trading activity of the shares.

THE CHANGE OF PRFOODS SHARE AND INDEXES BETWEEN 31.12.2016 AND 30.06.2018:

Index / Equity	31.12.2016	30.06.2018	change %
OMX Baltic Benchmark GI	788.17 EUR	974.87 EUR	23.69%
OMX Tallinn GI	1,075.50 EUR	1,261.6 EUR	17.30%
PRF1T	0.367 EUR	0.740 EUR	101.63%

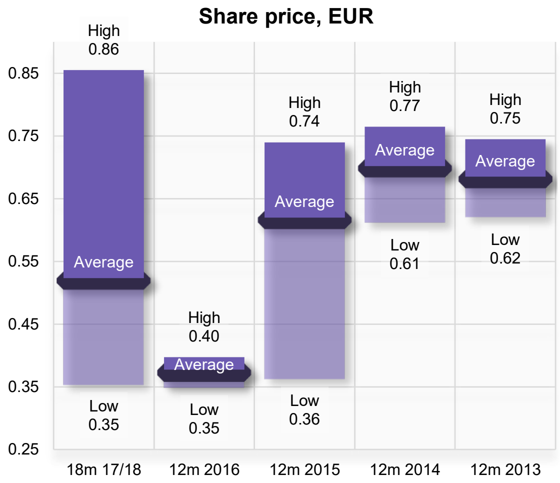
THE CHANGE OF PRFOODS SHARE AND INDEXES FROM 01.01.2017



Baltic comparison index increased +23.69% during the period, Tallinn Stock Exchange All-Share index increased +17.30% and PRFoods share price increased +101.63%.

TRADING HISTORY

Price (EUR)	18m 17/18	12m 2016	12m 2015	12m 2014	12m 2013
Open	0.372	0.390	0.670	0.710	0.640
High	0.855	0.397	0.740	0.765	0.745
Low	0.354	0.349	0.363	0.611	0.620
Last	0.740	0.367	0.390	0.670	0.700
Traded volume, thousand	5,812	2,429	1,896	1,891	1,732
Turnover, million	3.02	0.91	1.17	1.32	1.18
Market capitalization, million	28.63	14.20	15.09	25.92	27.08



There were 3,114 trades conducted with PRFoods' shares between 01.01.2017 and 30.06.2018. Volume of the trades amounted to 5.81 million shares, i.e. 15.0% of all shares and turnover was 3.02 million euros. During the previous financial year i.e. over 12 months 2016 1,135 trades in total were conducted on the stock exchange, with 2.43 million shares changing hands i.e. 6.3% of all shareholders. Turnover of the period was 0.91 million euros.

The highest trading price during the past financial year was 0.855 euros per share and the lowest 0.354 euros per share (12 months 2016: highest price was 0.397 and the lowest 0.349 euros per share).

The closing price as at 30.06.2018 was 0.740 euros per share (31.12.2016: 0.367 euros per share). Market capitalisation of PRFoods as at 30.06.2018 was 28.63 million euros, up by +101.6% compared to 31.12.2016 (31.12.2016: 14.20 million euros).

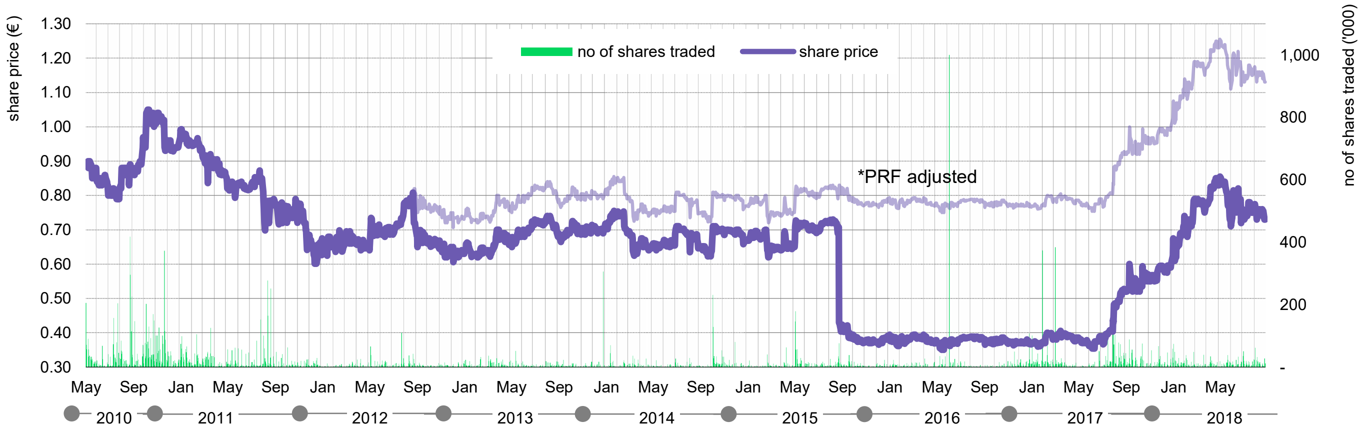
MARKET RATIOS

Ratios	formula	30.06.2018*	31.12.2016	31.12.2015	31.12.2014	31.12.2013
EV/Sales	(Market Value + Net Debt) / Sales	0.492	0.305	0.289	0.509	0.929
EV/EBITDA from operations	(Market Value+ Net Debt) / EBITDA from operations	7.838	19.253	4.971	63.308	115.951
EV/EBITDA	(Market Value+ Net Debt) / EBITDA	10.588	5.541	7.143	44.972	31.216
Price/EBITDA from operations	Market Value/ EBITDA from operations	4.803	18.878	5.167	70.298	77.968
Price/EBITDA	Market Value/ EBITDA	6.488	5.433	8.017	49.937	20.991
Price-to-Earnings	Market Value/ Net profit (-loss)	28,654	19.855	12.796	neg	neg
Price-to-Book	Market Value/ Equity	1.228	0.596	0.650	0.770	0.726

*Market Cap, Net Debt and Equity as of 30.06.2018

*Sales, EBITDA and Net Profit (-Loss) for the trailing 12 months period

THE DYNAMICS OF THE SHARE PRICE OF PRFOODS (EUR) AND THE VOLUME OF TRANSACTIONS (NUMBER OF SHARES TRADED) DURING THE PERIOD FROM 5 MAY 2010 TO 30 JUNE 2018:



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

PRFoods has twice reduced the nominal value of shares with making payments to shareholders:

- The general meeting of shareholders held on 29 May 2012 resolved to reduce the nominal value of a share of 60 euro cents by 10 euro cents. NASDAQ stock exchange adopted the new nominal of 50 euro cents per share from 29 August 2012. The new nominal value was registered with the commercial registry on 3 September 2012 and the shareholders received the payment of 10 euro cents per share on 20 December 2012.

- The general meeting of shareholders held on 28 May 2015 resolved to reduce the nominal value of a share of 50 euro cents by 30 euro cents. NASDAQ stock exchange adopted the new nominal of 20 euro cents per share from 27 August 2015. The new nominal value was registered with the commercial registry on 2 October 2015 and the shareholders received the payment 30 euro cents per share on 4 January 2016.

The general meeting of shareholders from 26 May 2016 resolved to adopt shares without nominal value and on 30 June 2016 the commercial registry registered the shares without nominal value.

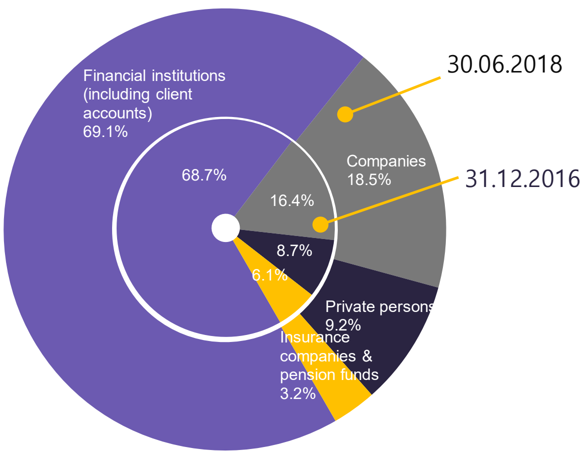
As of the date of compiling the report, AS PRFoods has since the listing of its shares on the stock exchange paid to shareholders a total of 16.9 million euros in the form of dividends and in connection with share capital reductions.

The reason for the reduction of the share capital was to correct the capital structure of AS PRFoods, enabling it to balance the company's debt to equity ratio and to bring the return on equity and other ratios of AS PRFoods to a more adequate level.

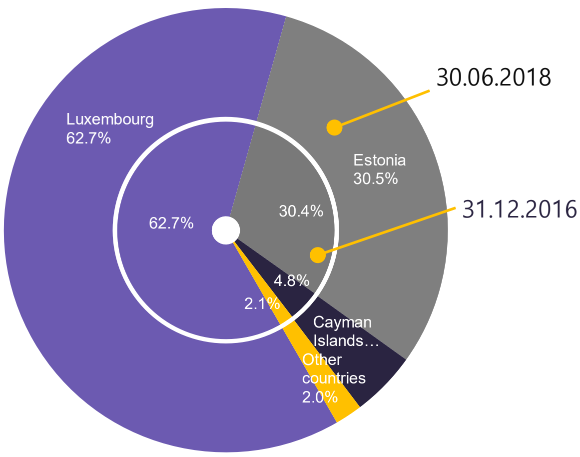
SHAREHOLDERS' STRUCTURE

SHAREHOLDERS AS AT 30.06.2018				1,453 SHAREHOLDERS
	Number of shares	% of total 30.06.2018	% of total 31.12.2016	Change
ING Luxembourg S.A. (Nominee account)	24,258,366	62.71%	62.71%	-
Lindermann, Birnbaum & Kasela OÜ	1,564,553	4.04%	2.69%	+522,730
OÜ Rododendron	1,298,705	3.36%	3.36%	-
Ambient Sound Investments OÜ	1,239,116	3.20%	3.20%	-
Firebird Republics Fund Ltd.	1,195,270	3.09%	3.09%	-
Compensa Life Vienna Insurance Group SE	750,470	1.94%	1.92%	+7,412
Firebird Avrora Fund, Ltd.	648,220	1.68%	1.68%	-
OÜ Iskra Investeeringud	386,874	1.00%	0.05%	+369,155
LHV Pensionifond L	314,303	0.81%	2.73%	-741,560
Total largest shareholders	31,655,877	81.83%	81.43%	+157,737
Other shareholders	6,026,983	15.58%	16.88%	-504,555
Treasury shares	1,000,000	2.59%	1.69%	+346,818
Total	38,682,860	100.00%	100.00%	-

SHAREHOLDER STRUCTURE PER INVESTOR TYPE



SHAREHOLDER STRUCTURE PER RESIDENCY



THE DIVISION OF SHAREHOLDERS ACCORDING TO NUMBER OF ACQUIRED SHARES

Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of shares
1 … 1,000	706	48.6%	336,185	0.9%
1,001 … 10,000	623	42.9%	2,022,501	5.2%
10,001 … 50,000	100	6.9%	2,134,151	5.5%
50,001 … 100,000	8	0.6%	618,309	1.6%
More than 100,000	16	1.1%	33,571,714	86.6%
Total	1,453	100.0%	38,682,860	100.0%

REPORT ON GOOD CORPORATE GOVERNANCE

AS PRFoods organises its business activities on the basis of its articles of association and national legal norms, and as a public enterprise on the requirements of the Tallinn Stock Exchange, Corporate Governance Recommendations (CGR) 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 in the composition of their annual report describing the principles of CGR which are not complied with accompanied by an explanation for such a deviation. The report below outlines the principles of CGR not fully adopted by PRFoods and the reasons thereof. In addition, the report provides information on general meetings, the Group's supervisory board and management board and management principles of AS PRFoods.

Participation in a General Meeting via Means of Communication Equipment

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

Responsibility Areas of Management Board Members

The responsibility areas of the management board members are approved by the management or supervisory board. The chairman of the supervisory board concludes a contract of service with a member of the board for discharge of their functions. The company's management board has one member who performs the duties of the managing director and is responsible for the functioning of the company's strategic areas, including integration of internal control and management processes with the company's accounting procedures, both daily and periodical. The chairman of the supervisory board has signed a contract of service with the member of the management board.

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 website 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 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. The chairman of the management board is entitled to receive a severance fee of up to 6 months remuneration of the member of the management board.

Significant Transaction of a Management Board Member with the Issuer

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

Control Executed by the Supervisory Board over Activities of the Manager and the Issuer

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

Disclosure of Remuneration to Members of Supervisory Board

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

Attendance at Supervisory Board Meetings by the Members of Supervisory Board

If a member of the supervisory board has attended less than half of the meetings of the supervisory board, this shall be indicated separately in the CGR report. In 18 months 2017/2018, all members of the supervisory board attended all supervisory board meetings.

Conflict of Interests Situations

Members of the supervisory board shall promptly inform the chairman of the supervisory board and management board regarding any business offer related to the business activity of the issuer made to him, a person close to him or a person connected with him. All conflicts of interests that have arisen in preceding year shall be indicated in the CGR report along with their resolutions. Members of the supervisory board refrain from conflicts of interests and adhere to the prohibition of competition. The supervisory board and the management board cooperate closely in accordance with the articles of association and in the interests of the business undertakings and its shareholders. There were no such conflicts of interest during 18 months 2017/2018.

Information on the Issuer's Website

On the issuer's website, among others the general strategy directions of the issuer as approved by the supervisory board shall also be accessible. The Group's management board believes that the strategy is part of the Group's commercial secrets and therefore cannot be 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 30 May 2017 appointed AS PricewaterhouseCoopers as the Group's auditor for the financial year of 18 months 2017/2018. Information about the auditor is available on the Group's website. The remuneration of the auditor will be determined pursuant to the agreement to be concluded with the auditor and the parties have agreed not to disclose the amount of the remuneration. Pursuant to the Auditing Act, the sworn auditor representing the external audit company is to be changed at least once in every seven years.

In the financial year 18 months of 2017/2018 the Group has paid auditing fees in the amount of 72 thousand euros and 9 thousand euros for other limited assurance engagements as well as other advisory services.

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 OGM of shareholders of AS PRFoods was held on 30 May 2017 in the Nordic Hotel Forum. 22 shareholders or their authorised representatives collectively representing 26,755,600 votes or 71.0% of the total votes attended the OGM. Thus, the meeting was authorized to adopt resolutions on issues on the agenda. The agenda of the meeting comprised of approval of the annual report of financial year 12 months 2016, deciding on distribution of the financial year's profit, and appointing the auditor including determining the auditor's fee. The chairman of the management board of AS PRFoods held a presentation. The meeting adopted the resolutions on all issues on the agenda of the OGM according to the proposals made by the supervisory board. Information on the adoption of resolutions and contents were published after the end of the meeting via the information system of NASDAQ Tallinn and on the website of the Group at www.prfoods.ee.

The EGM of AS PRFoods from 19.07.2017 was called to approve the acquisition of majority holding of John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd. 14 shareholders representing 26,073,268 shares and 69.19% of votes participated in the EGM. The chairman of the management board of AS PRFoods held a presentation. The EGM approved the proposed acquisition. Information on the approval of resolutions and contents were published after the end of the meeting via the information system of NASDAQ Tallinn and on the website of the Group at www.prfoods.ee.

The EGM of AS PRFoods from 28.08.2017 was held to approve the acquisition of Trio Trading Ab Oy. 20 shareholders representing 26,717,106 shares and 70.90% of votes participated in the meeting. The chairman of the management board of AS PRFoods held a presentation at the meeting. The EGM approved the proposed acquisition. Information on the approval of resolutions and contents were published after the end of the meeting via the information system of NASDAQ Tallinn and on the website of the Group at www.prfoods.ee.

The third EGM of AS PRFoods was held on 11.12.2017. 10 shareholders representing 25,935,263 shares and 68.83% of votes participated in the meeting. The agenda of the EGM included: to change the beginning and the end of a financial year of AS PRFoods and thus, to change the duration of the financial year of 2017 and to amend the clause 2.1 of articles of association accordingly, amend the clause 6 of the articles of association, and to prolong the term of the members of the supervisory board by five years. The EGM approved all the proposals on the agenda as proposed by the supervisory board. Information on the approval of resolutions and contents were published after the end of the meeting via the information system of NASDAQ Tallinn and on the website of the Group at www.prfoods.ee.

Supervisory Board

Pursuant to law, a supervisory board of a public limited company is a supervisory body responsible for planning the activities of a company, organizing its management and supervising the activities of the management board.

According to the articles of association of 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 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 PRFoods includes four independent members — Aavo Kokk, Vesa Jaakko Karo; Kuldar Leis and Arko Kadajane. The chairman of the supervisory board is Lauri Kustaa Äimä and the vice-chairman of the supervisory board is Kuldar Leis.

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

In addition to the meetings, the supervisory board adopted resolutions without convening a meeting if it was necessary. The management board informed the supervisory board on a regular basis of the operations and financial status of

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 3.95% of the Group's shares (31.12.2016: 3.95%).

Management Board

The management board is the management body of the company that represents and manages the company according to the law and provisions of the articles of association. The management board is required to act in the most financially appropriate manner. According to the articles of association, the management board of AS PRFoods consists of one to four members. The members of the management board shall be elected by the supervisory board for three years.

The competence of the supervisory board includes the election of the chairman of the management board, on the latter's proposal, appointment and recalling of members of the management board. A member of the management board may represent the company in all legal transactions. The Management Board of AS PRFoods consists of one member. According to the supervisory board, from 2 February 2015 the only member of the management board is Indrek Kasela. In its day-to-day management, the company's management board is independent and acts in the best interests of all shareholders, ensuring thereby the company's sustainable development in line with the set objectives and strategy. Moreover, the company's management board is responsible for ensuring functioning internal control and risk management procedures in the company.

The competence and powers of the management board are regulated by the Commercial Code and by the company's articles of association with no deviating exceptions or agreements made or entered into. The chairman of the management board receives remuneration according to the contract of service and is additionally entitled to receive severance benefit for up to 6 months' remuneration. Nor a member neither the chairman of the management board has any pension-related rights. The chairman is responsible for organising business operations on the Group level and also fulfils the tasks of a managing director. In subsidiaries, the local management ensures adherence to business practices. As at the end of the financial year, the Group's management board member owned via direct and indirect holdings a total of 4.04% of the Group's shares (31.12.2016: 2.69%). 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 website.

Supervisory and Management Boards of Subsidiaries

The chairman or a management board member of a subsidiary is appointed by the supervisory board of the subsidiary. Below is a list of supervisory boards and management boards of subsidiaries that are 100% owned by AS PRFoods as at 30 June 2018.

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

Additional Management Bodies and Special Committees

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

Additional Management Bodies and Special Committees

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

Information Management

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

MANAGEMENT BOARD'S CONFIRMATION TO THE ANNUAL REPORT

The Management Board confirms that The Management Report in pages 13-46 provides a true and fair view of the business operations, financial results and financial condition of the parent company and the entities included in consolidation as a whole.

The Management Board confirms that according to their best knowledge the consolidated financial report in pages 49-111 presents a fair view of the assets, liabilities, financial position and profit or loss of the issuer and the entities involved in the consolidation as a whole according to the International Financial Reporting Standards as they are adopted by the European Commission and contains a description of the main risks and doubts.

Member of the Management Board	Indrek Kasela	31 October 2018

PRFOODS

Consolidated financial statements

Consolidated statement of financial position

EUR '000	Note	30.06.2018	31.12.2016
ASSETS			
Cash and cash equivalents	(Note 5)	5,960	4,374
Receivables and prepayments	(Note 6)	4,706	4,056
Inventories	(Note 7)	12,678	5,393
Biological assets	(Note 8)	6,498	7,584
Total current assets		29,842	21,407
Deferred tax assets	(Note 10)	153	230
Long-term financial investments		134	103
Tangible assets	(Note 11)	12,764	7,285
Intangible assets	(Note 12)	22,604	6,031
Total non-current assets		35,655	13,649
TOTAL ASSETS		**65,497**	**35,056**
EQUITY AND LIABILITIES			
Loans and borrowings	(Note 13, 15)	12,562	3,716
Accounts payable and prepayments	(Note 16)	14,254	5,131
Government grants	(Note 17)	216	162
Total current liabilities		27,032	9,009
Loans and borrowings	(Note 13, 15)	11,487	940
Deferred tax liabilities	(Note 10)	2,441	747
Government grants	(Note 17)	1,226	551
Total non-current liabilities		15,154	2,238
TOTAL LIABILITIES		**42,186**	**11,247**
Share capital		7,737	7,737
Share premium		14,007	14,007
Treasury shares		-390	-256
Statutory reserve capital		48	12
Currency translation reserve		7	428
Retained profit (loss)		1,904	1,883
Equity attributable to parent		23,313	0
Non-controlling interests		-2	0
TOTAL EQUITY	(Note 18)	**23,311**	**23,809**
TOTAL EQUITY AND LIABILITIES		**65,497**	**35,056**

The notes on pages 53 to 111 are an integral part of these consolidated annual financial statements

Consolidated statement of profit or loss and other comprehensive income

EUR '000	Note	18m 2017/2018	12m 2016
Sales	(Note 19)	118,499	47,429
Cost of goods sold	(Note 20)	-103,811	-43,410
Gross profit		**14,688**	**4,019**
Operating expenses		-12,423	-4,785
Selling and distribution expenses	(Note 21)	-8,841	-3,346
Administrative expenses	(Note 22)	-3,582	-1,439
Other income	(Note 25)	1,059	399
Other expenses	(Note 25)	-1,309	-517
Fair value adjustment on biological assets	(Note 8)	-524	2,263
Operating profit (-loss)		**1,491**	**1,379**
Financial income / expenses	(Note 26)	-1,024	-238
Profit (-loss) before tax		467	1,141
Income tax expenses	(Note 27)	-410	-426
Net profit (-loss)		**57**	**715**
Net profit (-loss) attributable to:			
Owners of the company		59	715
Non-controlling interests		-2	0
Total net profit (-loss)		**57**	**715**
Other comprehensive income (-expense) that might be subsequently classified to profit or loss:			
Foreign currency translation differences		-421	-43
Total comprehensive income (-expense)		**-364**	**672**
Total comprehensive income (-expense) attributable to:			
Owners of the parent company		-362	672
Non-controlling interests		-2	0
Total comprehensive income (-expense) for the period		**-364**	**672**
Profit (-loss) per share (EUR)	(Note 28)	0.00	0.02
Diluted profit (-loss) per share (EUR)	(Note 28)	0.00	0.02

The notes on pages 53 to 111 are an integral part of these consolidated annual financial statements

Consolidated cash flow statement

EUR '000	Note	18m 2017/2018	12m 2016
Net profit (-loss)		57	715
Adjustments:			
Depreciation and value impairment of non-current assets	(Note 24)	2,700	1,234
Loss from sale and write off of fixed assets	(Note 25)	-51	-6
Other non-cash items		-2,360	20
Changes in receivables and prepayments	(Note 6)	-573	-495
Changes in inventories	(Note 7)	-7,285	223
Changes in biological assets	(Note 8)	1,086	-3,163
Changes in payables and prepayments	(Note 16)	6,024	1,975
Corporate income tax paid		-48	-188
Total cash flow from operations		**-450**	**315**
Total cash flow from investments			
Sale of tangible and intangible fixed assets		131	9
Purchase of tangible and intangible fixed assets	(Note 11, 12, 13)	-1,299	-732
Government grants for acquisition of assets	(Note 17)	310	0
Acquisition of subsidiaries	(Note 30)	-12,964	0
Repayments of loans granted		51	0
Interest received	(Note 26)	9	0
Profit from long-term investments		1	4
Total cash flow from investments		**-13,761**	**-719**
Total cash flow from financing			
Repurchase of own shares	(Note 18)	-134	-84
Change in overdraft	(Note 15)	4,707	3,367
Repayments of loans	(Note 15)	-1,194	0
Loans raised	(Note 15)	14,000	0
Change in factored receivables	(Note 15)	-61	21
Capital lease repayments	(Note 13, 15)	-565	-343
Dividends paid	(Note 18)	-215	0
Interest paid	(Note 13, 26)	-741	-104
Total cash flow from financing		**15,797**	**2,857**
Total cash flow		**1,586**	**2,453**
Cash and cash equivalents at beginning of year	(Note 5)	4,374	1,921
Change in cash and cash equivalents		1,586	2,453
Cash and cash equivalents at the end of the period	(Note 5)	5,960	4,374

The notes on pages 53 to 111 are an integral part of these consolidated annual financial statements

Consolidated statement of changes in equity

EUR '000	Share capital	Share premium	Own shares	Statutory capital reserve	Translation reserve	Retained earnings / loss	Total	Non-controlling interests	Total equity
Balance at 31.12.2015	**7,737**	**16,026**	**-172**	**6**	**471**	**-847**	**23,221**	**0**	**23,221**
Covering the loss from previous year	0	-2,019	0	-6	0	2,025	0	0	0
Formation of statutory reserve capital	0	0	0	12	0	-12	0	0	0
The own shares repurchase programme	0	0	-84	0	0	0	-84	0	-84
Transactions with equity holders of the company	0	-2,019	-84	6	0	2,013	-84	0	-84
Net profit / loss for the year	0	0	0	0	0	715	715	0	715
Other comprehensive income / expense	0	0	0	0	-43	0	-43	0	-43
Total comprehensive income / expense for the period	0	0	0	0	-43	715	672	0	672
Balance at 31.12.2016	**7,737**	**14,007**	**-256**	**12**	**428**	**1,881**	**23,809**	**0**	**23,809**
Formation of statutory reserve capital	0	0	0	36	0	-36	0	0	0
The own shares repurchase programme	0	0	-134	0	0	0	-134	0	-134
Transactions with equity holders of the company	0	0	-134	36	0	-36	-134	0	-134
Net profit / loss for the year	0	0	0	0	0	59	59	-2	57
Other comprehensive income / expense	0	0	0	0	-421	0	-421	0	-421
Total comprehensive income/ expense for the period	0	0	0	0	-421	59	-362	-2	-364
Balance at 30.06.2018	**7,737**	**14,007**	**-390**	**48**	**7**	**1,904**	**23,313**	**-2**	**23,311**

Additional information about equity is disclosed in Note 18.

The notes on pages 53 to 111 are an integral part of these consolidated annual financial statements.

Notes to the consolidated financial statements

NOTE 1. GENERAL INFORMATION

AS PRFoods (hereinafter "the Parent Company") and its subsidiaries (hereinafter jointly referred to as "the Group") are entities involved in production and wholesale of fish and fish products. AS PRFoods was registered in the Republic of Estonia on 23 December 2008. The shares of AS PRFoods are listed on the NASDAQ OMX Tallinn Stock Exchange and its largest shareholder is Amber Trust II S.C.A (see Note 18). These consolidated financial statements have been authorised for issue by the Management Board at 31 October 2018. Pursuant to the Commercial Code of the Republic of Estonia, the Parent Company's supervisory board approves the annual report and the general meeting of shareholders confirms it.

NOTE 2. BASES FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of AS PRFoods for the 18 months of 2017/2018 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS). AS PRFoods has changed the financial year to last from 01.07 till 30.06. As a result, the financial year of 2017/2018 lasts exceptionally 18 months. Due to change in financial year and to the business combinations during 18 months of 2017/2018, the amounts presented in the financial statements are not comparable to the amounts presented during 12 months 2016.

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 following new and amended IFRS and interpretations became effective in 1 January 2017, but have no significant impact on the operations of the Group and these consolidated financial statements:

- Amendments to IAS 12 "Income taxes" – recognition of Deferred Tax Assets for Unrealized Losses (effective for annual periods beginning on or after 1 January 2017).
- Amendments to IAS 7 "Statement of Cash Flows" – The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities (effective for annual periods beginning on or after 1 January 2017). See also Note 15.

IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group has assessed, that the main impact of adoption of IFRS 9 will result from recognition of impairment losses based on expected credit losses (ECL) model. Based on industry experience and historical actual unrecoverable receivable loss, the Group has estimated that application of ECL model will not have significant impact on the Group's financial performance and financial position. Refer to Note 5 on reporting period doubtful debt provision and its movement.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Revenue from Contracts with Customers - Amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU).

The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The Group is currently assessing the impact of the amendments on its financial statements.

Due to structure of the Group's revenues, IFRS 15 will not have any significant impact on the revenue recognition timing, transaction price and recognition of discounts, rebates and bonuses. The Group has assessed that the main change will be on recognition and measurement of costs incurred to secure contracts, which, if any, previously were expensed immediately, while under IFRS 15 will be capitalized and amortized over the period when the benefits of the contract are consumed.

In accordance with the transition provisions in IFRS 15 the Group has elected simplified transition method with the effect of transition to be recognized as at 1 July 2018 in the consolidated financial statements for the year ending 30 June 2019, which will be the first year when the Group will apply IFRS 15.

No other new or revised standards or interpretations that are not yet effective are presumed to have a material impact on the Group.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU).

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise:

(a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value;

(b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements. Group also reviews existing operating lease agreements to assess the potential impact of the application of IFRS 16. See also Note 14 operating leases as at 30.06.2018.

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

When a subsidiary's functional currency differs from that of the Parent Company's (e.g Swedish krona for entities operating in Sweden, Great Britain entities Great Britain pound), the financial statements of subsidiaries prepared in a foreign currency are translated into the presentation currency using the following principles:

- The assets and liabilities of all foreign subsidiaries are translated using the official exchange rate of the European Central Bank as at the balance sheet date;
- Income and expenses of subsidiaries are translated using the annual average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates as at transaction dates, in which case income and expenses are translated at transaction dates).

All differences resulting from translation are recognised under other comprehensive income and accumulated in the equity as "Currency translation differences". On the disposal of a foreign subsidiary, the amounts presented in the equity item "Currency translation differences" related to that foreign subsidiary are recognised as a profit or loss for the financial year.

CONSOLIDATION

(a) Subsidiaries

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

(d) Associates

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

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

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

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

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

INFORMATION ABOUT PARENT COMPANY'S SEPARATE PRIMARY FINANCIAL STATEMENTS

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

SEGMENT REPORTING

Reportable business segments have been identified based on the reports submitted regularly to the Group's chief operating decision maker. The Group's chief operating decision maker, responsible for allocation of resources and evaluation of the results of business segments is the management board of the Parent Company that makes strategic decisions. See also Note 19.

CASH AND CASH EQUIVALENTS

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

FINANCIAL ASSETS

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

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

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

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

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

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

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

Reversals of impairment losses:

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

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

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

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

FACTORING

Factoring is the transfer (sale) of receivables, whereby depending on the type of the factoring contract the buyer has the right to sell the transferred receivable back to the seller within a certain time period (recourse factoring) or there is no right of resale back to the seller and all the risks and benefits associated with the receivable are transferred from seller to purchaser (non-recourse factoring).

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

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

INVENTORIES

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

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

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are assets used in the operations of the Group with the useful life of over one year.

A tangible asset is initially recognised at its cost consisting of the purchase price (incl. customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operational condition and location. A tangible asset is carried in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses. A property, plant or equipment leased under finance lease terms are accounted for similarly to a purchased property, plant or equipment.

Subsequent expenditure incurred for a tangible asset is recognised as a non-current asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Other repair and maintenance costs are recognised as expenses when incurred.

The straight-line method is used for determining depreciation. The depreciation rates are set separately for each item of property, plant and equipment depending on its useful life. For assets with significant residual value, only the depreciable amount, i.e. difference between cost and residual value is depreciated over the useful life of the asset.

If a tangible asset consists of separately identifiable components with different useful lives, these components are accounted for as separate assets and accordingly, separate depreciation rates are set for them depending on their useful lives.

The following useful lives have been set for the items of property, plant and equipment:

- Buildings 5-50 years
- Machinery and equipment 2-20 years
- Motor vehicles 4-13 years
- Fixtures, fittings and tools
    - Fittings and tools 2-12 years
    - IT equipment and software 3-5 years
    - 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.

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 are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition of items of property, plant and equipment are included either within other income or other expenses in the income statement.

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.

INTANGIBLE ASSETS

Intangible assets (client contracts, 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 indefinite useful lives (goodwill) are not amortised, but they are tested for impairment at least once a year (or more frequently if an event or change in circumstances indicates that goodwill may be impaired); and if their recoverable amount is below carrying amount, the asset is written down to its recoverable amount.

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 determined for intangible assets:

- Trademarks 20 - 50 years
- Permits and connection fees 3 - 50 years
- Software licences 5 years

The useful lives of trademarks have been determined on the basis of management estimates of the expected length of the cash generating period by these assets. The duration of usage rights of assets is used as the basis for determining the useful lives of permits (fish farming and slaughter permits) and connection fees as well as software licences.

Intangible assets with finite useful lives are tested for impairment whenever there is any indication of impairment.

IMPAIRMENT OF ASSETS

Intangible assets with indefinite useful lives (including goodwill) are not subject to amortisation but they are tested annually for impairment by comparing their carrying amounts with their recoverable amount. Tangible assets with unlimited useful lives (land) and assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In the event of such circumstances, the recoverable amount of the asset is assessed and compared with the carrying amount.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Goodwill is tested for impairment by performing an impairment test on the cash-generating unit which goodwill has been allocated to. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss of the reporting period.

At each balance sheet date, impaired assets are evaluated to determine whether it is probable that the recoverable amount of the assets has increased (except for goodwill whose impairment losses are not reversed). If the impairment test indicates that the recoverable value of an asset or group of assets (cash-generating unit) has increased above its carrying amount, the previous impairment loss is reversed up to the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in the profit or loss as a reduction of the impairment loss.

BIOLOGICAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCE AND OPERATING LEASES

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

The Group as the lessee

Assets acquired under the finance lease terms are recognised in the statement of financial position at the lower of the fair value of the asset, and the present value of minimum lease payments. Each lease payment is allocated between the finance charges (interest expense) and reduction of the liability. Finance costs are allocated to rental period so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The assets acquired under finance leases are depreciated similarly to other non-current assets whereas the depreciation period is the shorter of the useful life of the asset and the lease term (if there is no reasonable certainty that the lessee will obtain ownership).

Operating lease payments are recognised in the statement of comprehensive income as expenses on a straight-line basis over the lease term. Fees payable to the lessor upon the conclusion of lease agreements are treated as part of the lease transaction and these fees are recognised as prepaid rent in the statement of financial position and as a rental expense on a straight-line basis over the lease term.

The Group as the lessor

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

FINANCIAL LIABILITIES

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

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

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

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

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised in the statement of financial position when the Group has an obligation (legal or contractual) as a result of an event which occurred before the balance sheet date; it is probable that an outflow of resources is required to settle the obligation, but the final amount or settlement date of the obligation is not exactly known.

Provisions are recognised based on management's estimates regarding the amount and timing of the expected outflows. A provision is recognised in the statement of financial position in the amount which according to the management's estimate is required to settle the present obligation at the end of the reporting period or to transfer it to a third party at that time. Provisions are recognised at a discounted value (present value of the expenditures expected to be required to settle the obligation), unless the discounting effect is immaterial. The expenses related to provisions are recognised in the statement of comprehensive income

Other obligations whose realisation is improbable or the related costs cannot be estimated with sufficient reliability but which in certain circumstances may become liabilities are disclosed in the notes to the financial statements as contingent liabilities (Note 31).

CORPORATE INCOME TAX AND DEFERRED INCOME TAX

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

Estonian entities of the Group

According to the applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on their profits. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and on adjustments of the transfer price. The effective tax rate is 20/80 (2016: 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. An income tax liability is due at the 10th day of the month following the payment of dividends.

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 realised 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 22% (2016: 22%), in the Great Britain 19% (2016: 19%) and in Finland 20% (2016: 20%).

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, taking into account any trade discounts and volume rebates granted.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, when the amount of revenue and the costs incurred in respect of the transaction can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity.

Revenue from rendering of services is recorded upon rendering of the service or based on the stage of completion if services are performed over a longer period of time.

Interest and dividend income is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. Interest income is recognised using the effective interest rate of an asset. Dividends are recognised when the right to receive payment is established.

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 management of risks. The supervisory board of the Parent Company exercises supervision over the measures taken by the management board to manage 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 30.06.2018

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

FINANCIAL LIABILITIES AT 30.06.2018

EUR '000	Liabilities at amortised cost	Financial liability as at fair value through profit or loss	Total
Borrowings (Note 15)	24,049	0	24,049
Trade payables (Note 16)	6,225	0	6,225
Liabilities from business combinations (Note 29, 30)	2,126	2,622	4,748
Prepayments from clients (Note 16)	29	0	29
Payables to related parties (Note 16)	73	0	73
Other payables (Note 16)	250	0	250
Total	32,752	2,622	35,374

As at 30.06.2018, Group did not have financial liability as at fair value through profit and loss.

FINANCIAL ASSETS AT 31.12.2016			
EUR '000	Available for sale financial assets	Loans and receivables	Total
Cash and bank (Note 5)	0	4,374	4,374
Trade receivables (Note 6)	0	3,546	3,546
Other receivables (Note 6)	0	7	7
Long-term financial investments	69	0	69
Total	69	7,927	7,996

FINANCIAL LIABILITIES AT 31.12.2016	
EUR '000	Liabilities at amortised cost
Borrowings (Note 15)	4,656
Trade payables (Note 16)	3,969
Other payables (Note 16)	14
Total	8,639

Management of financial risks is a significant and integral part in managing the Group's business processes. The ability of the management to identify, measure and control different risks have a significant effect on the Group's profitability. Risk is defined by the Group's management as a possible negative deviation from the expected financial result.

The activities of the Group are accompanied by several financial risks, of which the credit risk, liquidity risk and market risk, including currency risk and interest rate risk, have the most significant influence.

CREDIT RISK

Credit risk expresses a potential loss that arises in the event of clients failing to perform their contractual obligations. To reduce credit risk, the payment discipline of clients is consistently monitored.

To minimize credit risk, solvency of a potential future contractual partner is assessed based on the information received from the Commercial Register, Tax Board or other public sources. Contracts for purchase and sale of products are concluded with all contractual partners, and a payment term is granted only to reliable partners. If possible, the Group uses factoring without recourse as an additional measure to manage credit risk.

Maximum credit risk that arises from the Group's trade receivables is presented below:

TRADE RECEIVABLES					
EUR '000	Not yet due	Not impaired, past due up to 90 days	Not impaired, past due over 90 days	Impaired	Total
30.06.2018	2,686	642	99	38	3,465
31.12.2016	2,697	747	102	12	3,558

In 18 months 2017/2018 the Group wrote off doubtful receivables in the amount of EUR 32 thousand euros (12 months 2016: 3 thousand), in accordance with the Group's rules for assessing trade receivables on the basis of expected cash flows. The client base of the Group is stable and long-term and up to now the credit history has not given base to write off receivables which are past due up to 90 days. By the time of preparing this report, majority of receivables have been settled.

TRADE RECEIVABLES (NOT DUE) BY COUNTRY

EUR '000	30.06.2018	31.12.2016
Finland	672	1,506
Estonia	681	1,191
Great Britain	1,332	0
Sweden	1	0
Total trade receivables not due (Note 6)	2,686	2,697

The Group accepts banks and financial institutions with a rating of "A" or higher as long-term counterparties in the Baltic states, Great Britain and Scandinavia. As at 30.06.2018, available funds were held in the following credit institutions: Danske Bank A/S Eesti filiaal (Danske), AS SEB Pank (SEB), OP Yrityspankki Oyi (Pohjola), Bank of Scotland Plc, Nordea Bank Finland Abp and Swedbank AB group banks (Swedbank). As of the date of the report credit ratings of these institutions or their parents according to Moody´s Investor Service were at least „A". As at 31.12.2016 available funds were held in Danske, SEB, Pohjola and Swedbank, whose credit ratings according to Moody´s Investor Service as at 31.12.2016 were at least „A".

See Note 6.

LIQUIDITY RISK

Liquidity risk represents a threat to solvency of the company. Liquidity risk means that the Group might not have available resources to settle its financial liabilities in a timely manner.

The Group aims at keeping the financing need and financing possibilities of the Group in balance. Cash flow planning is used as a tool to manage liquidity risks. For efficient management of the Group's cash flows, the bank accounts of the Parent Company and Estonian subsidiaries make up a cash pool account that enables the members of the cash pool account to use the Group's financial resources within the limit established by the Parent Company.

To manage liquidity risks, the Group uses different financing sources, including bank loans, overdraft facilities, continuous monitoring of trade receivables and delivery contracts.

Overdraft facilities are used to finance working capital. Long-term bank loans or finance lease agreements are used to purchase non-current assets.

As at 30.06.2018, the Group's working capital was 2,810 thousand euros and as at 31.12.2016 12,398 thousand euros.

The management considers it important to monitor liquidity risks; the additional need for capital can be covered by overdraft facilities or by refinancing the loan portfolio. The overdraft facility was used in the amount of 8,047 thousand euros as at the balance sheet date. As at 31.12.2016 the balance of the unused overdraft facility was 3,367 thousand euros.

Analysis of undiscounted financial liabilities by due date

FINANCIAL LIABILITIES AT 30.06.2018					
EUR '000	less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Borrowings	927	12,231	11,973	248	25,379
Trade and other payables	8,555	89	2,681	0	11,325
Total liabilities	9,482	12,320	14,654	248	36,704

FINANCIAL LIABILITIES AT 31.12.2016				
EUR '000	less than 3 months	3 to 12 months	1 to 5 years	Total
Borrowings	101	3,649	981	4,731
Trade and other payables	3,966	17	0	3,983
Total liabilities	4,067	3,666	981	8,714

Interest cash flows are recognised using the spot interest rates as at the balance sheet date.

CURRENCY RISK

Currency risk arises when business transactions, assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is operating in Estonia (currency EUR), Finland (EUR), Great Britain (GBP) and Sweden (SEK). For hedging the currency risk, all substantial agreements with foreign parties are signed in euros. The Group has no substantial receivables and liabilities in foreign currency, which is not bound to the euro. Majority of existing long-term capital rent contracts are signed in euros, therefore they are treated as liabilities free from currency risk.

Financial instruments at 30 June 2018 according to the underlying currency

EUR '000	EUR	SEK	GBP	NOK	Total
Cash and bank (Note 5)	4,952	62	946	0	5,960
Trade receivables (Note 6)	1,602	1	1,824	0	3,427
Other receivables (Note 6)	556	0	23	0	579
Long-term financial investments	134	0	0	0	134
Total financial assets	7,244	63	2,793	0	10,100
Borrowings (Note 15)	-23,106	0	-943	0	-24,049
Trade payables (Note 16)	-4,447	-204	-1,567	-7	-6,225
Liabilities from business combinations (Note 29, 30)	0	0	-4,748	0	-4,748
Interest payables to shareholders	-73	0	0	0	-73
Other payables (Note 16)	-104	0	-146	0	-250
Total financial liabilities	-27,730	-204	-7,404	-7	-35,345
Net currency position	-20,486	-141	-4,611	-7	-25,245
The potential change in average foreign currency rate against euro (%)	-	3,60%	7,16%	1,34%	-
Effect of exchange rate change on profit	-	±5	±329	±0,1	-

The effect of exchange rate on profit is calculated using potential change in foreign currency rate against euro using balance as of 30.06.2018. Potential change in foreign currency rate is annual change in rate against the euro.

Financial instruments at 31 December 2016 according to the underlying currency

EUR '000	EUR	SEK	CAD	USD	Total
Cash and bank (Note 5)	4,342	32	0	0	4,374
Trade receivables (Note 6)	3,186	0	0	360	3,546
Other receivables (Note 6)	7	0	0	0	7
Long-term financial investments	69	0	0	0	69
Total financial assets	7,604	32	0	360	7,996
Borrowings (Note 15)	-4,645	-11	0	0	-4,656
Trade payables (Note 16)	-3,799	-113	-55	-2	-3,969
Other payables (Note 16)	-14	0	0	0	-14
Total financial liabilities	-8,458	-124	-55	-2	-8,639
Net currency position	-854	-92	-55	358	-643
The potential change in average foreign currency rate against euro (%)	-	1.23%	1.64%	-0.28%	-
Effect of exchange rate change on profit	-	±1	±1	±1	-

The Group has exposure to Great Britain pound (GBP). With Brexit in sight the possible developments of Great Britain are unknown, and the Group is exposed to that risk. The Group takes use of financial instruments if and when deemed necessary to mitigate the risk of GBP. In regard to other currencies, the management of the Group is of the opinion that the Group is not considerably open to risks of Swedish krona and Norwegian krona, and has thus, not taken use of financial instrument to secure itself against currency risks arising from future business transactions, assets and liabilities. Information on foreign exchange gains and losses is provided in Note 26.

Possible impact of foreign exchange risks on the result of 18 months 2017/2018 and 12 months 2016 is calculated on the percentage impact of the factual average exchange rate change of SEK (Swedish krona), GBP (Great Britain pound) and NOK (Norwegian krona) during the reporting period in relation to euro to the net currency position.

INTEREST RATE RISK

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

If at 30.06.2018 or 31.12.2016 the base interests were 10 basis points lower or higher, interest expenses would be 221 thousand euros (31.12.2016: 2 thousand euros) higher or lower. Loans with a floating interest rate are depending on the instrument linked to 1- to 6-month EURIBOR or Great Britain Central Bank’s Base rate.

An overview of the Group's exposure to interest rate risk at 30.06.2018 and 31.12.2016

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

BALANCE AS AT 31.12.2016				
EUR '000	less than 1 year	from 1 to 5 years	Over 5 years	Total
Floating interest rate				
Interest bearing liabilities (Note 15)	3,716	940	0	4,656
Net position	3,716	940	0	4,456

CAPITAL MANAGEMENT

The Group's capital consists of borrowings and total equity. As at 30.06.2018 the equity totalled 23,313 thousand euros (31.12.2016: 23,809 thousand euros). The Group's principle is to maintain strong equity base with the purpose of maintaining credibility for shareholders, creditors and the market as well as for ensuring sustainable development of the Group. In the long term, the Group's objective is to increase shareholder income and to ensure the capacity to pay dividends.

For preserving or improving the capital structure, the Group may regulate the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the debt.

The Group considers it important to ensure that its equity structure is at the optimum level. Therefore, it is monitored that the Group's equity-to-assets ratio is at least 35% (30.06.2018: 35.6%, 31.12.2016: 67.8%) and that the ratio of interest-bearing liabilities to assets does not exceed 25% (30.06.2018: 36.7%, 31.12.2016: 13.3%). According to the overdraft contract signed with AS SEB Pank, the Group's overdraft usage cannot exceed 60% of required working capital level and the Group has met this requirement. Working capital level is calculated using following formula: Trade receivables + Inventories + Prepayment of taxes – Trade payables.

According to the practice prevailing in the industry, the Group uses the debt to equity ratio to monitor capital. That ratio is arrived at by dividing net debt by total capital. Net debt equals total debt (total amount of short-term and long-term borrowings recognised in the consolidated statement of financial position) less cash and cash equivalents.

EUR '000	30.06.2018	31.12.2016
Total borrowings (Note 16)	24,049	4,656
Less: Cash and cash equivalents (Note 5)	5,960	4,374
Net debt	18,089	282
Total equity	23,311	23,809
Total capital (net debt + equity)	41,400	24,091
Net debt to equity ratio	44%	1%

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The Group's management estimates that the carrying amounts of financial assets and liabilities carried at amortised cost are not significantly different from their fair values at 30.06.2018 and 31.12.2016. 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 30.06.2018 Group has not recognised significant difference in value and the non-controlling interests buyout value is reflected as per date of signing the contract. The Group's long-term borrowings have a floating interest rate that changes according to fluctuations in the market interest rates. The Group's management estimates that the Group's risk level has not significantly changed since the assumption of borrowings. Thus, the fair value of non-current financial liabilities is approximately equal to their carrying amount.

NOTE 4. MANAGEMENT JUDGEMENTS AND ESTIMATES

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

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

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

The following model is used to determine the biomass of fish:

final biomass = initial biomass + feed given to fish / feed coefficient – perished fish

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

Biological assets in fair value were 6.5 million euros as at the balance sheet date (31.12.2016: 7.6 million euros). The negative change in fair value of biological assets was 0.5 million euros (12 months 2016: +2.3 million euros). The

Group incurred loss in 18 months 2017/2018 in the amount of 124 thousand euros (12 months 2016: 251 thousand euros) from the write-off of biological assets (Note 8).

ESTIMATING NET REALISABLE VALUE OF INVENTORIES (NOTE 7)

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

The Group incurred loss in 18 months 2017/2018 in the amount of 203 thousand euros (12 months 2016: 10 thousand euros) from the write-off of inventories.

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

As at 30.06.2018 the management has carried out impairment test of goodwill. The goodwill recognised in balance sheet of the Finnish, Swedish and Estonian segments was 5,974 thousand euros as at 30.06.2018. As a result of the impairment test, no impairment loss on goodwill was recognised in 18 months 2017/2018 or 12 months 2016. If the values used for market-based comparable multiples would change -60.6% (12 months 2016: -23.2%), the recoverable amount of goodwill would be equal to the carrying amount in the balance sheet.

The balance sheet value of the recently added Great Britain segment was 7,753 thousand euros as at 30.06.2018. As a result of the impairment test, no impairment loss on goodwill was recognised in 18 months 2017/2018. If the values used for market-based comparable multiples would change -17.1%, the recoverable amount of goodwill would be equal to the carrying amount in the balance sheet.

The management has determined the useful lives of intangible assets considering the business conditions and volumes, past experience in the area, and future outlooks. The balance sheet value for intangible assets was 22,604 thousand euros as at 30.06.2018. If the useful life of intangible assets was one year longer, the positive effect to the income statement of 18 months 2017/2018 would be 19 thousand euros and if the useful life was one year shorter, the negative effect to the income statement would be -26 thousand euros.

ASSESSMENT OF USEFUL LIVES OF TANGIBLE ASSETS (NOTE 11)

The management has assessed the useful lives of tangible assets relying on the volume and conditions of production, past experience and future projections. If the useful life of tangible assets was one year longer, the positive effect to the income statement of 18 months 2017/2018 would be 220 thousand euros and if the useful life was one year shorter, the negative effect to the income statement would be -304 thousand euros.

ASSESTMENTS IN BUSINESS COMBINATIONS (LISA 30)

Management has made important assessments in business combinations regarding the financial data of an acquisition. See Note 30.

NOTE 5. CASH AND CASH EQUIVALENTS

EUR '000	30.06.2018	31.12.2016
Cash on hand	16	9
Short-term deposits	2,296	0
Bank accounts	3,648	4,365
Total cash and cash equivalents	5,960	4,374

See Note 3.

NOTE 6. RECEIVABLES AND PREPAYMENTS

EUR '000	30.06.2018	31.12.2016
Trade receivables	3,465	3,558
Allowance for doubtful receivables	-38	-12
Other receivables	579	7
Prepaid expenses	282	133
Prepaid taxes	418	290
Other prepayments	0	80
Total receivables and prepayments	4,706	4,056

The expiration analysis of trade receivables is disclosed in Notes 3 and 4. A commercial pledge set as collateral for loans also covers receivables (see Note 15).

CHANGES IN ALLOWANCE FOR DOUBTFUL RECEIVABLES		
EUR '000	30.06.2018	31.12.2016
Allowance for doubtful receivables at beginning of the period	-12	-15
Doubtful receivables collected during the reporting period	6	0
Receivables recognised as doubtful receivables during the reporting period	-44	0
Receivables written off the balance sheet during the reporting period	12	3
Allowance for doubtful receivables at end of the period	-38	-12

NOTE 7. INVENTORIES

EUR '000	30.06.2018	31.12.2016
Raw materials and materials	6,239	2,703
Work-in-progress	1,072	903
Finished goods	4,138	1,281
Goods purchased for sale	1,183	484
Prepayments for inventories and goods in transit	46	22
Total inventories	12,678	5,393

The Group incurred a loss in 18 months 2017/2018 in the amount of 203 thousand euros (12 months 2016: 10 thousand euros) from the write-off of inventories.

A commercial pledge set as collateral for loans also covers inventories (see Notes 4 and 15).

NOTE 8. BIOLOGICAL ASSETS

BIOLOGICAL ASSETS		
EUR '000	30.06.2018	31.12.2016
Fries	817	629
Juveniles	802	1,347
Fish suitable for harvesting	4,879	5,608
Total biological assets	6,498	7,584

As at 30.06.2018 biological assets (see Note 4) totalled 1,184 tonnes (31.12.2016 1,418 tonnes). In the financial year, agricultural produce in the amount of 2,959 tonnes (12 months 2016: 2,045 tonnes) was harvested.

The Group produces in its fish farms in Finland and Sweden mainly rainbow trout (*Oncorhynchus mykiss*) and in a lesser degree, also European whitefish (*Coregonus lavaretus*). Rainbow trout in fish farms in Finland and Sweden forms 99% (2016: 99%) of total annual farmed fish volume. The Group uses the Norwegian export statistics for evaluation of the fish stocks of rainbow trout /source: http://www.akvafakta.no/. For valuation of the fish stocks of whitefish, the monthly market price survey of the Finnish Fish Farmers' Association is used.

The aggregate gain attributable to the growth of biological assets and the changes in fair value less costs to sell biological assets amounted to 6,727 thousand euros (12 months 2016: 7,880 thousand euros), comprising of amounts presented under "Additions" and "Fair value adjustments" above.

In the amount of "Additions", the Group has capitalised subsequent expenditures incurred on development of immature biological assets, therefore in the income statement, only the gain/loss from "Fair value adjustments" is presented as a separate line.

CHANGE IN BIOLOGICAL ASSETS		
EUR '000	18m 2017/2018	12m 2016
Biological assets at beginning of the period	7,584	4,421
Purchased	1,206	1,431
Additions	7,251	5,617
Fair value adjustments	-524	2,263
Harvested	-8,596	-5,748
Written off	-124	-251
Exchange rate differences	-299	-149
Biological assets at end of the period	6,498	7,584

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

The fair value of fries is determined by purchase offers and volume of biomass, which as at 30.06.2018 was 104 tonnes (31.12.2016: 61 tonnes). If the volume of biomass was 1% lower, the fair value of fries would be 8 thousand euros lower as at the balance sheet date, if the biomass volume was 1% higher, the fair value of fries would be 8 thousand euros higher as at the balance sheet date. If the price of purchase offers were 1% higher, then the value of fries would be 12 thousand euros higher or if the price of purchase offers were 1% lower, then the fair value of fries would be 5 thousand euros lower (31.12.2016: 6 thousand euros higher or lower).

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. At each balance sheet date, the cost is compared to the net realisable value of the juveniles. On 30.06.2018 the management estimated based on historical experience that the net realisable value of juveniles is not significantly lower than the acquisition cost. Therefore in the 30.06.2018 and 31.12.2016 financial statements juveniles were measured at their acquisition cost.

Fish suitable for harvesting is measured at their fair value, taking into consideration the latest market price for similar assets which is corrected with the influence of existing differences.

In order to determine the fair value of fish suitable for harvesting the management used the following inputs besides market value:

- Gutting loss 6.6% (31.12.2016: 5%)
- Loss in harvesting 16% (31.12.2016: 16%)
- Volume of biomass suitable for harvesting 920 tonnes (31.12.2016: 962 tonnes)

The Group classifies such biological assets in fair value on Level 3.

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%
30.06.2018	+61	-61	+56	-62	+56	-59	+57	-65
31.12.2016	+64	-57	+68	-68	+65	-61	+62	-62

NOTE 9. SUBSIDIARIES

LIST OF GROUP COMPANIES

Subsidiary	Domicile	Ownership interest 30.06.2018	Ownership interest 31.12.2016	Area of activity	Owner
Saaremere Kala AS	Estonia	100%	100%	Fish group holding company	AS PRFoods
Vettel OÜ [1]	Estonia	100%	100%	Production of fish products	Saaremere Kala AS
GourmetHouse OÜ [1]	Estonia	100%	100%	Sale of fish products	Saaremere Kala AS
Heimon Kala Oy [2]	Finland	100%	100%	Fish farming, processing and sale of fish and fish products	Saaremere Kala AS
Överumans Fisk AB	Sweden	100%	100%	Fish farming	Heimon Kala Oy
Trio Trading Ab Oy [2]	Finland	100%	-	Production and sale of fish products	Saaremere Kala AS
JRJ & PRF Limited [3]	Scotland	85%	-	Fish group holding company	Saaremere Kala AS
John Ross Jr. (Aberdeen) Limited	Scotland	100%	-	Production and sale of fish products	JRJ & PRF Limited
Coln Valley Smokery Limited	Great Britain	100%	-	Production and sale of fish products	64% JRJ & PRF Limited 36% John Ross Jr. (Aberdeen) Limited

[1] As per the decision from 29.06.2018 the merger of GourmetHouse OÜ and Vettel OÜ completed on 10.09.2018
[2] 01.10.2018 decision to merge Heimon Kala Oy and Trio Trading Ab Oy, scheduled to be completed by 31.01.2019
[3] Group has forward agreements to acquire 100% of the company.

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

NOTE 10. DEFERRED INCOME TAX

DEFERRED INCOME TAX ASSET			
EUR '000	Tax losses	Other	Total
Deferred income tax assets as at 31.12.2015	100	38	138
Impact on income statement	96	0	96
Impact on other comprehensive income	-4	0	-4
Deferred income tax assets as at 31.12.2016	192	38	230
Impact on income statement	-63	0	-63
Impact on other comprehensive income	-14	0	-174
Deferred income tax assets as at 30.06.2018	115	38	153

DEFERRED INCOME TAX LIABILITY				
EUR '000	Accelerated income tax amortisation	Fair value adjustment	Other	Total
Deferred income tax liability as at 31.12.2015	51	74	127	252
Impact on income statement	2	497	-4	495
Deferred income tax liability as at 31.12.2016	53	571	123	747
Acquired through business combination	-21	-156	-34	-211
Impact on income statement	0	484	1,403	1,887
Impact on other comprehensive income	0	2	16	18
Deferred income tax liability as at 30.06.2018	32	901	1,508	2,441

See also Note 27.

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NOTE 11. PROPERTY, PLANT AND EQUIPEMNT

EUR '000	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress, prepayments	Total
Cost at 31.12.2015	5,497	8,762	574	136	14,969
Accumulated amortisation at 31.12.2015	-2,739	-4,520	-283	0	-7,542
Carrying amount at 31.12.2015	2,758	4,242	291	136	7,427
Changes occurred in 12 months 2016					
Unrealised currency effect	-21	-42	-4	0	-67
Acquired during the period	198	753	76	34	1,061
Re-classification	127	9	0	-136	0
Depreciation	-265	-805	-63	0	-1,133
Assets sold and written off	0	-1	-2	0	-3
Cost at 31.12.2016	5,783	9,361	642	34	15,820
Accumulated amortisation at 31.12.2016	-2,986	-5,205	-344	0	-8,535
Carrying amount at 31.12.2016	2,797	4,156	298	34	7,285
Changes occurred in 18 months 2017/2018					
Unrealised currency effect	-17	-61	-2	0	-80
Acquired through business combination	4,529	2,049	140	0	6,718
Acquired during the period	145	1,017	104	26	1,292
Re-classification	0	34	0	-34	0
Depreciation	-692	-1,544	-136	0	-2,372
Assets sold and written off	0	-21	-58	0	-79
Cost at 30.06.2018	11,430	15,132	1,100	26	27,688
Accumulated amortisation at 30.06.2018	-4,668	-9,502	-754	0	-14,924
Carrying amount at 30.06.2018	6,762	5,630	346	26	12,764

In the financial year, tangible assets were purchased under the finance lease terms in the total amount of 138 thousand euros (12 months 2016: 262 thousand euros). Information on assets acquired under the finance lease terms is disclosed in Note 13. Additional information about collateral for loans is disclosed in Note 15. Other additional information on property, plant and equipment in Notes 24 and 30.

NOTE 12. INTANGIBLE ASSETS

EUR '000	Goodwill	Trademarks and patents	Immaterial rights	Software licences	Pre-payments	Total
Cost at 31.12.2015	4,730	1,085	859	286	167	7,127
Accumulated amortisation at 31.12.2015	0	-487	-300	-212	0	-999
Carrying amount at 31.12.2015	4,730	598	559	74	167	6,128
Changes occurred in 12 months 2016						
Unrealised currency effect	0	0	0	0	-4	-4
Acquired during the period	0	0	0	8	0	8
Depreciation	0	-55	-22	-24	0	-101
Cost at 31.12.2016	4,730	1,085	859	294	163	7,131
Accumulated amortisation at 31.12.2016	0	-542	-322	-236	0	-1,100
Carrying amount at 31.12.2016	4,730	543	537	58	163	6,031
Changes occurred in 18 months 2017/2018						
Unrealised currency effect	90	84	-2	0	-8	164
Acquired through business combination	8,997	7,398	3	18	0	16,416
Acquired during the period	0	0	1	23	298	322
Re-classification	0	0	104	0	-104	0
Depreciation	0	-239	-48	-41	0	-328
Assets sold and written off	0	0	0	0	-1	-1
Cost at 30.06.2018	13,817	8,784	973	546	348	24,468
Accumulated amortisation at 30.06.2018	0	-998	-378	-488	0	-1,864
Carrying amount at 30.06.2018	13,817	7,786	595	58	348	22,604

See also Notes 24 and 30.

The Parent Company has carried out an impairment test for goodwill of Saaremere Kala AS group as at 30.06.2018 using market-based comparable valuation multiples. Under the market-based method, an entity is compared with a similar entity in the same sector whose shares are traded in a market or which has recently been sold, and for which there is sufficient information available about the transaction price. In this case, the European manufacturers of food products, fish farms and fish product manufacturers are treated as the sector, and the price levels and various ratios of these companies have been compared.

To determine the fair value, average valuation multiples of the industry have been applied to the actual financial indicators of subsidiaries. For goodwill tests of Saaremere Kala AS the multiples used were EV/Sales[1] 1.48 (2016: 0.7) and EV/EBITDA[2] 10.5 (2016: 9.1) which both were assigned 50% weight. Using multiples, it was determined that Saaremere Kala AS entity value was 83.4 million euros (31.12.2016: 31.5 million euros). The balance sheet value of the segment is 32.4 million euros (31.12.2016: 24.2 million euros) which was calculated as: Tangible assets + Goodwill + Current assets – Short-term liabilities – Cash.

The recoverable amount determined as a result of the tests conducted on 30.06.2018 and 31.12.2016 is higher than the balance sheet value. If the multiples used were 60.6% (2016: 23.2%) lower, i.e. EV/Sales 0.6 (2016: 0.5) and EV/EBITDA 4.1 (2016: 7.0), then the recoverable amount would be equal to the carrying amount in the balance sheet.

The multiples used in assessing the value of the most recently acquired Great Britain segment were EV/Sales[1] 1.48 and EV/EBITDA[2] 10.5 which both were assigned 50% weight. The goodwill value found based on the multiples was 19.8 million euros. The balance sheet value of the segment was 16.1 million euros, which was calculated with the following formula: Tangible assets + Goodwill + Current assets – Short-term liabilities – Cash.

The test conducted on 30.06.2018 indicated that the recoverable value is higher than the balance sheet value. In case the multiples were 17.1% lower, i.e. EV/Sales 1.2 and EV/EBITDA 8.7, the recoverable value would equal the value in the balance sheet.

[1] Entity Value/Sales
[2] Entity Value/EBITDA

NOTE 13. FINANCE LEASE

EUR '000	Machinery, equipment
Cost as at 30.06.2018	2,545
Accumulated depreciation as at 30.06.2018	-855
Carrying amount as at 30.06.2018	1,690
Cost as at 31.12.2016	2,279
Accumulated depreciation as at 31.12.2016	-264
Carrying amount as at 31.12.2016	2,015

The Group is leasing under financial lease terms fish industry production equipment, fish harvesting equipment, a workboat, a tractor, passenger cars and computers. During the financial year, fixed assets were leased as financial lease in the total amount of 138 thousand euros (12 months 2016: 262 thousand euros). During the reporting period a car was leased and a renovation project to increase energy efficiency of Renko production facility was financed under finance lease terms. The majority of financial lease added during the 12 months 2016 was production equipment of Heimon Kala Oy. The outstanding leases are for 1.5 years for the fish harvesting equipment and 4-5 years for industrial equipment.

EUR '000	18m 2017/2018	12m 2016
Principal payments in the financial year	565	343
Interest expenses in the financial year	46	24
Average interest rate	1.79%	1.78%
Finance lease liabilities at 31 December / 30 June, including:	1,066	1,268
Due in less than 1 year	358	328
Due between 1-5 years	708	940
Minimum finance lease payments:		
Due in less than 1 year	377	352
Due between 1-5 years	734	970
Total	1,111	1,322
Future interest expense of finance lease	-45	-54
Present value of finance lease liability	1,111	1,268

See also Notes 11 and 15.

NOTE 14. OPERATING LEASE

OPERATING LEASE PAYMENTS 18 MONTHS 2017/2018

EUR '000	Water areas	Machinery and, equipment	Motor-vehicles	Production plants	Ware-house	Office premises	Software	Total
Operating lease expense in 2017/2018	171	175	48	57	429	56	2	938
Future lease payments under non-cancellable lease agreements:								
Due in less than 1 year	111	125	14	56	72	39	1	418
Due between 1 and 5 years	442	176	11	225	159	91	0	1,104
Due after 5 years	4	0	0	122	535	0	0	661
Total	557	301	25	403	766	130	1	2,183

OPERATING LEASE PAYMENTS 12 MONTHS 2016

EUR '000	Water areas	Machinery and equipment	Motor vehicles	Warehouse	Office premises	Software	Total
Operating lease expense in 2016	99	89	5	142	5	2	342
Future lease payments under non-cancellable lease agreements:							
Due in less than 1 year	97	64	17	31	1	0	210
Due between 1 and 5 years	391	129	10	0	0	0	530
Due after 5 years	0	0	0	0	0	0	0
Total	488	193	27	31	1	0	740

NOTE 15. BORROWINGS

EUR '000	30.06.2018	31.12.2016
Finance lease liabilities (Note 13)	358	328
Overdraft	8,074	3,367
Factoring	0	21
Investment loans	4,130	0
Total short-term loans	12,562	3,716
Finance lease liabilities (Note 13)	708	940
Loan notes to shareholders (Note 29)	447	0
Investment loans	10,332	0
Total long-term loans	11,487	940
incl. payable within 1-5 years	11,278	940
incl. payable after 5 years	209	0

See also Notes 3 and 11.

EUR '000	18m 2017/2018	12m 2016
Borrowings at the beginning of period	4,656	1,349
Loans raised	14,000	0
Overdraft received	4,707	3,367
Finance lease received	138	262
Change of factoring liability	0	21
Acquired through business combinations (Note 30)	1,810	0
Change in value due to the exchange rates	71	0
Repayments of loans	-1,780	-343
Borrowings at the end of period	24,049	4,656

EUR '000	18m 2017/2018	12m 2016
Interest payable at the beginning of period	4	4
Interest calculated	828	104
Interest paid	-741	-104
Interest payable at the end of period	91	4

Overdraft

On 06.09.2016, AS PRFoods and AS SEB Pank terminated the overdraft contract and the group account of PRFoods and its Estonian based subsidiaries. On 06.09.2016 Saaremere Kala AS and AS SEB Pank signed an overdraft agreement opening a 5.0-million euros overdraft facility for Saaremere Kala AS. The term of the agreement was 30.04.2017 and the interest rate was 6-months EURIBOR +1.7%. On 28.04.2017, an addendum to the agreement was signed increasing the overdraft limit to 7.0 million euros. The limit was increased to enable the Group to purchase inventories at times when the price of raw fish is favourable. On 22.08.2017 the limit was increased by 1.0 million euros to 8.0 million euros. The term of the overdraft was 30.04.2018 and the interest rate 6-months EURIBOR +1.7%.

With the addendum from 30.05.2018 the limit of overdraft was further increased by 2.0 million euros, total limit after the increase 10.0 million euros with the term is prolonged until 30.04.2019 other terms unchanged. The overdraft is guaranteed by mortgage of 10.1 million euros, commercial pledge of 4.0 million euros, and a guarantee by AS PRFoods in the amount of 5.0 million euros. Between Saaremere Kala AS and its daughter companies Vettel OÜ and GourmetHouse OÜ a group account agreement was signed on 05.09.2016. As at 30.06.2018 the Group had taken into use 8.1 million euros worth of overdraft. As at 31.12.2016 the Group had taken into use 3.4 million euros worth of overdraft.

See also Notes 6 and 7.

Investment loans

An investment loan agreement to finance purchase of John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd was signed on 19.07.2017 in amount of 11.0 million euros with an interest rate 6-month EURIBOR+3.25% and on 22.08.2017 additional 1.5 million euros was borrowed to acquire Trio Trading Ab Oy shares. Total investment loan was 12.1 million euros and the balance of investment loan is 12.2 million euros as at 30.06.2018. The term of investment loan is 19.07.2022. First payment was scheduled to 19.02.2018, interest is paid monthly from the signing of the contract. The interest margin will be lowered to 2.75% on the condition that loan covenants are in compliance based on 18 months 2017/2018 financial year audited results. The loan is secured with existing mortgages in the amount of 13.1 million euros on properties of Vettel OÜ and Heimon Kala Oy; a commercial pledge of 4.0 million euros on Vettel OÜ's movable assets; a 100% pledge on of shares of Saaremere Kala AS, Heimon Kala Oy, Överumans Fisk AB, Trio Trading Ab Oy; a commercial and share pledge of 85% shares of JRJ & PRF Ltd; a guarantee from AS PRFoods in amount of 20.5 million euros.

A short-time investment loan was received from Amber Trust II S.C.A. in the amount of 1.5 million euros at 14.07.2017 to finance the purchase of subsidiaries. The term of the loan is 01.11.2018 as latest. Interest rate is 5% and accrued interest shall be paid at the same time with the repayment of the loan.

Trio Trading Ab Oy signed an investment loan agreement with a bank in the amount of 1.6 million euros on 29.10.2015. The remaining amount for the loan principal is 990 thousand euros as at 30.06.2018. The interest rate is 12-month EURIBOR +2.00% and the term of the loan is 31.08.2022. The loan is secured with commercial pledge and security rights to leaseholds of Kokkola property.

John Ross Jr (Aberdeen) Ltd has 3 long-term investment loans in the bank in the total amount of 422 thousand euros as at 30.06.2018 which are due in 3-13 years and with interest rates 1.50%, 2.85% and 3.20% +UK Bank Base rate. UK Bank Base rate was 0.25% until 01.11.2017 and is 0.50% since 02.11.2017 based on decision of Bank of England.

NOTE 16. PAYABLES AND PREPAYMENTS

EUR '000	30.06.2018	31.12. 2016
Trade payables (Note 3)	6,225	3,969
Payables to employees	977	623
Liabilities from business combinations (Note 29, 30)	4,748	0
Interest payables	18	4
Interest payables to shareholders	73	0
Prepayments from clients (Note 3)	29	10
Other payables	232	0
Tax liabilities, incl.:	1,952	525
Social security tax	167	167
VAT	1,182	266
Personal income tax	122	77
Corporate income tax	438	0
Other taxes	43	15
Total payables and prepayments	14,254	5,131

Additional information on prepayments from clients and other payables in Note 3. Liabilities from business combinations include a deferred payment for the option shares to Jennifer Leigh in amount of 1,885 thousand GBP (2,126 thousand euros as at 30.06.2018 rate) scheduled in July 2018 and contingent provisions to non-controlling interests' buyout in the amount of 2,622 thousand euros.

NOTE 17. GOVERNMENT GRANTS

EUR '000	18m 2017/2018	12m 2016
Deferred income from government grants at the beginning of period	713	883
Government grants received during the period	310	0
Acquired through business combination	768	0
Change in value due to the exchange rates	-12	-8
Recognition as income during the period (Note 25)	-337	-162
Deferred income from government grants at the end of period	1,442	713
incl. income within 1 year	216	162
incl. income within 2-17 years	1,226	551

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.

NOTE 18. EQUITY

As at 30.06.2018, the Group had 38,682,860 shares (31.12.2016: 38,682,860), including 1,000,000 treasury shares (31.12.2016: 653,182 treasury shares).

Own shares

As of 01.07.2014, the Group initiated a buy-back programme of its own shares in accordance with the resolution of the general meeting of shareholders held on 29.05.2014, according to which up to 500,000 own shares were to be bought back until 31.05.2017. The initial buy-back programme was completed on 18.05.2016. The ordinary general meeting of shareholders held on 26.05.2016 adopted a resolution to expand the existing buy-back programme, according to which up to additional 500,000 own shares were to be bought back until 29.05.2019. On 14 June 2016, the Management Board of AS PRFoods entered into a service agreement with AS SEB Pank to continue the implementation of the buy-back programme of own shares.

The buy-back programme was implemented in compliance with the resolutions of the general meetings of shareholders held on 29.05.2014 and 26.05.2016, and the Commission Regulation (EU) No. 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

The renewed buy-back programme was completed on 27.03.2017. Over the period ranging from 14.06.2016 till 27.03.2017 the company bought back 500,000 own shares at an average price of 0.3834 euros per share. As at 30.06.2018 AS SEB Pank had acquired 1,000,000 shares of AS PRFoods in the name and on the account of the Group with average price of 0.4915 euros per share. As at 31.12.2016 the company had acquired 519,048 own shares.

Reduction of share capital

At 30.06.2018, the Group's registered share capital was 7,736,572 euros. As at 31.12.2016 the Group's registered share capital was 7,736,572 euros.

The reduction of the share capital of AS PRFoods and the related changes in the Commercial Register were entered in the Commercial Register at on 2 October 2015. The share capital was reduced in accordance with the decision of the General Meeting held at 28 May 2015 through reducing the nominal value of a share by 0.3 euros (30 euro cents), as a result of which the new nominal value of the share of AS PRFoods was 0.2 euros (20 euro cents). The total reduction of the share capital of AS PRFoods was 11,604,858 euros. The new amount of the share capital is 7,736,572 euros. The list of shareholders who participated in the reduction of the share capital was fixed on 28 August 2015 at 23.59 and the distributions related to the reduction of the share capital in the amount of 0.3 euros (30 euro cents) per share were made to the shareholders on 4 January 2016. The reduction of the share capital was related to the adjustment of the Group's capital structure with the goal of bringing the return on equity and other ratios to a more adequate level. See also Note 33.

In conjunction with the reduction of the share capital, the Group's articles of association were amended to the extent necessary for the recognition of the lower nominal value of the share. The amount of the minimum share capital as stipulated in the articles of association is 7,000,000 euros and the maximum share capital is 28,000,000 euros. The new version of the articles of association of the company is available on the website of AS PRFoods www.prfoods.ee.

List of shareholders with over 5% participation at the balance sheet date:

ING LUXEMBOURG S.A., CUSTODIAN FOR THE FOLLOWING SHAREHOLDERS				
EUR '000	Number of shares 30.06.2018	Ownership interest 30.06.2018	Number of shares 31.12.2016	Ownership interest 31.12.2016
Amber Trust II S.C.A	14,813,540	38.3%	14,813,540	38.3%
Amber Trust S.C.A	5,381,370	13.9%	5,381,370	13.9%
KJK Fund SICAV:SIF	4,063,456	10.5%	4,063,456	10.5%
Total	24,258,366	62.71%	24,258,366	62.71%

Earnings per share are presented in Note 28.

Capital reserve

The Estonian Commercial Code requires companies to create a capital reserve. Each year at least 1/20 of profit for the year has to be transferred to the capital reserve until the reserve amounts to 1/10 of share capital. The capital reserve may be used for covering losses and increasing the share capital but not for making distributions to shareholders. The shareholders adopted a resolution at the general meeting held on 30 May 2017 to transfer 35,570 euros from the profit of 2016 to the reserve, and not to distribute the remaining profit. The shareholders adopted a resolution at the general meeting held on 26 May 2016 to cover the retained loss from previous periods of AS PRFoods from reserve and share premium in the amount of 2,026,000 euros and transfer 12,400 euros from the profit of 2015 of the parent company to the reserve, and not to distribute the remaining profit. The loss covered from the reserve amounted to 6,500 euros.

Dividends

The Group has paid dividends to non-controlling interests in the amount of 215 thousand euros in 18 months 2017/2018 in connection to internal dividend distribution from John Ross Jr (Aberdeen) Ltd. In 2016, no dividends were distributed.

Non-controlling interests

Non-controlling interests consists of 15% shares in JRJ & PRF Ltd held by Christopher Leigh and Victoria Leigh-Pearson. The Group has symmetrical put and call option agreement to buy non-controlling interests. See also Notes 29 and 30.

NOTE 19. SEGMENT REPORTING

The Group's segments are determined based on the reports monitored and analysed by the management board of the Parent Company. The management board of the Parent Company monitors financial performance by business areas and geographical areas. Reports by geographical areas include information of more significant importance for the management of the Group for monitoring financial performance and allocating resources. Therefore, this division is used to define business segments.

Two business segments – the fish segment and other segments - are presented together since the proportion of other segments in business operations is marginal. The proportion of other segments was 0.73% in financial year and 0.08% in 2016.

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

EUR '000	18m 2017/2018			12m 2016
	Finland, Sweden, Estonia	Great Britain	Total	Finland, Sweden, Estonia
External revenue	100,336	18,513	118,849	47,429
Inter-segment revenue	-350	0	-350	0
Total revenue	99,986	18,513	118,499	47,429
Fair value adjustment on biological assets	-524	0	-524	2,263
EBITDA	3,534	657	4,191	2,613
EBITDA from business operations before fair value adjustment on biological assets and one-offs	4,635	1,163	5,798	752
Depreciation and amortisation	-2,257	-443	-2,700	-1,234
Operating profit	1,277	214	1,491	1,379
Financial income and expenses	-932	-92	-1,024	-238
Income tax	-277	-133	-410	-426
Net profit (-loss)	68	-11	57	715
Segment assets	44,588	20,909	65,497	35,056
incl current assets	26,123	3,719	29,842	21,407
incl non-current assets	18,465	17,190	35,655	13,649
Segment liabilities	35,187	6,999	42,186	11,247
Segment investments in tangible and intangible assets	1,501	113	1,614	1,069
Assets acquired through business combinations*	5,406	17,728	23,134	0

* The amount does not include financial instruments, deferred tax assets.

SALES BY GEOGRAPHICAL REGIONS

EUR '000	18m 2017/2018	12m 2016
Finland	86,440	38,956
Great Britain	13,298	0
Estonia	7,492	4,974
Other	11,269	3,499
Total	118,499	47,429

NON-CURRENT ASSETS BY LOCATION [i)]

EUR '000	18m 2017/2018	12m 2016
Great Britain	17,637	0
Finland	10,278	4,803
Estonia	5,429	6,747
Sweden	2,024	1,766
Total	35,368	13,316

[i)] except deferred tax asset (Note 3) and long-term financial investments

REVENUE FROM CLIENTS WHOSE SALES ARE HIGHER THAN 10% OF CONSOLIDATED REVENUES

EUR '000	18m 2017/2018	12m 2016
Client 1	26,270	17,468
Client 2	23,172	10,689
Total	49,442	28,157

NOTE 20. COST OF GOODS SOLD

EUR '000	18m 2017/2018	12m 2016
Cost of goods purchased for sale	-7,109	-3,891
Materials used in production	-78,016	-31,809
Staff costs (Note 23)	-8,773	-3,217
Depreciation and amortisation (Note 24)	-2,032	-1,020
Other costs of goods sold [1]	-7,881	-3,473
Total cost of goods sold	-103,811	-43,410

[1] Other costs of goods sold includes expenses related to production and fish farming assets (rent, maintenance, insurance, utilities, etc.), staff-related costs and other expenses and subcontracted services.

NOTE 21. SALES AND MARKETING EXPENSES

EUR '000	18m 2017/2018	12m 2016
Advertising, marketing and product development	-550	-226
Transportation and logistics services	-4,143	-1,803
Staff costs (Note 23)	-1,797	-720
Rent of warehouse premises	-199	-79
Depreciation and amortisation (Note 24)	-424	-146
Utilities	-187	-107
Other lease expenses (excl. cars)	-94	-10
Other sales and marketing expenses [1]	-1,447	-255
Total sales and marketing expenses	-8,841	-3,346

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

NOTE 22. GENERAL AND ADMINISTRATIVE EXPENSES

EUR '000	18m 2017/2018	12m 2016
Staff costs (Note 23)	-2,120	-878
Depreciation and amortisation (Note 24)	-244	-68
Consulting and advisory services [1]	-155	-60
Information and communication services	-62	-37
Legal services	-78	-26
Transportation expenses	-95	-50
Business trips and costs of entertaining guests	-162	-68
Other general and administrative expenses [2]	-666	-252
Total general and administrative expenses	-3,582	-1,439

[1] In the financial year 18 months of 2017/2018 the Group has paid auditing fees in the amount of 72 thousand euros and 9 thousand euros for other limited assurance engagements as well as other advisory services.

[2] Other general and administrative expenses include subcontracted services, advisory fees, IT expenses, staff-related costs and other expenses.

NOTE 23. STAFF COSTS

EUR '000	18m 2017/2018	12m 2016
Wages and salaries	-10,490	-3,761
Social security tax and other labour taxes	-2,200	-1,054
Total staff costs (Notes 20, 21, 22)	-12,690	-4,815
Number of employees at end of the period	377	198
Average number of employees during the year	310	200

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	18k 2017/2018	12k 2016
Staff costs of employees working under employment contract	-11 327	-4 250
Staff costs of members of management or control board	-1 363	-565
Total staff costs	-12 690	-4 815
Average number of employees working under employment contract	294	187
Average number of members of management or control board	16	13
Average number of employees during the year	310	200

NOTE 24. DEPRECIATION AND AMORTISATION OF NON-CURRENT ASSETS

EUR '000	18m 2017/2018	12m 2016
Depreciation (Note 11)	-2,372	-1,133
Amortisation (Note 12)	-328	-101
Total depreciation and amortisation (Notes 20, 21, 22)	-2,700	-1,234

Depreciation and amortisation expenses are included in the lines of the statement of comprehensive income "Cost of goods sold", "General and administrative expenses" and "Sales and marketing expenses".

NOTE 25. OTHER OPERATNG INCOME AND EXPENSES

EUR '000	18m 2017/2018	12m 2016
Gain on disposal and write-off of non-current assets	52	6
Income from government grants (Note 17)	337	162
Other operating income	670	231
Total operating income	1,059	399
Business combinations expenses	-1,037	0
Foreign exchange expenses	-125	
Other operating expenses	-147	-517
Total other operating expenses	-1,309	-517

NOTE 26. FINANCIAL INCOME AND COSTS

EUR '000	18m 2017/2018	12m 2016
Interest income	8	1
Other financial income	2	1
Foreign exchange gains / losses	-46	-68
Interest expenses	-828	-108
Other financial costs	-160	-64
Total	-1,024	-238

See Note 3.

NOTE 27. INCOME TAX EXPENSES

EUR '000	18m 2017/2018	12m 2016
Profit (loss) before tax (consolidated)	196	1,774
Income tax calculated at applicable tax rates	551	23
Impact to calculated income tax of:		
income tax expense from previous periods	0	2
expenses not deductible from taxable income (+)	36	7
non-taxable income and tax incentives	-2	-1
tax losses used (-)	-68	-100
tax losses carried forward (+)	41	96
Income tax expense /-income	558	27
Deferred income tax expense / -income (Note 10)	-148	399
Effect on income statement	410	-426

NOTE 28. EARNINGS PER SHARE

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

	18m 2017/2018	12m 2016
Net profit (loss) attributable to equity holders of the company EUR '000	57	715
Average number of shares (in thousand)	38,683	38,683
Earnings (loss) per share (EUR)	0.00	0.02
Earnings (loss) per share (EUR)	0.00	0.02
Diluted earnings (loss) per share (EUR)	0.00	0.02

See also Note 18.

NOTE 29. RELATED PARTY TRANSACTIONS

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	18m 17/18 Purchase	18m 17/18 Sale	12m 2016 Purchase	12m 2016 Sale
Companies related to members of the Management and Supervisory Boards	Services	1,078	1	13	2
	Total	1,078	1	13	2

Related party purchases include purchases of transport services from Norway to Kokkola in the amount of 1.1 million euros by a company related to the management team of Trio Trading Ab Oy. The management estimates that all related party transactions have been concluded at market prices and at market conditions.

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

Party	Creditor	Payables and prepayments	Payable as at 30.06.2018 EUR '000	Payable as at 31.12.2016 EUR '000
Vettel OÜ	Companies related to members of the boards	Trade payables	0	2
Kuljetus Heikki Sammallahti OY	Companies related to members of the boards	Trade payables	53	0
Amber Trust II	Shareholder of AS PRFoods	Short term loan and interest	1,573	0
Christopher Leigh	Shareholder of JRJ & PRF Ltd	Loan note	287	0
Victoria Leigh-Pearson	Shareholder of JRJ & PRF Ltd	Loan note	160	0
Jennifer Anne Leigh	Shareholder of John Ross Jr. (Aberdeen) Ltd	Payable for shares	2,126	0
Christopher Leigh	Liability	Payable to non-controlling interests	1,678	0
Victoria Leigh-Pearson	Liability	Payable to non-controlling interests	944	0
Total			**6,821**	**2**

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	18m 2017/2018	12m 2016
Short-term benefits	1,363	565
Total	1,363	565

Management benefits increased compared to 12 months 2016 by 798 thousand euros, i.e. +141.2% (12 months 2016: +53 thousand euros, i.e. +10.4%), which was mainly caused by acquisitions of new subsidiaries and reorganising the Group's management and supervisory boards.

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 205 thousand euros (31.12.2016: 205 thousand euros).

NOTE 30. BUSINESS COMBINATIONS

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

On 19.07.2017 an extraordinary general meeting of AS PRFoods shareholders was held, where shareholders approved acquisition of majority shareholding of John Ross Jr (Aberdeen) Limited (JRJ) and Coln Valley Smokery Limited (CVS). Additional information about the transaction can be found on PRFoods web site www.prfoods.ee. The acquisition date was 21.07.2017.

The purpose of the transaction is to increase the assortment of fish products offered by PRF group companies, expand the geographical area of operations and raise the professional know-how and clientele. JRJ is a leading Scottish processed salmon company and producer of premium traditional smoked salmon. JRJ is the holder of the Royal Warrant and is selling its products in the Great Britain 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 shares of JRJ&PRF Ltd will remain 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 840 thousand to Andrew Leigh was scheduled 6 months after transaction date. Symmetrical put and call option agreement was signed with Jennifer Leigh to transfer the 33% shareholding of John Ross Jr (Aberdeen) Ltd 12 months after the transaction date. Fixed exercise price of option was 2,103 thousand euros as at balance sheet date exchange rate. 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 financial reports.

Non-controlling interests in JRJ & PRF Ltd

Saaremere Kala AS signed a contract to acquire 15% of non-controlling interests in company JRJ & PRF Ltd that contains symmetric call and put options, that according to management's assessment is in essence forward contract to acquire non-controlling interests and therefore non-controlling interests was not recognised at the moment of business combination. The value of forward agreement is not fixed but depends on fair value, as at balance sheet date fair value was 2,622 thousand euros and is recognised as liability in balance sheet. Starting from business combination a cumulative profit less dividends paid is recorded under non-controlling interests. JRJ & PRF Ltd also issued loan notes to Victoria Leigh-Pearson and Christopher Leigh at the time of transaction in total amount 441 thousand euros at the exchange rate of the transaction date. Loan notes realisation is tied to forward agreement realisation.

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

- Symmetrical call and put options can be realised in financial years ending 2020-2022 after the audited annual reports have been approved and signed or after event of exit.
- Victoria Leigh-Pearson and/or Christopher Leigh have right to receive 80-100% of the shares and loan notes depending on the conditions of terminating employment.

The Group has paid dividends to non-controlling interests in the amount of 215 thousand euros in 18 months of 2017/2018 in connection to internal dividend distribution from John Ross Jr (Aberdeen) Ltd. In 2016, no dividends were distributed.

Acquisition of Trio Trading Ab Oy

On 29.08.2017 an extraordinary general meeting of AS PRFoods shareholders was held, where shareholders approved the acquisition of Trio Trading Ab Oy (Trio). Acquisition date was 30.08.2017.

Additional information about the transaction can be found on PRFoods web site www.prfoods.ee. Trio Trading Ab Oy is a leading processor and importer of Nordic fish in Finland. The company's customers are mainly Finnish wholesales, seafood traders and retail companies. The purpose of the transaction is to acquire the entire shareholding in Trio, hence all the business operations of Trio. A successful closing of the transaction will increase the assortment of fish products offered by PRF group companies and raise the professional know-how and clientele.

Purchase price for 100% of shares was 3,030 thousand euros, that was paid out fully upon completion of the transaction. Control and risks were fully transferred to Group upon completion of the transaction. The sellers Mats Storbjörk and Ville Sammallahti who are on management position in Group, are entitled to additional annual purchase price 3% of EBITDA 5 years following the transaction if EBITDA exceeds 6 million euros excluding fish farming and new entities added after acquisition of Trio Trading Ab Oy, and their employment is not terminated.

The sellers also are entitled to additional purchase price 0.5-3.0% depending on PRFoods' equity value in case of PRFoods Group is sold to a new shareholder and sellers have valid employment in Group at the time of exit event. In case the exit occurs during 5 years for which the sellers have right to additional annual purchase price, the right for such annual purchase price will be terminated immidiately (including outstanding payments).

Pro Forma results

John Ross Jr (Aberdeen) Ltd and Coln Valley Smokery Ltd have increased Group's sales revenue by 18,513 thousand euros and contributed 613 thousand euros to net profit. If companies had been included into consolidated reports from 01.01.2017, the contribution to sales revenue would have been 27,675 thousand euros and to net profit 1,002 thousand euros.

Trio Trading Ab Oy has contributed to Group's sales revenue by 30,829 thousand euros and net loss -21 thousand euros. If Trio Trading Ab Oy had been included into consolidated reports from 01.01.2017, the contribution would have been 60,779 thousand euros to sales revenue and 191 thousand euros of net profit.

Pro forma 18m 2017/2018 EUR '000	Sales revenue	EBITDA	EBITDA from operations*	Net Profit (Loss)
Saaremere Kala AS companies before business combinations**	66,143	3,878	4,804	495
Trio Trading Ab Oy	60,779	1,109	1,109	191
JRJ & PRF Ltd	0	-447	0	-624
John Ross Jr. (Aberdeen Ltd)	22,113	1,973	2,034	1,159
Coln Valley Smokery Ltd	5,582	-75	-75	-157
Saaremere Kala Group	154,617	6,438	7,872	1,064
PRFoods AS	0	-739	-564	-405
PRFoods Group	154,617	5,699	7,308	659

*before one-offs and fair value adjustment on biological assets

**Trio Trading Ab Oy sales and purchases during 01.01.2017-31.08.2017 have been eliminated

Purchase consideration – cash outflow

EUR '000	John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd	Trio Trading Ab Oy	Total
Cash consideration	12,593	3,030	15,623
Less: cash acquired	-1,383	-1,276	-2,659
Net outflow of cash	11,210	1,754	12,964

Total acquisition costs during 18 months of 2017/2018 financial year were 855 thousand euros. The acquisition costs are reflected under other operating expenses. The costs consist of cost of due diligence, consultancy fees, legal fees, stamp duty taxes, etc.

Purchase analysis

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

EUR '000	John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd			Trio Trading Ab Oy		
	Book value	Estimated value	Difference	Book value	Estimated value	Difference
Intangible assets	0	0	0	30	21	-9
Tangible assets	2,065	2,698	633	2,415	4,020	1,226
Investments	0	0	0	2	2	0
Total non-current assets	2,065	2,698	633	2,447	4,043	1,217
Inventories	1,304	1,304	0	1,746	1,746	0
Long term receivables	0	0	0	51	51	0
Receivables and prepayments	2,309	2,309	0	1,286	1,286	0
Other short term receivables	88	88	0	111	111	0
Cash and cash equivalents	1,383	1,383	0	1,276	1,276	0
Total non-current assets	5,084	5,084	0	4,470	4,470	0
TOTAL ASSETS	7,149	7,782	633	6,917	8,513	1,217
Disposal of intangible asset	0	0	0	12	12	0
Loans and borrowings	569	569	0	1,305	1,305	0
Payables and prepayments	2,169	2,169	0	3,589	3,589	0
Accrued payables	346	346	0	416	416	0
Other liabilities	590	590	0	783	1,162	0
TOTAL LIABILITIES	3,674	3,674	0	6,105	6,484	0
Share capital	29	29	0	8	8	0
Retained earnings	2,200	2,200	0	655	655	0
Net profit / loss	1,246	1,246	0	149	149	0
TOTAL EQUITY	3,475	3,475	0	812	812	0
TOTAL EQUITY AND LIABILITIES	7,149	7,149	0	6,917	7,296	0
Other assets and liabilities recognised						
Trademark	0	7,385	7,385	0	0	0
Deferred tax liability on fair value adjustments	0	-1,523	-1,523	0,	-243	-243
Net assets	3,475	9,970	6,495	812	1,786	974
Fair value adjustments of non-controlling interests	-2,151	-2,592	-441	0	0	0
Fair value adjustments			6,054			974

Purchase analysis recognised a fair value increase by 1,859 thousand euros in buildings based on property valuation report. Depreciation period is the same as these fixed assets are depreciated currently. John Ross Jr. Aberdeen and Coln Valley Smokery trademark value was estimated to 7,385 thousand euros. Management estimates its useful life to 50 years. Trio Trading Ab Oy trademark was not valued as it was not identified with measurable value.

No significant change in fair value was recognised in current assets and liabilities.

In purchase value analysis Goodwill in amount of 7 753 thousand euros was recognised in John Ross Jr (Aberdeen) Ltd and Coln Valley Smokery Ltd. Goodwill consists of immaterial assets that do not qualify for separate recognition such as long-term experience in premium market of fish, traditional production method of smoking fish in kilns, qualified workforce as well as wide clientele in over 30 countries. Good relations with existing customers and contacts help to create new markets for Group's existing companies' products and increase in quantities. John Ross Jr (Aberdeen) Ltd is a holder of Royal Warrant As a recognition of being a premium products producer. Acquisition of companies creates synergy between Group's companies as well as raises the professional know-how and enables cost savings.

In Trio Trading Ab Oy purchase analysis goodwill in amount of 1,244 thousand euros was recognised. Goodwill consists of immaterial assets that cannot be valued – such as long-term experience in importing and trading raw fish and fish fillet as well as fish products in Finnish market. Trio Trading's long-term experience in trading raw fish enables better quality raw fish and cost savings from the increased quantities.

Synergy created from acquisition completes the Group's business cycle from fish farming and outsourcing the raw material to production and selling to end customer.

EUR '000	John Ross Jr. (Aberdeen) Ltd and Coln Valley Smokery Ltd	Trio Trading Ab Oy	Total
Purchase price	17,282	3,030	20,312
Book value of net assets on transaction date	3,475	812	4,287
Fair value adjustments	6,054	974	7,028
Total	9,529	1,786	11,315
Goodwill	7,753	1,244	8,997

NOTE 31. CONTINGENT LIABILITIES

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

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

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

Contingent liabilities relating to the 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 Great Britain and within 7 years in Sweden, and may as a result of their inspection impose additional tax assessments, interests and penalties. In 18 months 2017/2018 and 12 months 2016 the tax authorities did not conduct any tax audits. The management of the Group is not aware of any circumstances which may give rise to a potential material liability in this respect.

NOTE 32. EVENTS AFTER BALANCE SHEET DATE

Acquisition of majority shareholding in Osaühing Redstorm

On 3 July 2018 Saaremere Kala AS concluded the contract for the acquisition of 51% of shares in Osaühing REDSTORM.

Osaühing REDSTORM operates in Saaremaa. The fields of activities of the company are the fish farming and processing and storage of fish. Pursuant to the conclusion of the transaction Saaremere Kala AS, a subsidiary of PRFoods, owns 51% (the share of 2,040 euros) and Osaühing Fodiator 49% (the share of 1,960 euros) of the share capital of Osaühing REDSTORM (share capital is 4,000 euros). The date of conclusion of the transaction is 6 July 2018. Purchase price of acquired company is 0.65 million euros, that is paid in 3 payments: 0.39 million euros on the date of conclusion of the transaction, 0.13 million euros 6 months after conclusion of the transaction and 0.13 million euros 12 months after conclusion of the transaction. Saaremere Kala AS has acquired control over acquired company on the date of conclusion of the transaction. Net assets of the acquired company were 0.56 million euros on the date of transaction.

The aim of the acquisition of the share by Saaremere Kala AS is the establishing of fish farm in Estonia and expanding in the future and by doing so ensuring the availability of quality raw material for the group of AS PRFoods. Osaühing REDSTORM has earlier provided fish freezing and storage service to Vettel OÜ belonging to the group of AS PRFoods.

The acquisition of the right to offshore fish farming is an important step in the development of AS PRFoods. Firstly, the Group can offer especially fresh local fish to its customers in Estonia and Finland, as the Saaremaa factory of the Group is located only one hour away from the new fish farm. In addition to quality, also important savings on transport are anticipated. Secondly, AS PRFoods plans to expand significantly its fish farming potential in Estonia, in addition to its existing fish farms in Finland and Sweden. Fish farming is an environmentally efficient and a very high value-added food industry. Estonia has a great potential to develop it both in terms of domestic consumption and export potential.

In the meaning of clause 7.12 of Nasdaq Tallinn Rules and Regulations this is not a major acquisition transaction.

Merger of Vettel OÜ and GourmetHouse OÜ

On 29 June 2018, GourmetHouse OÜ and Vettel OÜ (100% subsidiaries of Saaremere Kala AS, an AS PRFoods group company) executed a merger agreement with the intention to improve the internal efficiency of the Group. According to the merger agreement, the acquiring company is Vettel OÜ. As a result of the merger, GourmetHouse OÜ will be dissolved without liquidation proceedings. The merger date is 01.07.2018, after which all GourmetHouse OÜ transactions will be deemed to be made on the account of Vettel OÜ. The merger was completed as at 10.09.2018.

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

Merger of Heimon Kala Oy and Trio Trading Ab Oy

On 01.10.2018, the board of directors of Heimon Kala Oy and the board of directors of Trio Trading Ab Oy (100% subsidiaries of Saaremere Kala AS, an AS PRFoods group company) signed a merger plan with the intention to improve the internal efficiency of the group. According to the merger plan, the acquiring company is Heimon Kala Oy. At the moment of the execution of the merger, Trio Trading Ab Oy will be dissolved without liquidation proceedings. The estimated time of the execution of the merger is 31.01.2019, after which all Oy Trio Trading Ab's transactions will be deemed to be made on the account of Heimon Kala Oy.

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

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

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

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

STATEMENT OF FINANCIAL POSITION

EUR '000	30.06.2018	31.12.2016
ASSETS		
Cash	799	3,281
Short-term financial investments	1,394	661
Receivables and prepayments	682	221
Total current assets	2,875	4,163
Investments in subsidiaries	10,378	10,378
Long-term loans	5,034	3,002
Tangible assets	42	76
Intangible assets	109	0
Total non-current assets	15,563	13,456
TOTAL ASSETS	**18,438**	**17,619**
EQUITY AND LIABILITIES		
Loans and borrowings	1,524	15
Payables and prepayments	297	416
Total current liabilities	1,821	431
Loans and borrowings	14	46
Total non-current liabilities	14	46
Total liabilities	1,835	477
Share capital	7,737	7,737
Share premium	14,007	14,007
Statutory capital reserve	48	12
Treasury shares	-390	-256
Retained loss	-4,799	-4,358
TOTAL EQUITY	**16,603**	**17,142**
TOTAL EQUITY AND LIABILITIES	**18,438**	**17,619**

STATEMENT OF COMPREHENSIVE INCOME

EUR '000	18m 2017/2018	12m 2016
Revenue	219	145
Cost of goods sold	0	0
Gross profit	**219**	**145**
Operating expenses		
Sales and marketing expenses	-130	-83
Administrative and general expenses	-692	-477
Other income	418	-104
Other expenses	-176	-398
Operating loss	**-361**	**-526**
Gain (loss) on subsidiaries and associates	30	0
Finance income 7 costs	-74	-104
Profit (-loss) before tax	-405	-630
Income tax	0	0
Net profit (loss)	**-405**	**-630**
Total comprehensive income (-loss)	**-405**	**-630**

CASH FLOW STATEMENT

EUR '000	18m 2017/2018	12m 2016
Net profit (-loss)	-405	-630
Adjustments:		
Depreciation	39	25
Loss on sale and write off of fixed assets	0	0
Loss/income from associates	-55	55
Other non-cash items	1	-258
Changes in receivables and prepayments	-920	-62
Changes in payables and prepayments	-119	356
Total cash flow from operations	**-1,459**	**-514**
Cash flows from investing activities		
Purchase of tangible and intangible fixed assets	-34	-4
Change in overdraft	0	2,777
Loans granted	-4,240	0
Repayments of loans granted	1,504	815
Interests received	405	306
Total cash flow from investing activities	**-2,365**	**3,894**
Cash flows from financing activities		
Loans received	1,500	-654
Capital lease repayments	-23	-15
Own shares buy-back	-134	-84
Interest paid	-1	-48
Total cash flow used in financing activities	**1,342**	**-801**
Total cash flow	**-2,482**	**2,579**
Cash and cash equivalents at beginning of year	**3,281**	**702**
Change in cash and cash equivalents	-2,482	2,579
Cash and cash equivalents at the end of the period	**799**	**3,281**

STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Share premium	Own shares	Statutory capital reserve	Retained earnings	Total equity
Balance at 31 December 2015	**7,737**	**16,026**	**-172**	**6**	**-5,741**	**17,856**
Carrying amount of interests under control and significant influence						-10,378
Value of interests under control and significant influence under the equity method						15,743
Adjusted unconsolidated equity at 31 December 2015						23,221
Covering the loss from previous year	0	-2,019	0	-6	2,025	0
Formation of statutory reserve capital	0	0	0	12	-12	0
The own shares repurchase programme	0	0	-84	0	0	-84
Comprehensive expense for reporting period	0	0	0	0	-630	-630
Total change	0	-2,019	-84	0	1,383	-714
Balance at 31 December 2016	**7,737**	**14,007**	**-256**	**12**	**-4,358**	**17,142**
Carrying amount of interests under control and significant influence						-10,378
Value of interests under control and significant influence under the equity method						17,045
Adjusted unconsolidated equity at 31 December 2016						23,809
Formation of statutory reserve capital	0	0	0	36	-36	0
The own shares repurchase programme	0	0	-134	0	0	-134
Comprehensive expense for reporting period	0	0	0	0	-405	-405
Total change	**0**	**0**	**-134**	**36**	**-441**	**-539**
Balance at 30 June 2018	**7,737**	**14,007**	**-390**	**48**	**-4,799**	**16,603**
Carrying amount of interests under control and significant influence						-10,378
Value of interests under control and significant influence under the equity method						16,925
Adjusted unconsolidated equity at 30 June 2018						**23,150**

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

Independent auditor's report

To the Shareholders of AS PRFoods

(Translation of the Estonian original)*

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS PRFoods and its subsidiaries (together the Group) as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the financial year (1. January 2017 to 30 June 2018) then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of financial position as at 30 June 2018;
- the consolidated statement of profit or loss and other comprehensive income for the financial year then ended;
- the consolidated cash flow statement for the financial year then ended;
- the consolidated statement of changes in equity for the financial year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

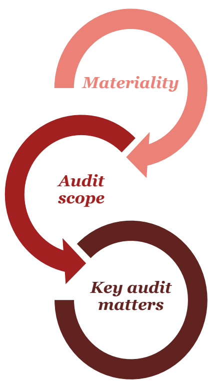
Independence

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

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

Our audit approach

Overview



Materiality

Overall Group materiality is EUR 1 million which represents 1% of the Group’s consolidated sales revenue, adjusted lower due to 18-month period of the financial year.

Audit scope

We, other PwC network firms and external independent audit firm, under our instructions, performed a full scope audit for Group entities covering 99% of the Group’s assets and 95% of the Group’s revenues. We then performed selected audit procedures on remaining balances.

Key audit matters

- Accounting for the acquisition of John Ross Jr. (Aberdeen) Limited and Coln Valley Smokery Limited
- Assessment of fair value of biological assets

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

Materiality

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

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

Overall group materiality	EUR 1 million
How we determined it	1% of consolidated sales revenue, adjusted lower due to 18-month period of the financial year.
Rationale for the materiality benchmark applied	We consider sales revenues to be a key performance indicator that determines the Group's value and is monitored by management, investors, analysts and creditors.

Key audit matters

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

Key audit matters	***How our audit addressed the key audit matters***
Accounting for the acquisition of John Ross Jr. (Aberdeen) Limited and Coln Valley Smokery Limited (refer to note 30 "Business Combinations") In June 2017 the Group acquired 85% shareholding and control over companies John Ross Jr. (Aberdeen) Limited and Coln Valley Smokery Limited. The total consideration for the acquisition was EUR 14.7 million, consisting from multiple components: monetary payment during the transaction and deferred payments. In addition, the terms were agreed to acquire in the future the non-controlling interest that resulted from the transaction. Accounting for business combination involves compiling the purchase price allocation, during which the fair value of the purchase consideration paid is allocated to the fair values of the identifiable assets acquired, liabilities and contingent liabilities assumed, with any remaining difference recorded as goodwill. These fair values were assessed by the management and were based on judgment. Due to the size of the acquired business and related estimation uncertainty, it is considered a key audit matter.	We assessed whether the Group's accounting policy in relation to accounting for the business combinations is in compliance with IFRS. We evaluated and performed detailed testing over the accounting treatment of the transaction and the purchase price allocation compiled by the management, including: • evaluating whether the booked transaction amounts agree to the acquisition agreement and IFRS requirements; • assessing the division of the total consideration between components and the list of separately identified assets and liabilities for their reasonableness and compliance with IFRS requirements; • evaluating the management's assessment of the fair values of identifiable assets acquired and liabilities assumed; • involving our PwC valuation experts to evaluate the methodology applied for determination of fair values and to test the reasonableness of key assumptions, including cash flow forecasts and discount rates; and • checking the correctness of calculation of arising goodwill. • assessing the correctness of the accounting treatment for the agreement to acquire the non-controlling interest in the future.

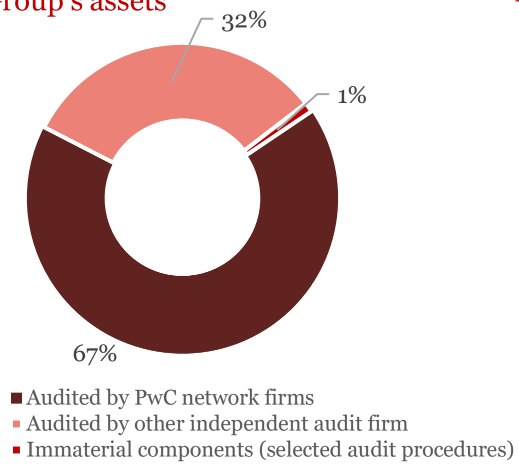
	Furthermore, we assessed the adequacy of the disclosures related to the acquisition of John Ross Jr. (Aberdeen) Limited and Coln Valley Smokery Limited. As a result of our work, we noted no material exceptions.
Assessment of fair value of biological assets (refer to Note 2 "Bases of preparation of the consolidated financial statements", Note 4 "Management judgements and estimates" and Note 8 "Biological assets") The carrying amount of biological assets as at 30 June 2018 was EUR 6.5 million and the loss from fair value adjustments recorded in the financial year ended 30 June 2018 amounted to EUR 0.5 million. The biological assets consist of fish growing in the Group's fish farms in Finland and Sweden. The measurement basis depends on the maturity of the fish. Fry and fish suitable for harvesting are measured at fair value based on market prices less estimated gutting loss, harvesting cost and cost to sell. Due to lack of active market, juvenile fish are accounted for at cost less potential impairment losses. Taking into account the specifics of the measurement, the Group's management has engaged an internal expert for making the fair value estimates and calculations. Due to the magnitude and related estimation uncertainty, valuation of biological assets is considered a key audit matter.	We assessed whether the Group's accounting policies in relation to accounting for biological assets are in compliance with IFRS. We evaluated the competence, capabilities and objectivity of the management's expert. We evaluated the work of the management's expert, including the source data, assumptions and methods used and relevance and reasonableness of the expert's conclusions. In particular, using historical data and available market information, we assessed the reasonableness of the management's estimates used for: • Market prices • Gutting loss • Harvesting cost • Selling costs • Future breeding expenditure for juvenile fish to assess the necessity for impairment We also recalculated the fair value calculations prepared by management. Furthermore, we assessed the adequacy of the disclosures related to biological assets. As a result of our work, we noted no material exceptions.

How we tailored our audit scope

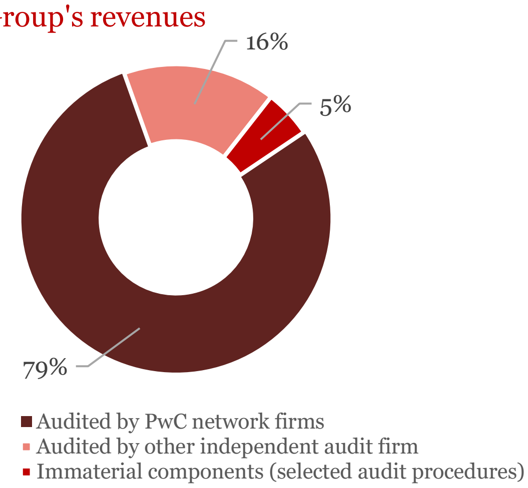
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises a number of subsidiaries that are further disclosed in Note 9. A full scope audit was performed by PwC Estonia or, under our instructions, by other PwC network firms for entities covering 67% of the Group's assets and 79% of the Group's revenues, and, under our instructions, by other independent audit firm covering 32% of the Group's assets and 16% of the Group's revenues. The remaining components of the Group were immaterial, therefore, we only performed selected audit procedures on these components relating to specified account balances or disclosures.

The Group's assets



The Group's revenues



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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of AS PRFoods for the financial year ended 31 December 2011. Our appointment has been renewed by audit tenders in the intermediate years, representing the total period of our uninterrupted engagement appointment for AS PRFoods of 7 years. In accordance with the Auditors Activities Act of the Republic of Estonia and the Regulation (EU) No 537/2014, our appointment as the auditor of AS PRFoods can be extended for up to the financial year ending 30 June 2032.

AS PricewaterhouseCoopers

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

Kairit Kasepuu
Certified auditor, auditor's certificate no.576

31 October 2018

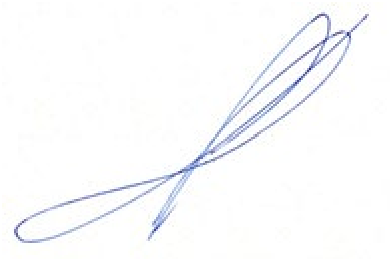
* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language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

PROFIT ALLOCATION PROPOSAL

As of 30.06.2018 the retained profit of AS PRFoods total 1,633 thousand euros.

The Management Board proposes to the General Meeting of Shareholders to increase Retained Earnings by the amount of the Net profit for the financial year ending 30.06.2018.

The Management Board of AS PRFoods proposes to the General Meeting of Shareholders to pay dividends out of retained earnings accumulated until 30.06.2018 in the amount of 387 thousand euros, i.e. 0.01 euros per share.



Member of the Management Board Indrek Kasela 31 October 2018