

PRFOODS

**Public Offering, Listing and Admission to Trading
Prospectus of Secured Notes of AS PRFoods with
Nominal Value of EUR 100, Interest Rate 6.25%
per annum and Maturity Date 22 January 2025**

Public Offering, Listing and Admission to Trading Prospectus of Secured Notes of AS PRFoods with Nominal Value of EUR 100, Interest Rate 6.25% *per annum* and Maturity Date 22 January 2025

This Public Offering, Listing and Admission to Trading Prospectus (the “**Prospectus**”) has been drawn up and published by AS PRFoods, a public limited company established and existing under the laws of the Republic of Estonia, registered in the Estonian Commercial Register under registry code 11560713, having its registered address at Pärnu mnt 141, 11314 Tallinn, Estonia (the “**Issuer**”), in connection with the public offering, listing and the admission to trading on the Baltic Bond List of the Nasdaq Tallinn Stock Exchange (the “**Tallinn Stock Exchange**”) of notes of the Issuer, with the nominal value of EUR 100 *per note* (the “**Notes**”). The Notes shall carry the rights and be governed by the provisions of the Terms of the Issuer’s Secured Note Issue, dated 14 January 2020, as amended on 25 February 2020, which have been attached to this Prospectus as Appendix 1 (the “**Terms**”), and of the Final Terms, dated 4 March 2020, which have been attached to this Prospectus as Appendix 2 (the “**Final Terms**”). The Notes will be secured solely by the security interests on certain assets and shares of the Issuer’s subsidiaries, which do not comprise all assets belonging to the Issuer’s Group. Furthermore, other than the pledge over the shares of JRJ & PRF LIMITED (a company incorporated under the laws of Scotland, registered in the Scottish Register of Companies under company number SC567615; “**JRJ & PRF**”) indirectly held by the Issuer and representing as at the date of this prospectus 85.0149% of all issued shares of JRJ & PRF, which will be first ranking, the security interests securing the Notes will have a lower ranking than the security interests established on the same assets in favour of certain existing creditors of the Group. Please see subsection titled “Security” of Section 6.4 (“Overview of the Key Terms of the Notes”) below for more details.

The Issuer is offering up to 18,904 Notes, with the maximum aggregate nominal value of EUR 1,890,400. The Notes shall be offered by way of a public offering to retail investors in Estonia (the “**Retail Offering**”) and to institutional investors in and outside of Estonia (the “**Institutional Offering**”) and together with the Retail Offering, the “**Offering**”).

In accordance with the Terms, the Notes may be issued in several tranches of Notes bearing the same ISIN code, which will together constitute a single issue of Notes (the “**Issue**”). The Issuer has on 22 January 2020 issued a first tranche comprising of 91,096 Notes, with the aggregate nominal value of EUR 9,109,600 (the “**First Tranche Notes**”). The First Tranche Notes were offered and issued to investors in and outside of Estonia, by way of a private placement, without drawing up and publishing a prospectus. The First Tranche Notes carry the same rights as the Notes issued in the course of the Offering (including bear the same ISIN code, have the same Maturity Date and accrue Interest at the same rate and according to the same rules) and upon the completion of the Offering and the Issue of the Notes, shall constitute a single Issue and shall form a single series of Notes.

The maximum aggregate nominal value of all Notes, i.e. the First Tranche Notes and the Notes additionally offered in the course of the Offering, is EUR 11,000,000.

Simultaneously with the Offering, the Issuer will apply for the listing and the admission to trading of all Notes (both the First Tranche Notes and the Notes offered in the Offering) on the Baltic Bond List of Tallinn Stock Exchange (the “**Listing**”). It is estimated that trading with the Notes on the Baltic Bond List of Tallinn Stock Exchange will commence on or about 23 March 2020.

As part of the Offering, the Notes will be publicly offered only in Estonia and there will not be any public offering of the Notes in any other jurisdiction. The Notes may be also offered in the Institutional Offering forming the part of the Offering to qualified investors or by private placement in compliance with Article 1(4)(a) and (b) of Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) also in other jurisdictions.

As part of the Offering, the Notes are offered for the price of EUR 101.00 per one (1) Note (the “**Offer Price**”). The Offer price includes accrued but not yet paid interest since 22 January 2020, in the amount of EUR 1.01 per one Note.

The Notes may be subscribed for during the period commencing at 10:00 (Estonian time) on 10 March 2020 and ending at 16:00 (Estonian time) on 16 March 2020 (the “**Offering Period**”), in accordance with the Terms described in this Prospectus.

This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation. This Prospectus has been compiled in accordance with the requirements of the Prospectus Regulation and in accordance with Commission Delegated Regulation No 2019/980/EU of 14 March 2019 supplementing Regulation No 2017/1129/EU of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation No 809/2004/EC (the “**Delegated Regulation**”), in particular the Annexes 8 and 16 thereof.

The Issuer reserves the right to cancel the Offering or change the terms thereof as described in this Prospectus.

This Prospectus has been approved by the Estonian Financial Supervision Authority (the “**EFSA**”), as competent authority under the Prospectus Regulation, on 9 March 2020 under registration number 4.3-4.9/776. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and should not be considered as an endorsement of the Issuer and the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

The Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law and taken by the Issuer. No action has been or will be taken in any jurisdiction by the Issuer that would permit the offering of the Notes other than in Estonia and the Offering is not being made in any jurisdiction in which it would not be permissible to offer the Notes. The Notes and Offering have not been approved or disapproved by any United States’ regulatory authority. Neither the Notes nor the Offering will be, and are not required to be, registered with the SEC under the US Securities Act of 1933, as amended (the Securities Act) or on a United States securities exchange. The Issuer does not intend to take any action to facilitate a market for the Notes in the United States. The Notes may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

The Notes may be redeemed prematurely by the Issuer on the grounds set forth in the terms of the Notes.

Investing into the Notes involves risks. While reasonable care has been taken to ensure that this Prospectus presents a fair and complete overview of the material risks related to the Issuer, the operations of the Issuer and its Subsidiaries (as defined in Section 12 (“**Glossary**”) below) and to the Notes, the value of any investment in the Notes may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus. You should read the whole of this Prospectus. In particular, you should read “**Risk Factors**” for

a discussion of certain factors that you should consider before investing in the Notes. The contents of this Prospectus are not intended to be construed as legal, financial or tax advice. Each prospective investor should consult its own legal, financial or tax advisor for such advice.

The Prospectus is valid until the end of the Offering Period or commencement of trading with the Notes on the Baltic Bond List of the Tallinn Stock Exchange, whichever occurs later. The Issuer is obligated to update the Prospectus by publishing a supplement only in case new facts, material errors or inaccuracies occur, and such an obligation does not apply after the end of the validity period of the Prospectus.

The date of this Prospectus is 6 March 2020.

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1. INTRODUCTORY INFORMATION

1.1. Applicable law

This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation. This Prospectus has been compiled in accordance with the Prospectus Regulation and with the Delegated Regulation. The Prospectus comprises of a summary of the Prospectus drawn up in accordance with Article 7 of the Prospectus Regulation, a registration document of the Issuer drawn up in accordance with Annex 8 of the Delegated Regulation and a securities note of the Notes drawn up in accordance with Annex 16 of the Delegated Regulation.

This Prospectus is governed by Estonian law. Any disputes arising in connection with the Offering shall be settled by Harju County Court (in Estonian: *Harju maakohus*) in Estonia, unless the exclusive jurisdiction of any other court is provided for by the provisions of law, which cannot be derogated from by an agreement of the parties. The investor may be required under national law to bear the costs of translating the Prospectus before being able to bring a claim to the court in relation to this Prospectus.

Before reading this Prospectus, please take notice of the following important introductory information.

1.2. Persons Responsible

In accordance with the Prospectus Regulation and pursuant to Sections 25 - 27 of the Estonian Securities Markets Act, AS PRFoods, a public limited company established and existing under the laws of the Republic of Estonia, registered in the Estonian Commercial Register under registry code 11560713, having its registered address at Pärnu mnt 141, 11314 Tallinn, Estonia, states that it is responsible for the information in this Prospectus.

The Issuer accepts responsibility for the fullness and correctness of the information contained in this Prospectus as of the date hereof. Having taken all reasonable care to ensure that such is the case, the Issuer believes that the information contained in this Prospectus is, to the best of the Issuer's knowledge, in accordance with the facts, and contains no omission likely to affect its import.

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, including any translation thereof, unless such summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in Notes.

Tallinn, 6 March 2020

/signed digitally/

Indrek Kasela

Manager of AS PRFoods

1.3. Presentation of Information

Rounding of Numbers

Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values, etc.) are presented with such precision which is deemed by the Issuer to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values

have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the Issuer's Financial Statements (as defined in Section 1.5 ("Accounting Principles") below), to the extent that the relevant information is reflected therein.

Currencies

Unless otherwise expressly stated, financial information is presented in this Prospectus in Euros, the official currency of the European Union Member States in the Eurozone (the "EUR").

Date of Information

This Prospectus is drawn up on the basis of information which was valid as of the date of the Prospectus. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Issuer, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than the date of the Prospectus, this is identified by specifying the relevant date.

Third-Party Information and Market Information

For portions of this Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information has been sourced from third parties, a reference to the respective source has been provided together with such information where presented in this Prospectus.

Certain information with respect to the markets in which the Issuer and its Subsidiaries (jointly as the "Group") operate is based on the best assessment made by the Management (as defined in Section 12 ("Glossary") below). With respect to the industry in which the Group is active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant.

Updates

The Issuer will update the information contained in this Prospectus only to such extent and at such intervals and by such means as required by the applicable law or considered necessary and appropriate by the Management. The Issuer is under no obligation to update or modify forward-looking statements included in this Prospectus (please see Section 1.6 ("Forward-Looking Statements") below for more details).

Definitions of Terms

In this Prospectus, capitalized terms have the meaning ascribed to them in Section 12 ("Glossary") and elsewhere in the Prospectus, in the Terms or in the Final Terms, with the exception of such cases where the context evidently requires to the contrary. Terms defined in the singular shall include plural and *vice versa*.

Hyperlinks to Websites

This Prospectus contains hyperlinks to websites. The information on the websites does not form part of the Prospectus and has not been scrutinised or approved by the EFSA, except for hyperlinks to information that is incorporated by reference.

1.4. Documents Available

In addition to this Prospectus, certain additional documents and information on the Group, such as the up to date Articles of Association and historic financial data of the Group, may be obtained from the website of the Issuer, at <https://www.prfoods.ee/>.

1.5. Accounting Principles

Introduction

The annual financial information included in this Prospectus has been extracted or derived from the consolidated audited financial statements of the Issuer as of and for the full financial year 1 July 2018 – 30 June 2019, including the comparative financial information as of and for the full financial year 1 January 2017 - 30 June 2018 (the “**Audited Financial Statements**”), which have been prepared in accordance with the International Financial Reporting Standards (the “**IFRS**”), as adopted by the European Union. The financial year 1 January 2017 - 30 June 2018 lasted for 18 months, instead of 12 months, due to the change of the financial year of the Issuer from 1 January – 31 December, which was approved by the General Meeting on 11 December 2017.

The Audited Financial Statements have been audited by AS PricewaterhouseCoopers (please see Section 9.7 (“Statutory Auditors”) below for more details). The Audited Financial Statements, together with the audit report thereon, are attached to this Prospectus as Appendix 3.

The interim financial information included in this Prospectus has been extracted or derived from the consolidated unaudited interim financial statements of the Issuer as of and for the second quarter and six months ended 31 December 2019 for the financial year 2019/2020, including the comparative financial information as of and for the second quarter and six months ended on 31 December 2018 for the financial year 2018/2019 (the “**Interim Financial Statements**” and together with the Audited Financial Statements, the “**Financial Statements**”), which have been prepared in accordance with International Accounting Standards (the “**IAS**”) 34, “Interim Financial Reporting”. The Interim Financial Statements are attached to this Prospectus as Appendix 4. The Interim Financial Statements do not hold all the information that must be presented in the Audited Financial Statements, so the Interim Financial Statements should be read together with the Audited Financial Statements.

All changes in the accounting policies applied upon preparing the Financial Statements, which have taken place during the periods covered by the Financial Statements, have been described in the Financial Statements.

The official language of the Financial Statements is Estonian. The Estonian version must be proceeded from in the event of a conflict with English or any other language.

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 the Financial Statements.

Principles of Consolidation

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 the Financial Statements, the Issuer and the 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.

The Financial Statements incorporate the results of the Issuer and companies directly and indirectly held by it: Saaremere Kala AS (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 11310040; "**Saaremere Kala**"), Osaühing REDSTORM (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 11228060; "**Redstorm**") and Osaühing Vettel (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 10377013; "**Vettel**") in Estonia, Heimon Kala Oy (a company incorporated under the laws of Finland, registered in the Finnish Business Register with business ID 0426956-8; "**Heimon Kala**") in Finland, Överumans Fisk AB (a company incorporated under the laws of Sweden, registered in the Swedish Companies Registration Office with registration number 556527-2977; "**Överumans Fisk**") in Sweden, and JRJ & PRF John Ross Jr (Aberdeen) Ltd (a company incorporated under the laws of Scotland, registered in the Scottish Register of Companies under company number SC104274; "**John Ross**") and Coln Valley Smokery Ltd (a company incorporated under the laws of Scotland, registered in the Scottish Register of Companies under company number 01176278; "**Coln Valley Smokery**") in the United Kingdom. JRJ & PRF, John Ross and Coln Valley Smokery are consolidated from 1 July 2017 and Redstorm from 1 July 2018.

Starting from 1 September 2017, the Financial Statements also incorporated the results of Trio Trading Ab Oy (a company incorporated under the laws of Finland, registered in the Finnish Business Register with business ID 1559086-7; "**Trio Trading**"). However, on 31 January 2020 Trio Trading merged with Heimon Kala.

The Group also has a stake in associate companies, Aktsiaselts Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Centre of Food and Fermentation Technology, a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 11930972) and Avamere Kalakasvatus OÜ (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 14645203).

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.

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.

Currency

Introduction

The functional currency of the Issuer and presentation currency of the Financial Statements is euro (EUR). Amounts in the Financial Reports are presented in thousand euros unless otherwise indicated. In the Financial Reports, thousand euros is indicated as EUR '000.

Accounting for Foreign Currency Transactions

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

Financial statements of foreign business units

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

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

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

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

1.6. Forward-Looking Statements

This Prospectus includes forward-looking statements (notably under Sections 2 ("Summary"), 3 ("Risk Factors"), 10 ("Business Overview") and 5 ("Reasons for Offering and Use of Proceeds") below). Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as "strategy", "expect", "plan", "anticipate", "believe", "will", "continue", "estimate", "intend", "project", "goals", "targets" and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Issuer is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a highly competitive business. This business is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, consumer response to new and existing products and technological developments and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see Section 3 ("Risk Factors")) for a discussion of the risks which are identifiable and deemed material at the date hereof).

1.7. Use of the Prospectus

This Prospectus has been prepared by the Issuer in connection with the Offering and the Listing and solely to enable potential investors to consider purchasing the Notes. It is prohibited to copy or distribute the Prospectus or to reveal or use the information contained herein for any other purpose than considering the purchase of the Notes. Copying, reproducing (other than for private and non-commercial

use) or disseminating this Prospectus without the express written permission of the Issuer is strictly prohibited.

The Prospectus is not published in any jurisdiction other than Estonia and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law.

1.8. Approval of the Prospectus

This Prospectus has been approved by the EFSA, as competent authority under the Prospectus Regulation, on 9 March 2020 under registration number 4.3-4.9/776. The EFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and should not be considered as an endorsement of the Issuer and the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities.

1.9. Availability of the Prospectus

This Prospectus and its Estonian language summary will be published by means of a stock exchange release through the information system of Tallinn Stock Exchange. The Prospectus and its Estonian language summary are also available as of 10 March 2020 in an electronic format on the website of the EFSA (<https://www.fi.ee/>) and on the website of the Issuer (<https://prfoods.ee/investor-relations/notes>). Any interested party may request delivery of an electronic copy of the Prospectus and its Estonian language summary from the Issuer without charge. Paper copy of the Issuer can be obtained at the premises of the Issuer at Pärnu mnt 141, 11314 Tallinn, Estonia, by any interested party upon request. Delivery of the Prospectus is limited to the jurisdictions in which the offering to the public is being made, *i.e.* to Estonia.

2. SUMMARY

Introduction and Warnings																
<p>This Summary (the “Summary”) should be read as an introduction to Prospectus and any decision to invest in the Notes should be based on consideration of the Prospectus as a whole by the investor. The information in the Summary is presented as of the Prospectus registration date, unless indicated otherwise. Civil liability in relation to this Summary attaches only to those persons who have tabled the Summary, including any translation thereof, and only where the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in the Notes. Investment into the Notes involves risks and the investor may lose all or part of the investment. The investor may be required under national law to bear the costs of translating the Prospectus before being able to bring a claim to the court in relation to this Prospectus.</p>																
Name and international securities identification number (ISIN) of the Notes	PRFoods note 22.01.2025 (in Estonian: <i>PRFoods võlakiri 22.01.2025</i>), ISIN EE3300001577.															
The identity and contact details of the issuer, including its legal entity identifier (LEI)	<p>The business name of the issuer is AS PRFoods (formerly AS Premia Foods). The Issuer was registered in the Estonian Commercial Register on 21 December 2008 under the registry code 11560713 and its legal entity identifier (LEI) code is 529900PFXFO2ZDCRNK93.</p> <p>The contact details of the Issuer are the following:</p> <p>Address: Pärnu mnt 141, 11314 Tallinn, Estonia Phone: +372 452 1470 E-mail: investor@prfoods.ee Website: https://www.prfoods.ee/</p>															
The identity and contact details of the competent authority approving the prospectus	This Prospectus has been approved by the Estonian Financial Supervision Authority (the “ EFSA ”). The contact details of the EFSA are the following: address Sakala 4, Tallinn 15030, Estonia, phone +372 668 0500, e-mail info@fi.ee .															
The date of approval of the prospectus	This Prospectus has been approved by the EFSA on 9 March 2020, under registration number 4.3-4.9/776.															
Key Information on the Issuer																
Who is the issuer of the securities?																
The identity of the issuer, including its legal entity identifier (LEI)	The business name of the Issuer is AS PRFoods (formerly AS Premia Foods). The Issuer was registered in the Estonian Commercial Register on 23 December 2008 under the registry code 11560713 and its legal entity identifier (LEI) code is 529900PFXFO2ZDCRNK93. The Issuer has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: aktsiaselts or AS) and is established for an indefinite term.															
Principal activities	<p>The principal activities of the Issuer’s group (the “Group”) are fish farming, processing and sales. The Group’s key market is Finland, where the Management believes the Group to be amongst the three largest fish production companies. Since the acquisition of John Ross Jr. and Coln Valley Smokery in the summer of 2017, the Group has sales experience to 37 countries in Europe, North and South America, and Asia.</p> <p>According to the Audited Financial Statements, the field of activity of the Issuer was “activities of holding companies” (EMTAK: 64201 / EMTAK 2008).</p>															
Major Shareholders	<p>As at the date of this Prospectus, shareholders holding over 5% of all shares in the Issuer are the following:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Name of Shareholder</th> <th style="text-align: center;">Number of Shares</th> <th style="text-align: center;">Ownership interest</th> </tr> </thead> <tbody> <tr> <td>Amber Trust II S.C.A</td> <td style="text-align: center;">14,813,540</td> <td style="text-align: center;">38.2948%</td> </tr> <tr> <td>Amber Trust S.C.A</td> <td style="text-align: center;">5,381,370</td> <td style="text-align: center;">13.9115%</td> </tr> <tr> <td>KJK Fund SICAV-SIF (in liquidation)</td> <td style="text-align: center;">4,063,456</td> <td style="text-align: center;">10.5045%</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">24,258,366</td> <td style="text-align: center;">62.7109%</td> </tr> </tbody> </table> <p>The Shares belonging to all the above referred Shareholders are held on the nominee account of ING LUXEMBOURG S.A. Amber Trust II S.C.A and Amber Trust S.C.A, which hold together the majority of the shares, are investment funds managed by Amber Trust II Management SA and Amber Trust Management SA respectively. To the knowledge of the Issuer, Amber Trust II S.C.A and Amber Trust S.C.A have not entered into a shareholders’ agreement in relation to the shareholdings in the Issuer, and they exercise their rights as shareholders of the Issuer in accordance with applicable law, the articles of association of the Issuer and the rules of Tallinn Stock Exchange.</p>	Name of Shareholder	Number of Shares	Ownership interest	Amber Trust II S.C.A	14,813,540	38.2948%	Amber Trust S.C.A	5,381,370	13.9115%	KJK Fund SICAV-SIF (in liquidation)	4,063,456	10.5045%	Total	24,258,366	62.7109%
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Total	24,258,366	62.7109%														
Identity of the key managing directors	<p>Currently, the Management Board of the Issuer consists of one member – Indrek Kasela, who has been the member of the Management Board from 2 February 2015, his current term expires on 15 November 2020.</p> <p>Indrek Kasela (born 1971) has been acting as a member of the Supervisory Board of the Issuer from its foundation until January 2015 and is currently acting as the member of the Management Board of the Issuer since February 2015. He holds LL.M (Master of Laws) degree from New York University (1996), BA degree in law from the University of Tartu (1994) and certificate in EU Law from the University of Uppsala. In addition to the Management Board member position in the Issuer, he serves as a member of the management board in almost all the Group entities and also in non-Group entities. Furthermore, he serves as a supervisory board member in various companies and is involved in companies and non-profit organisations domiciled abroad.</p>															

Identity of statutory auditors	<p>The Issuer has appointed Aktsiaselts PricewaterhouseCoopers (registered in the Estonian Commercial Register under registry code 10142876, having its registered address at Pärnu mnt 15, 10141 Tallinn, Estonia) as the auditor of the Issuer for the periods covered by the Audited Financial Statements, and the Audited Financial Statements have been audited by Aktsiaselts PricewaterhouseCoopers.</p> <p>The Issuer has appointed KPMG Baltics OÜ (registered in the Estonian Commercial Register under registry code 10096082, having its registered address at Narva mnt 5, Tallinn 10117, Estonia) as the auditor of the Issuer for the financial year 2019/2020.</p>
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What is the key financial information regarding the issuer?

Table 1, Table 2 and Table 3 below set forth key financial information of the Group as of and for the second quarter and six months ended 31 December 2019 and the second quarter and six months ended on 31 December 2018, as well as and for the financial year 1 July 2018 - 30 June 2019 and 1 January 2017 - 30 June 2018. Furthermore, for the sake of comparability, in the table below the financial year 1 January 2017 - 30 June 2018 has been adjusted to 12-month period 1 July - 30 June marked "2017/2018". Consequently, the figures of the financial year 1 January 2017 - 30 June 2018 in the Financial Statements are not reconcilable with the figures below for 2017/2018. The information has been presented in accordance with Annex II of European Commission Delegated Regulation (EU) 2019/979 as deemed most appropriate in relation to the Notes by the Issuer.

Table 1. Consolidated income statement

Income statement				
mIn EUR (unless stated otherwise)	12m 2018/ 2019	12m 2017/2018	6M 2019/2020	6M 2018/2019
	Unaudited (unless stated otherwise)	Unaudited	Unaudited	Unaudited
Revenue	85.7*	94.9	44.7	46.1
EBITDA from operations ¹⁾	4.0	6.0	2.9	3.5
EBITDA ²⁾	1.7	4.4	2.8	1.9
Operating profit (loss)	-0.5*	2.3	1.7	0.8
Operational EBITDA margin ³⁾	4.7%	6.3%	6.5%	7.6%
EBITDA margin ⁴⁾	2.0%	4.7%	6.3%	4.1%
EBIT margin ⁵⁾	-0.5%	2.5%	3.8%	1.7%

* audited figures

Table 2. Consolidated balance sheet

Balance sheet			
mIn EUR (unless stated otherwise)	31.12.2019	30.06.2019	30.06.2018
	Unaudited	Unaudited (unless stated otherwise)	Unaudited (unless stated otherwise)
Net debt ⁶⁾	17.8	20.5	18.1
Total equity	23.3	21.9*	23.3*
Working capital ⁷⁾	-3.5	-3.1	2.8
Total assets	60.5	62.5*	65.5*
Liquidity ratio ⁸⁾	0.9x	0.9x	1.1x
Equity ratio ⁹⁾	38.5%	35.0%	35.6%
Gearing ratio ¹⁰⁾	43.3%	48.3%	43.7%
Debt to total assets ¹¹⁾	0.6x	0.7x	0.6x
Net debt-to-EBITDA from operations ¹²⁾	5.3x	5.1x	3.0x

* audited figures

Table 3. Consolidated statement of cash flows

Cash flow statement				
mIn EUR	12m 2018/2019	18m 2017/2018	6m 2019/2020	6m 2018/2019
	Audited	Audited	Unaudited	Unaudited
Total cash flow from / (used in) operating activities	4.3	-0.5	4.5	2.7
Total cash flow used in investing activities	-4.4	-13.8	-1.3	-3.4
Total cash flow (used in)/ from financing activities	-3.3	15.8	-3.1	-0.3

¹⁾ EBITDA from operations = Profit (Loss) before one-offs and fair value adjustment of fish stock

²⁾ EBITDA = Profit (Loss) before interest, tax, depreciation and amortisation

³⁾ Operational EBITDA margin = EBITDA from operations / Revenue

- 4) **EBITDA margin** = EBITDA / Revenue
- 5) **EBIT margin** = Operating profit (loss) / Revenue
- 6) **Net debt** = Short- and long-term loans and borrowings – Cash and cash equivalents
- 7) **Working capital** = Total current assets – Total current liabilities
- 8) **Liquidity ratio** = Total current assets / Total current liabilities
- 9) **Equity ratio** = Total equity / Total assets
- 10) **Gearing ratio** = Net debt / (Total equity + Net debt)
- 11) **Debt to total assets** = Total liabilities / Total assets
- 12) **Net debt to EBITDA** = Net debt / EBITDA from operations for the trailing 12 months

What are the key risks that are specific to the issuer?

<p>Cost and Availability of Production Inputs</p>	<p>The prices of many of the materials and products necessary for the production of the Group's products (including fish feed and raw fish) depend on the worldwide market prices. Such input materials and products are generally bought on an order-by-order basis and written framework agreements providing a fixed price are rare. The Group is especially dependent on the price of raw fish, as the purchase cost of raw fish accounts for a major part of the cost of the Group's products, the price of which fluctuates significantly.</p> <p>Furthermore, there may be situations where there is a lack of materials and products required by the Group, which in turn may lead to shortages and price increases for such products and materials. In case price levels of input materials and products rise faster than prices of end-products in local markets, or than what the local consumers are willing to pay, the margins available for the Group may shrink, which in turn may have an adverse effect on the Group's profits.</p>
<p>Personnel Risk</p>	<p>A departure of any key manager, in addition to potentially benefiting the competitors of the Group, would have the effect of inflicting limited but noticeable damage on the quality of management and motivation. Hiring equivalent management personnel would entail inevitable costs and would not necessarily be immediately possible.</p> <p>In addition, to key personnel, the Group's success is dependent on maintaining good relations with the Group's workforce. A failure to do so could result in labour disputes, which could involve work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs) which could, in turn, have a material adverse effect on the Group's business and results of operations.</p>
<p>Covenants in Financing Agreements</p>	<p>The calculations rules relating to financial covenants established in the financial agreements can be interpreted differently, which may lead to different results on whether the covenant is complied with, depending on how the calculation rules are interpreted. Therefore, there is a risk that the Group may be at default with some of financing agreements according to the creditor's judgements. Failure to comply with such covenants could result in the relevant Group entities becoming obliged to prematurely repay the credit granted under the relevant financial agreements and should the relevant Group entities be unable to make such premature repayment, result in the bankruptcy of the relevant Group company and/or the enforcement of securities given by the Group, including the mortgages on the immovables owned by the Group or the commercial pledges on the assets of the Group.</p>
<p>Competitive Markets</p>	<p>The food industry in general is characterised by highly competitive market structures, accommodating an ample number of market players, including small niche producers as well as large enterprises. The fish and fish processing industry depend, on one hand, on the availability of fresh fish at competitive prices, and on the other hand, on the sales channels, which are made up mostly of major retail chains. Hence, the Group faces the constant challenge to cope with the competitive environment in all of its main markets. Even though the Group has been rather successful in maintaining and strengthening its position in these conditions over the last years, the Group cannot guarantee to investors that it will be able to successfully compete in the future against existing or potential competitors in all markets. Increased competition may force the Group to invest larger resources to further brand building and sales supporting activities, which may have affect its business and results of operations.</p>
<p>Epidemic Diseases</p>	<p>Food industry in general is affected by the occasional spread of epidemic diseases, as has been demonstrated by the spread of listeria monocytogenes (commonly known as listeria). Furthermore, fishing industry specifically has in recent years been mostly affected by viral haemorrhagic septicaemia (VHS), infectious haematopoietic necrosis (IHN), infectious salmon anaemia (ISA), bacterial kidney disease (BKD), infectious pancreas necrosis (IPN), gyrodactylus salaris (GS) and salmonid alphavirus (SAV). The Group has taken precautions against the risk of epidemic diseases, including by maintaining a high level of hygiene, testing for diseases and purchasing fish on from farms with history of such diseases and disease control systems. However, the risk that an epidemic disease may occur and affect the Group cannot be excluded. Any occurrence of an epidemic disease, either within the Group's facilities or with a supplier of the Group could have a negative effect on the Group's business and results of operations, as well as on the Group's reputation.</p>
<p>Changes in Current Licensing</p>	<p>Some of the environmental licenses and permits granted to the Issuer's fish breeding and transfer operations have expired or will expire in the near future. Even though the relevant Group entities have applied for renewal of the permits and licenses, the processes are time-consuming and there are no guarantees the relevant permits and licenses will be renewed under the same conditions. As a result, the availability of input products from the Group's own entities may decrease and the Group may have to resort to the deliveries of third persons to a greater extent than today. This could increase the transactions costs and reduce the margins for the Group and hence, have an adverse effect on the profitability of the Group's fishing operations. However, such risk is not inherent to the Group, but the same risk applies also to Group's competitors.</p>
<p>Changes in the Economic Environment</p>	<p>The Group's operations are affected by general economic and geopolitical conditions. Any adverse changes in the economic or geopolitical environments where the Group operates in could reduce the Group's ability to operate in such markets, increase the cost of operating in such markets and thereby reduce the Group's profitability or decrease demand for the Group's products.</p> <p>Any deterioration in the economic environment of the countries where the Group operates could have a direct negative impact on the financial position and profitability of the Group. The Baltic region is a small open economy that is closely linked to the global economy and especially to the macroeconomic conditions in the Eurozone countries and Russia.</p>

Key Information on the Securities	
What are the main features of the securities?	
Type and class of securities and security identification number	The Notes are non-equity (debt) securities with the nominal value of EUR 100, which shall be secured by the Collateral specified in this Prospectus and the Terms of the Notes. The Notes are in dematerialised book-entry form and are not numbered. The Notes are registered in the Estonian Register of Securities (the “ERS”) under ISIN code EE3300001577. The issue date of the Notes issued as a result of the Offering will be 20 March 2020.
Rights attached to the securities	The rights attached to the Notes have been established by the Terms of the Notes, which are included in this Prospectus as Appendix 1 and the Final Terms, which are included in this Prospectus as Appendix 2. The main rights of Noteholders arising from the Notes and the Terms of the Notes are the right to the redemption of the Notes and the right to receive payment of interest. Upon a delay in making any payments due under the Terms of the Notes, the Noteholders are entitled to a delay interest at the rate of 0.003% per each day in delay.
Security	The Notes will be secured solely by the security interests on certain assets and shares of the Issuer’s subsidiaries, which do not comprise all assets belonging to the Issuer’s Group. Furthermore, other than the pledge over the shares of JRJ & PRF LIMITED (a company incorporated under the laws of Scotland, registered in the Scottish Register of Companies under company number SC567615; “JRJ & PRF”) indirectly held by the Issuer and representing as at the date of this prospectus 85.0149% of all issued shares of JRJ & PRF, which will be first ranking, the security interests securing the Notes will have a lower ranking than the security interests established on the same assets in favour of certain existing creditors of the Group.
Interest and Yield	The Notes carry an annual coupon Interest at the rate of 6.25% per annum, calculated from the 22 January 2020 (the “Interest Commencement Date”) until 22 January 2025 (the “Maturity Date”). Interest is paid semi-annually on the following dates: 22 January and 22 July, starting from 22 January 2020. If an Interest Payment Date falls on a day that is not a Banking Day, interest shall be paid on the next Banking Day after the Interest Payment Date. Interest on the Notes is calculated on 30E/360 basis. The estimated yield-to-maturity of the Notes on the Issue Date, calculated from the Issue Date until the Maturity Date on the basis of the Offer Price is 6.25%. The yield-to-maturity is the percentage rate of return paid if the Note is held to its Maturity Date, assuming that interest paid over the life of the Note is reinvested at the same rate.
Maturity Date	The maturity date of the Notes is 22 January 2025. According to the Terms of the Notes, the Issuer is entitled to redeem all or part of the Notes on every Banking Day until the Maturity Date, subject to at least 30 day’s advance notice to the Noteholders.
Ranking and Status	The Notes shall constitute direct and general debt obligations of the Issuer which shall be secured by the Collateral, and which shall at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Transferability	The Notes are freely transferrable, unless otherwise provided by applicable laws. However, a Noteholder may be subject to purchase or transfer restrictions with regard to the Notes, as may applicable under the laws to which that Noteholder is subject. Furthermore, any Noteholder wishing to transfer any Notes must ensure that such transfer and any communications and arrangements relating thereto would not qualify as an offering requiring the publication of a prospectus in the meaning of the applicable laws and regulations. Each Noteholder must ensure and shall be liable for the compliance with any such restrictions, requirements and regulations at its own cost and expense.
Where will the securities be traded?	
The Issuer intends to apply for the listing and admission to trading of the Notes on the Baltic Bond List of Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Notes is on or around 23 March 2020. While every effort will be made and due care will be taken by the Issuer in order to ensure the listing and the admission to trading of the Notes, the Issuer cannot ensure that the Notes are listed and admitted to trading on the Baltic Bond List of Tallinn Stock Exchange.	
What are the key risks that are specific to the securities?	
Early Redemption Risk	In accordance with the Terms, the Notes may be redeemed prematurely on the initiative of the Issuer. In such event, the rate of return from an investment into the Notes may be lower than initially anticipated.
Credit Risk	An investment into the Notes is subject to credit risk, i.e. the Issuer may fail to meet its obligations arising from the Notes in a duly and timely manner. The Issuer’s ability to meet its obligations arising from the Notes and the ability of the Noteholders to receive payments arising from the Notes depends on the financial position and the results of operations of the Issuer
Interest Rate Risk	Noteholders are exposed to the risk that the value of the Notes may fall as a result of changes in the market interest rate. If the market interest rate increases, the market value of the Notes may fall.
Limited Events of Default	In accordance with the Terms, the Noteholders may demand extraordinary early redemption of the Notes held by the respective Noteholder only upon limited Extraordinary Early Redemption Events. The limitation of circumstances under which a Noteholder may demand extraordinary early redemption of the Notes may make it less likely for the Noteholders to recoup their investment in full in the event that the Issuer experiences financial distress.
The Terms of the Notes may be Modified and the Covenants and Undertakings Applicable to the Issuer may be Waived	In accordance with the Terms, the Issuer may apply for the consent of the Noteholders to amend the Term or obtain a waiver from the covenants and undertakings set forth in the Terms. The grant of the Noteholders’ consent for the amendment of the Terms or a waiver shall be decided by the Noteholders at the meeting of Noteholders. Any amendment to the Terms may have an adverse effect on the rights of the Noteholders and the value of the Notes, regardless of whether the relevant Noteholder approved or even voted on such amendment.

The Satisfaction of all Claims of the Noteholders on the Account of the Collateral may not be Possible	<p>The notes shall be secured by the Collateral, however, there is no guarantee that upon the Issuer's default, the Collateral can be enforced in such way that all the claims of the Noteholders could be satisfied. A failure to satisfy all claims of the Noteholders from the enforcement of the Collateral may arise due to, inter alia, there being no market for the assets encumbered by the Collateral. Furthermore, there is no guarantee that the value of such assets and the amounts which can be obtained upon the assets will be sufficient to satisfy all the claims of the Noteholders.</p> <p>In accordance with the Terms, the proceeds from the enforcement of the Collateral shall be applied first towards the satisfaction and payment of all fees, costs and expenses and damages related to performance of its duties by and payable to the Collateral Agent under the Note Documents.</p> <p>All of the above can have an adverse effect on the possibility to satisfy the claims of the Noteholders on the account of the Collateral, which in turn could adversely affect the rights of the Noteholders and the return on investment for the Noteholders.</p>										
Collateral Agent Risk	<p>The Noteholders shall not have any independent power to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreements.</p> <p>A failure on part of the Collateral Agent to perform its duties and obligations properly in accordance with the Terms, the Collateral Agent Agreement and the Collateral Agreements may adversely affect the rights of the Noteholders, which may result in the Noteholders losing their investment. The Collateral Agent has the right, without the Noteholders' consent, to suspend enforcement of the Collateral if in the Collateral Agent's reasonable opinion, the enforcement of the Collateral is not in the best interests of Noteholders (e.g. due to the fact that no market for the Collateral exists) or the Issuer has not paid to the Collateral Agent its fees and/or reimbursed costs to which the Collateral Agent is entitled under the Note Documents and such breach has not been remedied by the Issuer pursuant to the Terms. The Collateral Agent further has the right to unilaterally terminate the performance of its duties in specific cases in accordance with the Terms.</p> <p>Furthermore, in accordance with the Terms, the liability of the Collateral Agent is extensively limited.</p> <p>The Collateral Agent may refrain from doing anything which in its opinion will or may be contrary to these Terms, the Final Terms, the Collateral Agreements, the Collateral Agent Agreement or applicable legislation or otherwise render it liable to any person and may do anything which is in its opinion necessary to comply with such legislation, the Terms, the Final Terms, the Collateral Agreements or the Collateral Agent Agreement. The Collateral Agent may also refrain from acting in accordance with the instructions of the Majority Noteholders, until it has received such indemnification or security as it may require for all costs, claims, losses, expenses (including but not limited to legal fees) and liabilities which it will or may expend or incur in complying with such instructions.</p> <p>In addition to the limitations on the liability of the Collateral Agent, the possibility of the Noteholders' to claim damages from the Collateral Agent may be adversely affected by the insolvency or reorganisation proceedings of the Collateral Agent.</p> <p>All of the above can have an adverse effect on the possibility to satisfy the claims of the Noteholders on the account of the Collateral, which in turn could adversely affect the rights of the Noteholders and the return on investment for the Noteholders.</p>										
An Active Market for the Notes May Not Develop	Prior to this Offering, there has been no public market for the Notes. The Issuer cannot provide any assurance an active trading market for Notes will emerge, develop or be sustained after the completion of the Offering. This means that Noteholders may not be able to resell those Notes at the desired time or price or possibly sell them at all.										
Key Information on the Offer of Securities to the Public and/or the Admission to Trading on a Regulated Market											
<i>Under which conditions and timetable can I invest in this security?</i>											
<p>The Issuer is offering up to 18,904 Notes, with the maximum aggregate nominal value of EUR 1,890,400. The Notes shall be offered by way of a public offering to retail investors in Estonia (the "Retail Offering"). The Notes may also be offered to institutional investors in and outside of Estonia (the "Institutional Offering") and together with the Retail Offering, the "Offering").</p> <p>As part of the Offering, the Notes will be publicly offered only in Estonia and there will not be any public offering of the Notes in any other jurisdiction. The Notes may be offered to qualified investors or by private placement in the Institutional Offering forming part of the Offering in compliance with Article 1(4)(a) and (b) of Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC (the "Prospectus Regulation") also in other jurisdictions.</p> <p>As part of the Offering, the Notes are offered for the price of EUR 101.00 per one (1) Note (the "Offer Price"). The Offer price includes accrued but not yet paid interest since 22 January 2020, in the amount of EUR 1.01 per one Note.</p> <p>The Notes may be subscribed for during the period commencing at 10:00 (Estonian time) on 10 March 2020 and ending at 16:00 (Estonian time) on 16 March 2020 (the "Offering Period"), in accordance with the Terms described in this Prospectus.</p> <p>The Retail Offering is directed to all natural and legal persons in Estonia. For the purposes of the Offering, a natural person is considered to be "in Estonia" if such person has a securities account with the ERS and such person's address recorded in the records of the ERS in connection with such person's securities account is located in Estonia. A legal person is considered to be "in Estonia" if such person has a securities account with the ERS and such person's address recorded in the records of the ERS in connection with such person's securities account is located in Estonia or its registration code recorded in the records of the ERS is the registration code of the Estonian Commercial Register.</p>											
Indicative timetable of the Offering	<table border="1"> <tr> <td data-bbox="316 1715 608 1787">10:00 (Estonian time) on 10 March 2020</td> <td data-bbox="616 1715 1500 1787">Start of Offering Period</td> </tr> <tr> <td data-bbox="316 1798 608 1870">16:00 (Estonian time) on 16 March 2020</td> <td data-bbox="616 1798 1500 1870">End of Offering Period</td> </tr> <tr> <td data-bbox="316 1881 608 1921">No later than 18 March 2020</td> <td data-bbox="616 1881 1500 1921">Announcement of the results of the Offering</td> </tr> <tr> <td data-bbox="316 1933 608 1973">On or about 20 March 2020</td> <td data-bbox="616 1933 1500 1973">Settlement of the Offering</td> </tr> <tr> <td data-bbox="316 1984 608 2020">On or about 23 March 2020</td> <td data-bbox="616 1984 1500 2020">First trading day of the Notes on Baltic Bond List of the Nasdaq Tallinn Stock Exchange</td> </tr> </table>	10:00 (Estonian time) on 10 March 2020	Start of Offering Period	16:00 (Estonian time) on 16 March 2020	End of Offering Period	No later than 18 March 2020	Announcement of the results of the Offering	On or about 20 March 2020	Settlement of the Offering	On or about 23 March 2020	First trading day of the Notes on Baltic Bond List of the Nasdaq Tallinn Stock Exchange
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Offering Period	The Offering Period is the period during which the persons who have the right to participate in the Retail Offering may submit Subscription Undertakings for the Notes. The Offering Period commences at 10:00 (Estonian time) on 10 March 2020 and terminates at 16:00 (Estonian time) on 16 March 2020.																														
Subscription Undertakings	<p>The Subscription Undertakings may be submitted only during the Offering Period. An investor participating in the Retail Offering may apply to subscribe for the Notes only for the Offer Price. Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. All investors participating in the Retail Offering can submit Subscription Undertakings denominated only in euro. An investor shall bear all costs and fees charged by the respective account operator of ERS accepting the Subscription Undertaking in connection with the submission, cancellation or amendment of a Subscription Undertaking.</p> <p>In order to subscribe for the Notes, an investor must have a securities account with the ERS. Such securities account may be opened through any account operator of ERS.</p> <p>An investor wishing to subscribe for the Notes should contact an account operator that operates such investor's ERS securities account and submit a Subscription Undertaking for the purchase of Notes in the form set out below. The Subscription Undertaking must be submitted to the account operator by the end of the Offering Period. The investor may use any method that such investor's account operator offers to submit the Subscription Undertaking (e.g. physically at the client service venue of the account operator, over the internet or by other means). The Subscription Undertaking must include the following information:</p> <table border="1" data-bbox="308 629 1377 1330"> <tr> <td>Owner of the securities account:</td> <td>name of the investor</td> </tr> <tr> <td>Securities account:</td> <td>number of the investor's securities account</td> </tr> <tr> <td>Account operator:</td> <td>name of the investor's account operator</td> </tr> <tr> <td>Security:</td> <td>PRFoods note 22.01.2025</td> </tr> <tr> <td>ISIN code:</td> <td>EE3300001577</td> </tr> <tr> <td>Amount of securities:</td> <td>the nominal value of Notes for which the investor wishes to subscribe (the number of Notes multiplied by the Offer Price)</td> </tr> <tr> <td>Price (per one offer Note):</td> <td>EUR 101.00</td> </tr> <tr> <td>Transaction amount:</td> <td>the number of Notes for which the investor wishes to subscribe multiplied by the Offer Price</td> </tr> <tr> <td>Counterparty:</td> <td>AS PRFoods</td> </tr> <tr> <td>Securities account of counterparty:</td> <td>99101473437</td> </tr> <tr> <td>Account operator of the counterparty:</td> <td>AS SEB Pank</td> </tr> <tr> <td>Date of the transaction</td> <td>the date when the Subscription Undertaking was submitted by the investor</td> </tr> <tr> <td>Value date of the transaction:</td> <td>20 March 2020</td> </tr> <tr> <td>Type of transaction:</td> <td>"purchase"</td> </tr> <tr> <td>Type of settlement:</td> <td>"delivery versus payment"</td> </tr> </table> <p>A Subscription Undertaking is deemed submitted from the moment ERS receives a duly completed transaction instruction from the account operator of the respective investor.</p> <p>Investors have the right to amend or revoke their Subscription Undertakings at any time until the end of the Offering Period. To do so, the investor must contact its/his/her account operator through whom the Subscription Undertaking in question has been made and carry out the procedures required by the account operator for amending or cancelling a Subscription Undertaking (such procedures may differ between different account operators). This may result in costs and fees charged by the account operator through which the Subscription Undertaking is submitted.</p> <p>An investor may submit a Subscription Undertaking through a nominee account only if such an investor authorises the owner of the nominee account to disclose the investor's identity, personal ID number or registration number, and address to the Issuer and ERS. Subscription Undertakings submitted through nominee accounts without the disclosure of the above information will be disregarded.</p> <p>An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Issuer reserves the right to reject any Subscription Undertakings, which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Offering Period in accordance with all requirements set out in the Terms.</p>	Owner of the securities account:	name of the investor	Securities account:	number of the investor's securities account	Account operator:	name of the investor's account operator	Security:	PRFoods note 22.01.2025	ISIN code:	EE3300001577	Amount of securities:	the nominal value of Notes for which the investor wishes to subscribe (the number of Notes multiplied by the Offer Price)	Price (per one offer Note):	EUR 101.00	Transaction amount:	the number of Notes for which the investor wishes to subscribe multiplied by the Offer Price	Counterparty:	AS PRFoods	Securities account of counterparty:	99101473437	Account operator of the counterparty:	AS SEB Pank	Date of the transaction	the date when the Subscription Undertaking was submitted by the investor	Value date of the transaction:	20 March 2020	Type of transaction:	"purchase"	Type of settlement:	"delivery versus payment"
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Type of transaction:	"purchase"																														
Type of settlement:	"delivery versus payment"																														
Payment	By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its/his/her securities account (which may or may not also be the investor's account operator) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance the Terms. The transaction amount to be blocked will be equal to the Offer Price multiplied by the number of the Notes indicated by the investor in the Subscription Undertaking. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its/his/her securities account in the ERS or its/his/her securities account to cover the whole transaction amount for that particular Subscription Undertaking.																														
Distribution and Allocation	<p>The Issuer will decide on the allocation of the Offer Notes in its full discretion, after the expiry of the Offering Period, and no later than on 18 March 2020. The Notes will be allocated to the investors participating in the Offering in accordance with the following principles:</p> <p>(i) the division of the Notes between the Institutional Offering and the Retail Offering has not been predetermined. The Issuer will determine the exact tranche sizes of the Retail Offering and Institutional Offering (percentage wise) in its sole discretion;</p>																														

	<p>(ii) the Issuer will determine the exact allocation of the Notes among investors in its sole discretion;</p> <p>(iii) the main criteria for the determination of the levels and allocation percentages are: (a) the total demand for the Notes in the Offering and (b) the size and amount of Subscription Undertakings in the Offering;</p> <p>(iv) no tranche has been predetermined to any investors or any group of investors;</p> <p>(v) allocation of the Notes will not be determined on the basis of which firm they are made through or by;</p> <p>(vi) possible multiple Subscription Undertakings submitted by an investor in the Retail Offering or in the Institutional Offering shall be merged for the purpose of allocation. If different securities' accounts of the investor have been indicated in the Subscription Undertakings submitted by such investor respectively, subject to the amount of the Notes indicated in each such Subscription Undertaking, the Issuer shall have the full discretion to determine the number of the Notes that will be transferred to each such securities' accounts of such investor in the course of the settlement of the Offering;</p> <p>(vii) each investor subscribing via a nominee account is considered as an independent investor if the Issuer has received information on such investor's identity and the amount of Notes subscribed for by such investor; and</p> <p>(viii) each investor entitled to receive the Notes shall be allocated a whole number of Notes and, if necessary, the number of Notes to be allocated shall be rounded down to the closest whole number. Any remaining Notes which cannot be allocated using the above-described process will be allocated to investors on a random basis.</p> <p>The results of the allocation process of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Issuer's website https://www.prfoods.ee/ no later than on 18 March 2020, but in any case, before the Notes are transferred to the investors' securities accounts. Therefore, dealing with the Notes shall not begin before the allocation process has been announced.</p>
Settlement and Trading	The Notes allocated to investors will be transferred to their securities accounts on or about 20 March 2020 through the "delivery versus payment" method simultaneously with the transfer of payment for such Notes. The title to the Notes will pass to the relevant investors when the Notes are transferred to their securities accounts. If an investor has submitted several Subscription Undertakings through several securities accounts, the Notes allocated to such investor will be transferred to all such securities accounts proportionally to the number of the Notes indicated in the Subscription Undertakings submitted for each account, rounded up or down as necessary. Trading with the Notes is expected to commence on the Baltic Note List of Tallinn Stock Exchange on or about 23 March 2020.
Return of Funds	If (i) the Offering or a part thereof is cancelled in accordance with the terms described in this Prospectus, (ii) the investor's Subscription Undertaking is rejected, (iii) the investor's Subscription Undertaking is revoked, or (iv) if the allocation is less than the amount of Notes indicated in the duly submitted Subscription Undertaking, the funds blocked on the investor's cash account, or the excess part thereof (the amount in excess of payment for the allocated Notes), will be released by the respective financial institution. Regardless of the reason for which funds are released, the Issuer shall never be liable for the release of the respective funds and for the payment of interest on the released funds for the time they were blocked (if any).
Cancellation of Offering	The Issuer has the right to cancel the Offering in full or in part in its sole discretion, at any time until the end of the Offering Period. In particular, the Issuer may decide to cancel the Offering in the part not subscribed for. Any cancellation of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Issuer's website https://www.prfoods.ee/ . All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated as of the moment when such announcement is made public.
Why is this Prospectus being produced?	
Use of proceeds	<p>The primary purpose of the Offering is to strengthen the capital structure of the Group. In connection with the Offering, the Issuer expects to receive net proceeds (net of legal fees, financial consultancy fees, fees related to the registration of the Collateral and any other agreed costs and expenses relating to the Offering and/or the Admission) of up to approximately EUR 1.8 million. Such proceeds shall be used for the following purposes:</p> <ul style="list-style-type: none"> • as a first priority, to refinance the existing indebtedness of the Group, in the amount of approximately EUR 1 million; • as second priority, for general corporate purposes, including ensuring sufficient working capital for the Group and investing into fish farms in Finland, Sweden and Estonia, in the amount of approximately EUR 0.8 million. <p>The total amount of costs related to the Offering (which mainly comprise of legal fees, financial consultancy fees, fees related to the registration of the Collateral and any other agreed costs and expenses relating to the Offering and/or the Admission) is estimated to be up to approximately EUR 0.1 million, which will be deducted from the proceeds of the Offering before using the proceeds as described above.</p> <p>In addition to the proceeds the Issuer expects to receive in connection with the Offering, the Issuer has received net proceeds (net of legal fees, financial consultancy fees, fees related to the registration of the Collateral and any other agreed costs and expenses relating to the Offering and/or the Admission) in the amount of approximately EUR 8.8 million in connection with the issuing of the First Tranche of Notes. Such proceeds were used to finance the early repayment of Saaremere Kala's investment loan from SEB Bank (in the amount of approximately EUR 8.5 million) and the investments to the automation of the Group's factories (in the amount of approximately EUR 0.3 million). The costs related to the issuing of the First Tranche of Notes (which mainly comprised of legal fees, financial consultancy fees, fees related to the registration of the Collateral and any other agreed costs and expenses relating to the Offering and/or the Admission) amounted to approximately EUR 0.3 million.</p>
Conflicts of Interest	The Issuer is not aware of any direct conflicts of interest for the Management in relation to the Offering. However, the members of the Management Board and Supervisory Board are direct or indirect shareholders of, members of managing bodies and/or managers in, or provide consultancy services to, companies holding a shareholding the Issuer, which may lead to conflicts of interest between the duties of any of the members of the Management Board and the Supervisory Board to the Issuer or to any Group company, and their private interests or other duties.

3. RISK FACTORS

3.1. Introduction

Investing in the Notes entails various risks. Each prospective investor considering an investment in the Notes should thoroughly consider all the information in this Prospectus, including the risk factors described below. Any of the risk factors described below, or additional risks which are currently not known to the Management or are not considered significant by the Management, could have a material adverse effect on the business, financial condition, operations or prospects of the Issuer and its Group, and result in a decline in the value of the Notes or the ability of the Issuer to service and redeem the Notes in accordance with the Terms. As a result, investors could lose a part or all of the value of their investments. The Management believes that the factors described below present the principal risks inherent in investing into the Notes. The risk factors are presented in categories and where a risk factor may be categorised in more than one category, such risk factor appears only once and in the most relevant category for such risk factor. The most material risk factor in a category is presented first under that category, the assessment of materiality of each risk factor is based on the probability of its occurrence and the potential magnitude of its negative impact. Subsequent risk factors in the same category are not ranked in order of materiality or probability of occurrence.

This Prospectus is not, and does not purport to be, investment advice or an investment recommendation to acquire the Notes. Each prospective investor in the Notes must determine, based on its own independent review and analysis and such professional advice as it deems necessary and appropriate, whether an investment into the Notes is consistent with its financial needs and investment objectives and whether such investment is consistent with any rules, requirements and restrictions as may be applicable to that investor, such as investment policies and guidelines, laws and regulations of the relevant authorities, etc.

3.2. Risks Related to the Issuer and the Group

Cost and Availability of Production Inputs

The prices of many of the materials and products necessary for the production of the Group's products (including fish feed and raw fish) depend on the worldwide market prices. Such input materials and products are generally bought on an order-by-order basis and written framework agreements providing a fixed price are rare. The Group is especially dependent on the price of raw fish, as the cost of raw fish accounts for a major part of the cost of the Group's products (please see the notes in the Financial Statements outlining the components of the cost of goods sold), the price of which fluctuates significantly.

As an example, during the period 2016-2019, the price of salmon and rainbow trout, which are the main types of raw fish the Group uses as production inputs, fluctuated as follows:

Average fish prices, 12 months:

EUR/kg	12m 2019	12m 2018	12m 2019 vs 12m 2018	12m 2017	12m 2019 vs 12m 2017	12m 2016	12m 2019 vs 12m 2016
Salmon	5,73	6,24	-8,1%	6,27	-8,6%	6,68	-14,2%
Rainbow trout	5,59	6,04	-7,5%	6,94	-19,4%	5,73	-2,4%

Fish prices as at the end of a period, year-over-year:

EUR/kg	31.12.2019	31.12.2018	31.12.19 vs 31.12.18	31.12.2017	31.12.19 vs 31.12.17	31.12.2016	31.12.19 vs 31.12.16
Salmon	7,85	6,59	19,1%	5,30	48,1%	8,72	-10,0%

Rainbow trout	6,31	5,88	7,3%	5,95	6,0%	7,39	-14,6%
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Source: Salmon – Nasdaq Salmon price; Rainbow trout – www.akvafakta.no

Furthermore, there may be situations where there is a lack of materials and products required by the Group, which in turn may lead to shortages and price increases for such products and materials. In case price levels of input materials and products rise faster than the prices of end-products in local markets, or than what the local consumers are willing to pay, the margins available for the Group may shrink, which in turn may have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Demand for the Group's Products

The product and geographic markets where the Group operates contain a large number of local and international competitors (both direct, who provide the same type of products as the Group and indirect, who provide products which may be considered alternatives to the Group's products, e.g. other types of foods). Due to the intense competition, the success of any market participants, including the Group, is highly dependent on an efficient marketing policy, which should ensure continuous demand for their products through maximum consumer satisfaction both in terms of product quality and emotions related to the consumption of the products. Furthermore, demand for the Group's products is dependent on brand loyalty, which is dependent on the reputation and marketing activities of both the Group and its competitors.

Should the marketing efforts of the Group's competitors be more successful than those of the Group, the Group may lose customers to its direct and/or indirect competitors, which in turn may have a negative effect on the sales of the Group's products. Furthermore, misjudgements in assessing the consumers' behaviour and marketing its products by the Group may also adversely affect demand for the Group's products and thus have a negative effect on sales. The Group has a strong and experienced marketing and sales team to cope with this risk, but there are no guarantees against possible setbacks, which may have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Production Disorders in Fish Farming and Production Facilities

As with all other forms of intensive food production and production involving biological assets, a number of farming and production-related disorders may arise in the Group's operations. Such disorders may result in reduced growth and inferior health of fish, reduced quantity and/or quality on harvesting and damage the Group's reputation. As a large part of the Group's raw fish needs (including approximately 2/3 of the rainbow trout the Group uses in its production) comes from the Group's own fish farms, the Group may not incur significant costs and loss of profits from such disruptions. Farming and production disorders have been rare, but in case they occur, they may cause adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Dependence on Major Clients

Most of the major clients of the Group are large retail chains and food servicing companies (HoReCa) that hold rather strong market positions. During the financial year 1 July 2018 – 30 June 2019, sales to retail chains accounted for approximately 42.3% of the sales of the Group, sales to wholesale clients accounted for 42.3% of the sales of the Group and sales to HoReCa clients accounted for 23.2% of the sales of the Group.

The loss of any major client would have an adverse effect on the Group's business and its results. Moreover, major clients are often able to dictate terms to their suppliers to a great extent and it is market practice for major client agreements to include clauses which provide the customers with generous discounts, harsh contractual penalties for the supplier etc., all of which can negatively affect the business and the results of the Group. Furthermore, the demand for the Group's products by consumers depends

on certain decisions taken by large retail chains, e.g. with respect to arranging campaigns involving the Group's products as well as the shelf space allocated to the Group's products in stores. Any such decisions, which the Group generally has no control over, may have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Market Position

The Group could be regarded as having a strong market position with respect to some product segments in some geographic markets. This could necessitate some limits to the use of certain sales and marketing measures under applicable competition law rules, which is why the Group pays increased attention to the compliance with competition law rules. While competition law rules are applicable to all enterprises and hence also set limits to the Group's competitors (in particular in market segments, where the competitors hold dominant positions), it is possible that due to different market positions or different approaches from different competition authorities, some competitors of the Group may be less constrained by competition law rules than the Group. This may result in the Group being unable to increase or maintain its market position, which in turn may have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Risks Related to Cross-Border Operations

The Group's business is carried out in several jurisdictions, mainly in Estonia, Finland, Sweden, Norway, Denmark and the United Kingdom. During the financial year 1 July 2018 – 30 June 2019, the largest geographical region for the Group by sales revenue was Finland (where the sales revenue amounted to approximately EUR 59,885,000), United Kingdom (where the sales revenue amounted to approximately EUR 12,104,000) and Estonia (where the sales revenue amounted to approximately EUR 5,710,000). During the same period, the average number of employees of the Group in Finland was 92, in Estonia 127, in Great Britain 121 and in Sweden 21.

Such cross-border operations expose the Group to legal, tax, economic and political risks on all these markets. Such risks may have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes

Expansion Risk

The Group has so far pursued the strategy of constant expansion into a new product and geographic markets (as evidenced most recently by the purchase of shares in JRJ & PRF, and the expansion to Scotland in relation thereto). This has allowed to benefit from increasing effects of scale economy in multiple areas such as IT, purchases of equipment and marketing. The Management expects that the Group will continue to grow and further growth may require expansion into new geographic markets in the region and client segments in the existing and new markets, as well as development of new products and business lines. The rapid growth of the Group may lead to administrative and structural difficulties. Managing an increasing amount of local entities, each operating in a different economic and legal environment, will pose a challenge for the executive team of the Group and may ultimately result in higher administration costs and a slower rate of expansion. At the same time, the top management of the Group already possesses considerable experience in running international operations and expanding the business of the Group into new markets.

Failure to manage the growth and development processes may have a negative impact on the Group's profits and financial position. The continuing expansion demands investments in fixed assets and additional working capital. The availability of additional financing on favourable terms may not be available / secured.

The risks brought out above may have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Local Connections May Take Time to Develop

The Group has plans to continue expansion to new markets and market segments. New markets in the region are to a significant extent based on the established reputation and personal relations between the various market participants, which may pose challenges to the Group's expansion plans. Although the Management expects such risks to decline over time, as the local management becomes more accustomed to the local market and the Group hires more local professionals to assist in everyday operations, there can be no guarantees of this and during the adaption period, the cost of adaption may have a negative impact on the Group's profits and financial position. This may have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Risk of Recent Acquisitions and Restructurings

The Group has acquired several new subsidiaries and gone through several mergers and restructurings over the years. While the Management is confident that integration proceeds smoothly, certain unforeseen difficulties cannot be excluded which may have a short-term effect on the results of the operations.

The share and assets purchase agreement related to these transactions contain customary sets of warranties and representations, for which the parties in the respective transactions agreed to be liable. Should any breach of warranties and representations become apparent by the Group, the Group may be claimed damages by the counterparties of the transactions. At the same time, should any breach of warranties and representations become apparent by the counterparties, the Group may incur damages and may have to go through litigation or arbitration proceedings to claim compensation for the damages. Such disputes may have an adverse effect on the Group's financial position, and thereby affect the Group's ability to make the payments under the Notes.

Personnel Risk

The management personnel of the Group is comprised of experienced and motivated professionals with extensive knowledge of the operations of the Group and the markets where the Group operates in. A departure of any key manager, in addition to thereby potentially benefiting competitors of the Group (should such manager be employed by a competitor), would have the effect of inflicting limited but noticeable damage on the quality of management and motivation. Hiring equivalent management personnel would entail inevitable costs and would not necessarily be immediately possible.

In addition, to key personnel, the Group's success is dependent on maintaining good relations with the Group's workforce. A failure to maintain good relations with the Group's workforce could result in labour disputes, work stoppages, strikes or other industrial actions or labour shortage (including higher labour costs) which, in turn, could have a material adverse effect on the Group's business and its results.

Furthermore, an increase of labour costs or inability to hire qualified personnel may arise and thereby have an effect on the Group's general cost base and operational results.

The realisation of any of the risks above could have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

External Financing

Upon the termination of the existing financing agreements of the Group (whether upon the end of their maturity or prematurely) or upon an increase of the Group's financing needs, the Group may need to obtain additional financing to ensure liquidity and/or finance its operations. There is no guarantee that the Group can enter into such financing agreements and obtain financing or to do so on favourable conditions.

Furthermore, an increase in indebtedness may expose the Group to additional risks as debt can make companies inherently more sensitive to declines in revenue, increases in expenses and interest rates,

and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed to the same extent. Leverage may also restrict the Group from making strategic acquisitions or cause them to make non-strategic divestitures and limit their ability to obtain additional financing. In addition, companies with relatively high fixed costs may have greater difficulty servicing higher debt level.

Any of the factors above could have an adverse effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Limited Covenants with Respect to the Group's Business

The Terms contain a limited amount of undertakings for the Issuer with respect to its business activities. Most undertakings which the Issuer assumes towards the Noteholders under the Terms relate to the Collateral and the provision of information to the Noteholders but do not otherwise restrict the Group's business operations.

As the only two exceptions, the Issuer undertakes to ensure that the Issuer's Net Debt to EBITDA Ratio (as defined in the Terms) in respect of the Issuer's financial year 1 July 2019 – 30 June 2020 is less than 5.0 and in respect of any subsequent financial year is less than 4.5, and the Issuer's DSCR (as defined in the Terms) is at least 1.2. Those two covenants are measured in accordance with the Terms, once a year on the basis of the Issuer's consolidated audited financial reports covering the 12 months of the financial year to be submitted by the Issuer.

The absence of more stringent covenants and limitations with respect to the Group's business activities means that the Group entities may at their own discretion and without consulting the Noteholders or obtaining their approval, change their business activities in comparison with how they have been carried out in the past. Among others, the Group companies may assume additional debt obligations. Such changes could have adverse effect on the Group's business, financial conditions or results of operations, and thereby increase the risk that the Issuer may be unable to fulfil its obligations arising from the Notes.

Covenants in Financing Agreements

Saaremere Kala has entered into an overdraft agreement with SEB Bank (please see paragraph "Overdraft Agreement with SEB Bank" in Section 10.9 ("Material Contracts") for more details on this agreement). Furthermore, it is possible that entities of the Group may enter into further financial agreements (loans, leaseings, overdrafts, factorings) in the future. The Overdraft Agreement subject, and future financing agreements may subject, the Group to covenants, restrictions and obligations (among other things, further financing, payment of dividends, changes in the Group's corporate structure or the nature of business, etc requires the consent of the financial institutions). In case of default, the financial institutions may unilaterally change the interest rates, claim a contractual penalty or an immediate repayment.

The calculation rules relating to financial covenants established in the financial agreements can be interpreted differently, which may lead to different results on whether the covenant is complied with, depending on how the calculation rules are interpreted. Therefore, there is a risk that the Group may be at default with some of financing agreements according to the creditor's judgements at times. At the same time, most financing agreements contain cross-default provisions, i.e. provisions which put the borrower or any related party to it in default if the borrower defaults on another obligation arising from the same or another loan or financing agreement. The exact content of cross-default provisions may be different in different agreements. Such cross-default clauses expose the Group to default risks on performance under other agreements with the financial institutions in question.

Failure to comply with the financing agreements (for instance if immediate repayment is demanded) could result in the relevant Group entities becoming obliged to prematurely repay the credit granted under the relevant financial agreements and potentially other financial agreements (where the financial agreements contain cross-default provisions) and should the relevant Group entities be unable to make

such premature repayment, result in bankruptcy of the relevant Group company and/or the enforcement of securities given by the Group, including the mortgages on the immovables owned by the Group or the commercial pledges on the assets of the Group.

Interest Rate Risk

The interest rates of most of the loans of the Group entities are linked to the EURIBOR base rate which is determined as of the quotation date occurring each 6 months from the date of the relevant loan agreement. Therefore, increases in the European Central Bank interest rates (and, consequently, increases of the EURIBOR base rate) will lead to a corresponding increase in the financial costs of the Group and vice versa. However, such increases are not likely to have a significant effect on the overall results of operations.

Dependency on the Dividends from Subsidiaries

The Issuer is a holding company conducting its operations through its subsidiaries. The Issuer itself does not own significant assets other than the investment into the subsidiaries. Therefore, in order to be able to pay dividends to its shareholders and meet its obligations, the Issuer is dependent on the receipt of dividends from its subsidiaries. According to Estonian law, a company may only pay dividends or make other distributions, if its current profits and retained earnings are sufficient for such distribution. Hence, the Issuer's profitability and financial position is dependent on the subsidiaries' ability to pay dividends and should the subsidiaries not be able to pay dividends, the Issuer's ability to make the payments under the Notes could be affected.

Foreign Currency Fluctuations

Currency risk arises when business transactions, assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group's functional currency and presentation currency is EUR but due to cross-border operations, the Group also operates in Swedish Kronas (SEK) and the British Pound Sterling (GBP). For hedging the currency risk, all substantial agreements of the Group provide are made in EUR as the operating currency. Still, as at 30 June 2019, the financial instruments' net currency position of the Group in SEK was equivalent to -641,000 EUR and in GBP equivalent to -3,027,000 EUR.

Therefore, significant changes in the movements of currency exchange rates could have a significant adverse effect in the results of operations and the financial position of the Group, which can in turn affect the Group's ability to make the payments under the Notes.

3.3. Risks Related to the Group's Industry

Competitive Markets

The food industry in general is characterised by highly fragmented market, accommodating an ample number of market players, including small niche producers as well as large enterprises. The fish and fish processing industry depend, on one hand, on the availability of fresh fish at competitive prices, and on the other hand, on the sales channels, which are made up mostly of major retail chains. The risk relating to the availability of fresh fish generally does not affect the Group, as the Group has its own fish farms, supplying it with fresh fish. Still, the Group is not immune to such risk, should the Group's own fish farms be unable to satisfy the Group's fresh fish needs at any given time.

Furthermore, the Group is exposed to the competition for distribution channels for fish and fish products. While the Group believes to have established reputation as a reliable and trusted co-operation partner, the Group's distribution partners generally buy the Group's products on an order-by-order basis and there are no safeguards against the distribution partners starting to favour the products of the Group's competitors reducing thereby the orders for the Group's products. It should also be noted that private

label brands operated by large retail chains have increased their market share in several food segments. Such brands exert competition to producers and distributors of branded products.

Hence, the Group faces the constant challenge to cope with the competitive environment in all of its main markets. Even though the Group has been rather successful in maintaining and strengthening its position in these conditions over the last years, the Group cannot guarantee to investors that it will be able to successfully compete in the future against existing or potential competitors in all markets. Increased competition may force the Group to invest larger resources to further brand building and sales supporting activities, which may affect its profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Seasonality in Revenue and Raw Fish Procurement

The revenues gained from the sales of fish products follow a cyclical pattern – with high seasons during Christmas and Easter, and the low ones in January and during summer months.

The low season for procuring raw fish is during the harvesting period at the end of summer and several months thereafter, but peak again from November–December to March–April. The Management expects these seasonal fluctuations to continue affecting the Group's results in the future. Accordingly, the results of operations in any period should not be considered indicative of the results to be expected for future periods.

Public Relations

The food industry is impacted by emotionally driven trends related to public opinion with respect to certain products or components thereof, which are associated with sustainability of production, animal welfare, health, dietary or other such concerns. Such trends could hamper the reputation of the Group and therefore decrease significantly the sales of the products affected by the trend, regardless of whether the concerns behind the trend are founded or unfounded and even where found scientifically to be incorrect. Therefore, it is difficult to predict or take precautions against such trends. The Group has a strong public relations (PR) team and long-term co-operation partners to better cope with such occasions. However, should such trends affect some of the Group's business lines, they could nevertheless have adverse effects on the Group's financial position and profitability, and thereby affect the Group's ability to make the payments under the Notes.

Environmental Risks

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.

Under environmental laws, all operators, as well as all persons/industries responsible for pollution may be liable for costs for examination and decontamination of contaminated soil, water or buildings according to the "Polluter Pays Principle". Even though the Group has taken measures to reduce its environmental impact (please see Section 10.6 ("Environmental Impact") below for more details) and the Issuer is not aware that any of the Group entities has contributed to pollution of soil, building or water, such risks cannot be fully excluded, as the Group operates facilities, which may possibly have hazardous effects to environment. Should it become apparent that the Group's operations have contributed causing pollution, the Group may have to compensate the damages. This could have adverse effect on the Group's reputation, business, financial conditions or results of operations, and thereby also affect the Group's ability to make the payments under the Notes.

Epidemic Diseases

Food industry in general is affected by the occasional spread of epidemic diseases as has been demonstrated by the spread of listeria monocytogenes (commonly known as listeria). Furthermore, fishing industry specifically has in recent years been mostly affected by viral haemorrhagic septicaemia (VHS), infectious haematopoietic necrosis (IHN), infectious salmon anaemia (ISA), bacterial kidney disease (BKD), infectious pancreas necrosis (IPN), gyrodactylus salaris (GS) and salmonid alphavirus (SAV). The Group has taken precautions against the risk of epidemic diseases, including by maintaining a high level of hygiene, testing for diseases and purchasing fish on from farms with history of such diseases and disease control systems. However, the risk that an epidemic disease may occur and affect the Group cannot be excluded. Any occurrence of an epidemic disease, either within the Group's facilities or with a supplier of the Group could have a negative effect on the Group's reputation, profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Weather and Pollution

Fish farming is operated in open net cage systems located in marine environment and is hence exposed to changing weather conditions as well as pollution of open seas. Any adverse weather conditions, as well as climate change, may have an effect on the fish grown at the Group's fish farms, as well as the ability of the Group to continue raising fish in a marine environment. Furthermore, marine areas are exposed to a pollution risk arising from marine transport and industrial activities and any pollution could bring along either a short- or long-term damage to the Group's fish farms. Any adverse weather conditions, a change in climate and pollution levels could have a negative effect on the Group's profits and financial position, and thereby affect the Group's ability to make the payments under the Notes.

Bioterrorism

There exist environmental organisations, whose aim is to abolish all fish farming. The degree of fundamentalism varies from group to group with, majority engaging in spreading disinformation and untruths about fish farming in general. However, a certain risk of bioterrorism (i.e. damage to farming facilities with the intention of damaging both the Group and the industry in general, and/or exposing it to negative media coverage) cannot be ruled out. Any such act of bioterrorism could have an adverse effect on the profits and financial position of the Group, and thereby also affect the Group's ability to make the payments under the Notes.

3.4. Legal and Regulatory Risks

Changes in the Licenses

Some of the environmental licenses and permits granted to the Group's fish farming will expire in the near future. Even though the relevant Group entities have applied for renewal of the permits and licenses, the processes are time-consuming and there are no guarantees the relevant permits and licenses will be renewed under the same conditions. As a result, the availability of input products from the Group's own entities may decrease and the Group may have to resort to the supplies by third persons to a greater extent than today. While such risk is not inherent to the Group and the same risk applies also to the Group's competitors, this could increase raw material and transaction costs, and reduce the margins for the Group. This in turn could have an adverse effect on the profitability of the Group's farming operations.

Regulatory Changes

Food industry in general is affected by the sanitary and environmental regulations on the level of the European Union and on a national level. Moreover, the fish and fish processing industry are subject to European Union and national regulations. The European Union Common Fisheries Policy ("CPT") has set up rules for total allowable catches, limitation of fishing effort, technical measures (rules in relation

to fishing gears and minimum landing sizes), and imposes obligations to record and report catches and landings. The CPT includes several measures to limit the environmental impact of fishing.

However, regulatory policies are in constant review and any new quotas or limitations to fishing operations or more stringent environmental regulations which may be introduced on the European Union or national level (for example, to combat climate change, achieve carbon neutrality, improve animal welfare or reduce the use of chemicals), may adversely impact the operations of the companies involved in the fish and fish processing industry, as they have to obtain additional licenses or permits, reduce their activities or make investments into their existing facilities or equipment. At the same time, such regulations could also increase the cost of raw material for the fish processing industry. This may create obstacles to the further growth of the Group's fish and fish processing business and to expansion to new geographic markets. However, it should be borne in mind that the Group's competitors would face the same challenges.

Exposure to Civil Liability

The Group operates in a legal and regulatory environment that exposes it to risk of claims, disputes and legal proceedings. Occurrences and results of such disputes are inherently difficult to predict and even the disputes themselves, not only unfavourable outcomes, may result in the Group incurring significant expenses and damages, and have negative effects on the Group's reputation, which in turn may have material adverse effect on the Group's operations, financial condition and results.

3.5. Political, Economic and Geographical Risks

Changes in the Economic Environment

The Group's operations are affected by general economic and geopolitical conditions. Any adverse changes in the economic or geopolitical environments where the Group operates in could reduce the Group's ability to operate in such markets, increase the cost of operating in such markets and thereby reduce the Group's profitability or decrease demand for the Group's products.

Europe is struggling with the weakening of the euro, and uncertainties about the decision of the United Kingdom to leave the European Union can have a significant negative effect on the general economic situation in Europe, where the Group's business is concentrated. These or other, yet unknown, adverse developments of the global and local economies and of financial markets could have a degrading effect on the financial position of the Group. Any deterioration in the economic environment of the countries where the Group operates could have a direct negative impact on the financial position and profitability of the Group. The Baltic region is a small open economy that is closely linked to the global economy and especially to the macroeconomic conditions in the Eurozone countries and Russia. Over the recent years, the Eurozone debt crisis has had an adverse effect on the Estonian economy. Due to economic downturn, consumer's ability to purchase the products of the Group may decrease, which may lead to a decrease in the Group's revenue and profitability. Although the Group constantly monitors developments on both domestic and international markets, it is not possible to forecast the timing or extent of changes in the economic environment.

Changes in Laws and Tax Assessment

Any changes to the laws and other legal acts applicable in the markets the Group operates in and/or in the Noteholder's domicile, or the implementation of any new laws or other legal acts may cause additional expenses or taxes and/or reduce return on investment for the Noteholders.

Furthermore, tax assessment and withholding procedures applicable to the tax residents and non-residents of Estonia may change. From the Investors perspective, risk of alterations in tax regime could affect the value of the interest income. The Issuer shall not compensate Investors for any losses related to changes in tax regime.

Exposure to Regulatory Actions and Investigations

The Group's fields of activity are subject to extensive and comprehensive regulations imposed both through local and through European legal acts. Authorities of the countries where the Group carries out its operations regularly perform investigations, examinations, inspections and audits of companies acting in the same sector as the Group. Any determination by the authorities that any Group company has not acted in compliance with all the applicable laws and regulations could have serious legal and reputational consequences for the Group, including exposure to fines, criminal and civil penalties and other damages, increased prudential requirements or even lead to business disruption in the respective fields. Any of these consequences may have a material adverse effect on the Group's operations, financial position and profitability, and thereby also affect the Group's ability to make the payments under the Notes.

Reputation of the Baltic Countries

The Issuer is impacted by the international reputation and perception of Estonia and the Baltics, and how companies (especially companies operating in the food industry) from the Baltic countries are generally perceived in other regions. Any scandals or other negative publicity on companies from the Baltic region, especially companies acting in the food industry, even where the Issuer is not directly involved in such scandals or negative publicity may still affect the Issuer, as far as it affects the reputation of the Baltics and Baltic companies in general. For the Issuer, this increases the risk of not being able to find new customers abroad and/or that existing customers may wish to terminate or reduce their business relationships with the Baltic companies, including the Issuer, or subject Baltic companies, including the Issuer, to more rigorous controls.

3.6. Risks Related to the Notes

Early Redemption Risk

In accordance with the Terms, the Notes may be redeemed prematurely on the initiative of the issuer (please see paragraph "Early Redemption at the Option of the Issuer (Call Option)" in Section 6.4 ("Overview of the Key Terms of the Notes") below). If such early redemption right is exercised by the Issuer, the rate of return from an investment into the Notes may be lower than initially anticipated. Also, the Noteholders might not have an option to invest in financial instruments offering the similar risk/return characteristics at the time of the early redemption or could face additional costs in selecting a new investment. Lastly, it is possible that the market value of the Notes may be higher than the Early Redemption Amount paid to the Noteholders at the time of the Early Redemption Date.

Credit Risk

An investment into the Notes is subject to credit risk, i.e. the Issuer may fail to meet its obligations arising from the Notes in a duly and timely manner. The Issuer's ability to meet its obligations arising from the Notes and the ability of the Noteholders to receive payments arising from the Notes depends on the financial position and the results of operations of the Issuer.

Liquidity Risk

Although the Issuer intends to apply for the listing of the Notes in the Baltic Bond List of Nasdaq Tallinn regulated market, there is no guarantee that such listing shall be approved and the Notes will be listed. Even if the notes are listed, and even more so in case they are not listed, a liquid secondary market for the Notes is not guaranteed. Noteholders might bear a loss due to not being able to sell the Notes on the secondary market or having to have to sell them at an unfavourable price.

Interest Rate Risk

The Notes bear interest on their outstanding Nominal Value at a fixed Interest rate. Noteholders are exposed to the risk that the value of the Notes may fall as a result of changes in the market interest rate. While the nominal rate of Interest on the Notes is fixed until their redemption, the prevailing capital market rates change on a daily basis. If the market interest rate increases, the market value of the Notes may fall.

Limited Events of Default

In accordance with the Terms, the Noteholders may demand extraordinary early redemption of the Notes held by the respective Noteholder only upon limited Extraordinary Early Redemption Events (please see paragraph "Extraordinary Early Redemption" in Section 6.4 ("Overview of the Key Terms of the Notes") below). Upon the occurrence of an Extraordinary Early Redemption Event, the Issuer shall pay the Redemption Price for the Notes subject to extraordinary early redemption no later than on the sixtieth (60th) day after the receipt of the Extraordinary Early Redemption Application filed in accordance with the Terms. The limitation of circumstances under which a Noteholder may demand extraordinary early redemption of the Notes may make it less likely for the Noteholders to recoup their investment in full in the event that the Issuer experiences financial distress.

The Terms of the Notes may be Modified and the Covenants and Undertakings Applicable to the Issuer may be Waived

In accordance with the Terms, the Issuer may apply for the consent of the Noteholders to amend the Term or obtain a waiver from the covenants and undertakings set forth in the Terms. The grant of the Noteholders' consent for the amendment of the Terms or a waiver shall be decided by the Noteholders at the meeting of Noteholders. A Noteholders meeting may be convened if required by (i) the Collateral Agent or (ii) Noteholders holding in aggregate Notes with the Nominal Value representing at least 10% of the aggregate Nominal Value of all Notes. The meeting of Noteholders shall have quorum in case Noteholders holding in aggregate Notes with the Nominal Value representing at least 50% of the aggregate Nominal Value of all Notes are present at the meeting (excluding the Issuer and the legal entities of which the Issuer is a majority shareholder or which are under the Issuer's control ("**Related Parties**", holding any Notes). If the meeting of Noteholder's does not have quorum, a new meeting of Noteholder's shall be convene, which shall have quorum if at least one (1) Noteholder other than the Issuer and Related Parties holding any Notes is present at the relevant meeting of Noteholders.

A decision that must be given or approved by the Majority Noteholders in accordance with the Terms is adopted in case Noteholders holding in aggregate Notes with the Nominal Value representing at least 2/3 of the aggregate Nominal Value of all Notes ("**Majority Noteholders**") vote in favour of such consent, instruction or decision. Amendments to the Terms which require the consent of the Majority Investors are decisions on changing the Maturity Date, amending the rate of Interest, altering the quorum or majority required to pass any decision or to grant any consent or amending the provisions for Extraordinary Early Redemption of the Notes or amending the list of decisions which require the consent of the Majority Shareholders. All other amendments are adopted if in case Noteholders holding in aggregate Notes with the Nominal Value representing at least 50% of the aggregate Nominal Value of all Notes held by Noteholders present at the relevant meeting of Noteholders, where such matter is decided, vote in favour of such decision.

Any amendment to the Terms may have an adverse effect on the rights of the Noteholders and the value of the Notes, regardless of whether the relevant Noteholder approved or even voted on such amendment.

The Satisfaction of all Claims of the Noteholders on the Account of the Collateral may not be Possible

The Notes shall be secured by the Collateral (please see paragraph “Security” in Section 6.4 (“Overview of the Key Terms of the Notes”) below for more detail on the Collateral). Still, there is no guarantee that upon the Issuer’s default, the Collateral can be enforced in such way that all the claims of the Noteholders could be satisfied. A failure to satisfy all claims of the Noteholders from the enforcement of the Collateral may arise due to, *inter alia*, there being no market for the assets encumbered by the Collateral. The market for such assets may be limited due to market conditions prevailing at the time of enforcement of the Collateral, and by the fact that the assets serving as Collateral are suitable for relatively specific purpose are located far from major business centres.

Furthermore, even in case the assets encumbered by the Collateral can be sold upon enforcement, there is no guarantee that the value of such assets and the amounts which can be obtained upon the assets will be sufficient to satisfy all the claims of the Noteholders. Neither the Issuer nor the Collateral Agent have obtained any valuation reports in the relation to the assets subject to the Collateral, which would be relevant and up-to-date at the date of this Prospectus and no guarantee is provided in relation to the value of such assets and the potential amount of enforcement proceeds which could be obtained upon the enforcement of the Collateral.

Lastly, upon the distribution of proceeds of enforcement of the Collateral (and subject to the satisfaction of the claims of the Priority Ranking Lenders from the proceeds received from the enforcement of the Higher Ranking Security Interest), the proceeds would in accordance with the Terms be applied first towards the satisfaction and payment of all fees, costs and expenses and damages related to performance of its duties by and payable to the Collateral Agent under the Note Documents, subject to a cap equal to EUR 100,000 (plus applicable value-added-tax. The Collateral Agent may withhold the proceeds necessary for satisfying the above referred fees, costs, expenses and damages of the Collateral Agent before applying the enforcement proceeds in satisfaction of the Noteholders’ claims. In case the proceeds remaining after withholding the sums for the satisfaction of the Collateral Agent’s fees, costs and expenses and damages related to performance of its duties do not cover the claims arising from outstanding Notes in full, the claims arising from the Notes shall be satisfied proportionally to the outstanding amounts due under the Notes to each Noteholder.

All of the above can have an adverse effect on the possibility to satisfy the claims of the Noteholders on the account of the Collateral, which in turn could adversely affect the rights of the Noteholders and the return on investment for the Noteholders.

The Collateral is Subject to Higher Ranking Security Interests

Most of the Collateral shall rank behind Higher Ranking Security Interests. Such Higher Ranking Security Interests have been established by the Group as security for the Overdraft Agreement between Saaremere Kala and SEB Bank (please see paragraph “Security” in Section 6.4 (“Overview of the Key Terms of the Notes”)). Furthermore, the immovable owned by Heimon Kala and located at Kuittila, Finland, registered in the Finnish land register with property identifier 109-573-14-1, is also subject to a mortgage in favour of the Finnish Customs, which also ranks before the mortgage established in favour of the Collateral Agent. No intercreditor agreement has been entered into between the Collateral Agent and holders of the Higher Ranking Security Interests in relation to their relationship and rights regarding the relevant assets and collateral. As a result, the rights of the Noteholders and of the Collateral Agent in respect of the Collateral shall be subject to restrictions and limitations applicable to lower ranking security holders under the laws applicable to the relevant Collateral. For example, this may mean, among other, that the holders of the relevant Higher Ranking Security Interests may independently enforce their Higher Ranking Security Interests upon a failure by the Issuer’s group to comply with the relevant obligations secured by such Higher Ranking Security Interests and may cause the relevant assets of the Issuer’s group to be sold. In such event, the holders of such Higher Ranking Security Interests may have a preferential right to receive the proceeds available from such sale and enforcement in satisfaction of their claims secured by such Higher Ranking Security Interests in priority to the claims of the Noteholders and the Collateral Agent under the Terms. Additionally, this may mean that the right

of the Collateral Agent and of the Noteholders to receive payment of the value of the security assets in connection with enforcement of the security interest shall be subordinated to the corresponding right of the holders of the Higher Ranking Interests. If the holders of the Higher Ranking Security Interests do not join the enforcement of the Collateral, this may adversely affect the amount of the proceeds that can be obtained from the enforcement due to the Higher Ranking Security Interests remaining in place upon such enforcement.

Furthermore, with respect to the pledges over shares of the Finnish and Swedish subsidiaries of the Issuer, the right to independently enforce the Collateral may not be available for the Collateral Agent in its capacity as the second ranking pledgee. Where the independent enforcement under Chapter 10, Section 2 of the Finnish Commercial Code would be deemed to be available for the Collateral Agent in its capacity as second ranking pledgee, the amount of the proceeds that can be obtained from such enforcement may be adversely affected if the holders of the Higher Ranking Security Interests do not join the enforcement of the Collateral as the Higher Ranking Security Interests would remain in place notwithstanding such enforcement.

Moreover, according to the Terms, the subordination to the rights of the holders of the Higher Ranking Security Interests would extend to (i) any transferees of the holders of the Higher Ranking Security Interests and (ii) any credit institutions granting any loans replacing the original Priority Ranking Financing granted by the Priority Ranking Lender through refinancing.

All of the above can have an adverse effect on the possibility to satisfy the claims of the Noteholders on the account of the Collateral, which in turn could adversely affect the rights of the Noteholders and the return on investment for the Noteholders.

JRJ & PRF Have Minority Shareholders and the Pledge Over the Shares of JRJ & PRF Does Not Extend to All Shares of JRJ & PRF

Saaremere Kala is the majority shareholder of JRJ & PRF and holds 85.0149% of the shares of JRJ & PRF. The rest of the shares of JRJ & PRF are held by Christopher Leigh and Victoria Leigh-Pearson.

As Collateral for the Issuer's obligations in relation to the Notes, Saaremere Kala has established in favour of the Collateral Agent a first ranking pledge over its shares of JRJ & PRF, i.e. over 85.0149% of the shares of JRJ & PRF. Upon the enforcement of the share pledge, the purchaser of the shares would not be able to acquire all the shares of JRJ & PRF and would become a majority shareholder of JRJ & PRF alongside the minority shareholders. Furthermore, upon purchasing the shares encumbered by the share pledge (either upon the enforcement of the share pledge or upon the sale of such shares in insolvency or enforcement proceedings which may be carried out with respect to Saaremere Kala), the purchaser would need to sign a deed of adherence in relation to the shareholders' agreement relating to JRJ & PRF (please see paragraph "Shareholders' Agreement relating to JRJ & PRF" in Section 10.9 ("Material Contracts") for more details on the shareholders' agreement) to be able to acquire title to such shares. The fact that the purchaser would not obtain all the shares of JRJ & PRF, as well as the requirement for the purchaser to sign a deed of adherence in relation to the shareholders' agreement relating to JRJ & PRF may limit the amount of perspective purchasers of the shares of JRJ & PRF and/or reduce the price such purchasers are willing to pay for the shares. This can have an adverse effect on the possibility to satisfy the claims of the Noteholders on the account of the Collateral, which in turn could adversely affect the rights of the Noteholders and the return on investment for the Noteholders.

Collateral Agent Risk

By investing in the Notes, each Investor accepts the appointment of the Collateral Agent as its agent and authorises the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent under the Note Terms. The Noteholders shall not have any independent power to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreements.

A failure on part of the Collateral Agent to perform its duties and obligations properly in accordance with the Terms, the Collateral Agent Agreement and the Collateral Agreements may adversely affect the rights of the Noteholders may result in the Noteholders losing their investment. The Collateral Agent has the right, without the Noteholders' consent, to suspend enforcement of the Collateral if in the Collateral Agent's reasonable opinion, the enforcement of the Collateral is not in the best interests of Noteholders (e.g. due to the fact that no market for the Collateral exists) or the Issuer has not paid to the Collateral Agent its fees and/or reimbursed costs to which the Collateral Agent is entitled under the Note Documents and such breach has not been remedied by the Issuer within 30 banking days from the respective notice from the Collateral Agent or by the Noteholders within a reasonable time after a relevant request is submitted by the Collateral Agent to the Noteholders following the passing of the 30 Banking Days' notice to the Issuer. The Collateral Agent further has the right to unilaterally terminate the performance of its duties hereunder (including, without limitation, terminate the enforcement of the Collateral) in case:

- in the reasonable opinion of the Collateral Agent, there are grounds for claiming the amounts received by the Collateral Agent hereunder back either in the recovery proceedings, compulsory enforcement proceedings or any other way and/or (ii) the actions of the Collateral Agent hereunder may result in any other claim against the Collateral Agent and, in each case, the Collateral Agent has failed to receive such indemnification or security as it may require for all costs, claims, losses, expenses (including legal fees) and liabilities which it will or may expend or incur in connection with the above within the term specified by the Collateral Agent;
- in the reasonable opinion of the Collateral Agent, (i) (further) enforcement of the Collateral on reasonable terms is not possible or feasible due to the commencement of the bankruptcy or reorganization proceedings of the Issuer or the Collateral Provider or for any other reason or (ii) the estimated proceeds of the enforcement of the Collateral will not be sufficient to cover the payment of all fees, costs and expenses and damages related to performance of its duties by and payable to the Collateral Agent under the Note Documents, subject to a cap equal to EUR 100,000 (plus applicable value-added-tax); and/or
- in the professional opinion of the Collateral Agent, the Collateral fully ceases to exist for any reason.

Furthermore, in accordance with the Terms, the liability of the Collateral Agent is extensively limited. The Collateral Agent is not liable for any circumstances relating to or affecting the validity of the Collateral that are outside the control of the Collateral Agent. Also, Collateral Agent shall not be liable in front of Noteholders for the outcome of the enforcement of the Collateral. Furthermore, the Collateral Agent shall not be liable for any consequences or damages that result from complying with the instructions of the Majority Noteholders as set forth in the Terms. The Collateral Agent is only liable for the breach of any of its obligations under the Terms (including the Collateral Agent Agreement) or the Collateral Agreements in the event of gross negligence or intentional breach of the Collateral Agent.

The Collateral Agent may also refrain from doing anything which in its opinion will or may be contrary to these Terms, the Final Terms, the Collateral Agreements, the Collateral Agent Agreement or applicable legislation or otherwise render it liable to any person and may do anything which is in its opinion necessary to comply with such legislation, the Terms, the Final Terms, the Collateral Agreements or the Collateral Agent Agreement. The Collateral Agent may also refrain from acting in accordance with the instructions of the Majority Noteholders, until it has received such indemnification or security as it may require for all costs, claims, losses, expenses (including but not limited to legal fees) and liabilities which it will or may expend or incur in complying with such instructions.

In addition the limitations to the liability of the Collateral Agent, the possibility of the Noteholders' to claim damages from the Collateral Agent may be adversely affected by the insolvency or reorganisation proceedings of the Collateral Agent.

All of the above can have an adverse effect on the possibility to satisfy the claims of the Noteholders on the account of the Collateral, which in turn could adversely affect the rights of the Noteholders and the return on investment for the Noteholders.

Noteholders cannot Independently Commence the Enforcement of the Collateral

In accordance with the Terms, Collateral Agent shall enforce the Collateral according to the terms, conditions and procedure provided for in the Collateral Agreements and shall commence the enforcement in case all of the following conditions are met:

- a) the Issuer has failed to perform the Secured Obligations and to redeem any Notes on their due date (including at maturity or on any early redemption date or extraordinary early redemption date), of which the Collateral Agent has been informed in accordance with the Terms; and
- b) a resolution approved by Majority Noteholders has been passed and submitted to the Collateral Agent, instructing it in writing to enforce the Collateral and specifying which Secured Obligations the Issuer failed to perform.

In case the conditions set out above have been fulfilled, the Majority Noteholders have the right to instruct the Collateral Agent to take specific actions to enforce the Collateral according to the procedure provided for in the Collateral Agreements. The Collateral Agent may assume that no violation of the Secured Obligations has occurred, unless the Collateral Agent has received notice to the contrary from the Issuer or has been notified accordingly by the Majority Noteholders.

Due to the regulation described above, Noteholders holding in aggregate Notes with the Nominal Value representing less than 2/3 of the aggregate Nominal Value of all Notes cannot instruct the Collateral Agent to enforce the Collateral, nor is the Collateral Agent allowed to enforce the Collateral without a resolution approved by Majority Noteholders. In addition, Noteholders are not allowed to enforce the Collateral without the Collateral Agent. The above described limitations to the Noteholder's right to enforce the Collateral, as well as any delays which may occur due to the process of giving instructions to the Collateral Agent by the Majority Noteholders, can have an adverse effect on the possibility to satisfy the claims of the Noteholders on the account of the Collateral, which in turn could adversely affect the rights of the Noteholders and the return on investment for the Noteholders.

Parallel Debt Provisions Untested

Under Estonian law, there are no express provisions concerning holding of security for the benefit of third-party creditors and it is commonly recognised that a pledge may only be enforced by the pledgee if it secures the claims that are owed to the pledgee (and not third parties for which the pledgee acts as an Agent). Under the prevailing legal opinion the parallel debt provisions of the Terms, under which the Collateral Agent is considered to be the independent and separate creditor of the parallel debt that equals to the outstanding amount of the Secured Obligations, do not contravene Estonian law and would under Estonian law be effective to create a claim equal to the secured claim to the pledgee directly. However, to date there is no court practice regarding implementation of the relevant provisions. Should the parallel debt provisions of the Terms be held unenforceable by a court having jurisdiction over a dispute relating to the Collateral Agent's right to enforce the Collateral, the possibility to satisfy the claims of the Noteholders on the account of the Collateral could be affected, which in turn could adversely affect the rights of the Noteholders and the return on investment for the Noteholders.

Taxation Risk

Adverse changes in the tax regime applicable in respect of transacting with the Notes or receiving Interest or principal payments based on the Notes may result in an increased tax burden of the Noteholders and may therefore have adverse effect on the rate of return from the investment into the Notes.

No Ownership Rights

An investment into the Notes is an investment into debt instruments, which does not confer any legal or beneficial interest in the equity of the Issuer or any of the Subsidiaries thereof or any voting rights or rights to receive dividends or other rights which may arise from equity instruments. The Notes represent

a debt obligation of the Issuer, granting the Noteholders only such rights as set forth in the Terms. The value of the Notes be affected by the actions of the Shareholder of the Issuer over which the Noteholders do not have control.

3.7. Risks Related to the Offering, Listing and Admission to Trading

An Active Market for the Notes May Not Develop

Prior to this Offering, there has been no public market for the Notes. The Issuer cannot provide any assurance an active trading market for Notes will emerge, develop or be sustained after the completion of the Offering. This means that Noteholders may not be able to resell those Notes at the desired time or price or possibly sell them at all.

Price Risk

The notes will be offered by the issuer at the price equal to their nominal value with a certain fixed coupon rate. However, in the secondary market the price of the note may decrease due to market situation or events related to the issuer. Besides the activities of the issuer, the value of the notes may be affected by the developments in financial markets and when the interest rates are rising, the value of the Notes may fall.

Negative or Insufficient Analyst Coverage

There is no guarantee of continued (or any) analyst research coverage for the Issuer. Over time, the amount of third-party research available in respect of the Issuer may increase or decrease with little or no correlation with the actual results of its operations, as the Issuer has no influence on the analysts who prepare such reports. Negative or insufficient third-party reports would be likely to have an adverse effect on the market price and the trading volume of the Notes.

4. TERMS OF THE OFFERING

4.1. The Offering

In the course of the Offering, up to 18,904 Notes are offered by the Issuer.

The Notes will be offered in the Retail Offering to retail investors in Estonia and in the Institutional Offering to institutional investors in and outside of Estonia. In the Institutional Offering, the Notes may be offered in or outside Estonia to qualified investors or by private placement in accordance with Article 1(4)(a) and (b) of the Prospectus Regulation.

The offering process for the Retail Offering will be carried out as described in this Section 4 (“Terms of the Offering”) of the Prospectus. The offering process for Institutional Offering will be carried out as described in the Terms (including Section 15 of the Terms (“Specific Provisions for Primary Distribution by way of Private Placement”)) and this Section 4 (“Terms of the Offering”) of the Prospectus shall not apply to the Institutional Offering.

The division of the Notes between the Institutional Offering and the Retail Offering has not been predetermined and will be determined by the Issuer in accordance with the principles described in Section 4.8 (“Distribution and Allocation”) below. The total amount of Notes may decrease in case any part of the Offering is cancelled – please see the Section 4.11 (“Cancellation of Offering”) for further details.

4.2. Timetable of the Offering

10:00 (Estonian time) on 10 March 2020	Start of Offering Period
16:00 (Estonian time) on 16 March 2020	End of Offering Period
No later than 18 March 2020	Publication of the results of the Offering
On or about 20 March 2020	Settlement of the Offering
On or about 23 March 2020	Commencement of trading of the Notes on the Baltic Bond List of Tallinn Stock Exchange

4.3. Right to Participate in the Offering

The Retail Offering is directed to all retail and institutional investors in Estonia. For the purposes of the Offering, a natural person is considered to be “in Estonia” if such person has a securities account with the Estonian Register of Securities (the “ERS”) and such person’s address recorded in the records of the ERS in connection with such person’s securities account is located in Estonia. A legal person is considered to be “in Estonia” if such person has a securities account with the ERS and such person’s address recorded in the records of the ERS in connection with such person’s securities account is located in Estonia or its registration code recorded in the records of the ERS is the registration code of the Estonian Commercial Register.

4.4. Offer Price

The Offer Price is EUR 101.00 per one Note. The Offer price includes accrued but not yet paid interest since 22 January 2020, in the amount of EUR 1.01 per one Note.

The Offer Price will be the same in the Institutional Offering and in the Retail Offering.

4.5. Offering Period

The Offering Period is the period during which the persons who have the right to participate in the Retail Offering may submit Subscription Undertakings (please see Section 4.6 (“Subscription Undertakings”) for further details) for the Notes. The Offering Period commences at 10:00 (Estonian time) on 10 March 2020 and terminates at 16:00 (Estonian time) on 16 March 2020.

4.6. Subscription Undertakings

Submitting Subscription Undertakings

The Subscription Undertakings may be submitted only during the Offering Period. An investor participating in the Retail Offering may apply to subscribe for the Notes only for the Offer Price. Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. All investors participating in the Retail Offering can submit Subscription Undertakings denominated only in euro. An investor shall bear all costs and fees charged by the respective account operator accepting the Subscription Undertaking in connection with the submission, cancellation or amendment of a Subscription Undertaking.

In order to subscribe for the Notes, an investor must have a securities account with the ERS. Such securities account may be opened through any account operator of the ERS. A complete and up to date table of account operators of the ERS can be found at the following address: <https://nasdaqcsd.com/services/services-to-account-operators/list-of-account-operators/>.

Content of and Requirements for Subscription Undertakings

An investor wishing to subscribe for the Notes should contact an account operator that operates such investor's securities account with the ERS and submit a Subscription Undertaking for the purchase of Notes in the form set out below or in the form provided by the account operator that operates such investor's securities account with the ERS, which includes the information set out below. The Subscription Undertaking must be submitted to the account operator by the end of the Offering Period. The investor may use any method that such investor's account operator offers to submit the Subscription Undertaking (e.g. physically at the client service venue of the account operator, over the internet or by other means). The Subscription Undertaking must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor's securities account
Account operator:	name of the investor's account operator
Security:	PRFoods note 22.01.2025
ISIN code:	EE3300001577
Amount of securities:	the nominal value of Notes for which the investor wishes to subscribe (the number of Notes multiplied by the Offer Price)
Price (per one offer Note):	EUR 101.00
Transaction amount:	the number of Notes for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty:	AS PRFoods

Securities account of counterparty:	99101473437
Account operator of the counterparty:	AS SEB Pank
Date of the transaction	the date when the Subscription Undertaking was submitted by the investor
Value date of the transaction:	20 March 2020
Type of transaction:	"purchase"
Type of settlement:	"delivery versus payment"

A Subscription Undertaking is deemed submitted from the moment Nasdaq CSD SE Estonian branch, acting as the operator of the ERS, receives a duly completed transaction instruction from the account operator of the respective investor.

Submission of Subscription Undertakings through Nominee Accounts

An investor may submit a Subscription Undertaking through a nominee account only if such an investor authorises the owner of the nominee account to disclose the investor's identity, personal ID number or registration number, and address to the Issuer and the ERS. Subscription Undertakings submitted through nominee accounts without the disclosure of the above information will be disregarded.

Amendment and Cancellation of Subscription Undertakings

Investors have the right to amend or revoke their Subscription Undertakings at any time until the end of the Offering Period. To do so, the investor must contact its/his/her account operator through whom the Subscription Undertaking in question has been made and carry out the procedures required by the account operator for amending or cancelling a Subscription Undertaking (such procedures may differ between different account operators). This may result in costs and fees charged by the account operator through which the Subscription Undertaking is submitted.

Legal Effect of Subscription Undertakings

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Issuer reserves the right to reject any Subscription Undertakings, which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Offering Period in accordance with all requirements set out in the Terms.

By submitting a Subscription Undertaking, every investor:

- (i) accepts the Terms of the Offering set out in this Section and elsewhere in this Prospectus and agrees with the Issuer that such terms will be applicable to the investor's acquisition of any Notes;
- (ii) confirms that it/he/she has read the Terms of the Notes and that the Terms of the Notes are fully understandable and acceptable to it/him/her;
- (iii) accepts that the number of the Notes indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of the Notes which the investor wishes to acquire (the Maximum Amount) and that the investor may receive less (but not more) Notes than the Maximum Amount subscribed for (please see Section 4.8 ("Distribution and Allocation") for further details);
- (iv) undertakes to acquire and pay for any number of Notes allocated to them in accordance with the Terms, up to the Maximum Amount;
- (v) authorises and instructs the account operator through which the Subscription Undertaking is submitted to arrange the settlement of the transaction on their behalf (taking such steps as are

legally required to do so) and to forward the necessary information to the extent necessary for the completion of the transaction;

- (vi) authorises the account operator through which the Subscription Undertaking is submitted, and the ERS, to amend the information contained in the Subscription Undertaking to (a) specify the value date of the transaction, (b) specify the number of Notes to be purchased by the investor and the total amount of the transaction, up to the Maximum Amount times the Offer Price; (c) correct or clarify obvious mistakes or irregularities in the Subscription Undertakings, if any;
- (vii) authorises Nasdaq CSD SE Estonian branch, the operator of ERS, to process and forward information on the identity of the investor and the contents of the investor's Subscription Undertaking to the Issuer and its advisors (including but not limited to Redgate Capital AS) before, during and after the Offering Period, for the purposes of distribution, allocation, settlement and preparations thereof;
- (viii) acknowledges that the Retail Offering does not constitute an offer (in Estonian: *pakkumus*) of the Notes by the Issuer in legal terms or otherwise, and that the submission of a Subscription Undertaking does not constitute the acceptance of an offer, and therefore does not in itself entitle the investor to acquire the Notes, nor result in a contract for the sale of the Notes between the Issuer and the investor;
- (ix) appoints PRF Collateral Agent OÜ (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 14880068) (and, if applicable, the person to whom the rights and obligations of the Collateral Agent have been transferred in accordance with the Terms) as the Collateral Agent, to perform the obligations and exercise the rights in connection with the Collateral and the Collateral Agreements as set forth in the Terms. In connection with the above, the investor hereby acknowledges and understands that:
 - the Collateral Agent has no obligations other than those expressly set out in the Terms, the Collateral Agreements and the Collateral Agent Agreement, and the investor understands the restricted nature of the obligations of the Collateral Agent;
 - the Collateral Agent is under no circumstances guaranteeing the validity or enforceability of the Collateral to be established in accordance with the Terms nor is the Collateral Agent responsible for retention of the value of the Collateral. What is more, the Collateral Agent is under no circumstances guaranteeing that upon the enforcement of the Collateral, the assets subject to the Collateral could be sold at such price that all the claims of the Noteholders could be satisfied on the account of the Collateral or that the assets subject to the Collateral could be sold at all;
 - the assets serving as objects of the relevant Collateral are subject to the Higher Ranking Security Interests (as defined in the Terms) that secure obligations of the Issuer's group arising from the Priority Ranking Financing and certain other existing liabilities of the Issuer's group. As a result, the rights of the Noteholders and of the Collateral Agent in respect of the Collateral shall be subject to restrictions and limitations applicable to lower ranking security holders under the laws applicable to the relevant Collateral, as further described in the Terms; and
 - enforcement and establishment of the Collateral in accordance with the Terms shall depend on the co-operation of the Collateral Provider;
- (x) acknowledges that the Issuer has a right but not an obligation to itself subscribe for the Notes and sell such Notes at any time. In case the Issuer subscribes for the Notes, the Issuer as an investor shall not be required to make payment for the Notes. The Notes shall be registered in the ERS in the securities account of the Issuer as an investor on the date of issuing the respective Notes in the amount provided in the Confirmation sent to the Issuer as an investor. Furthermore, in case the Issuer itself holds any Notes, no interest shall be paid by the Issuer to itself as an investor on such Notes and upon the redemption of the Notes (either regular or early redemption), the Issuer

shall not pay to itself as an Investor the Redemption Price for the redemption of the Notes held by the Issuer; and

- (xi) acknowledges that the Issuer intends to apply for the admission of the Notes to trading on Tallinn Stock Exchange. However, the Issuer cannot ensure or guarantee that the Notes are admitted to trading on Tallinn Stock Exchange or any other stock exchange. From the date when the Notes are admitted to trading on a stock exchange, the Issuer has a right to designate a credit institution or another financial institution as its payment agent. Thereafter the Noteholders may be requested and would thereafter be obliged to exercise their financial rights pertaining to the Notes through the payment agent.

4.7. Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its/his/her securities account (which may or may not also be the investor's account operator) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance the Terms. The transaction amount to be blocked will be equal to the Offer Price multiplied by the Maximum Amount. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its/his/her securities account in the ERS or its/his/her securities account to cover the whole transaction amount for that particular Subscription Undertaking.

4.8. Distribution and Allocation

The Issuer will decide on the allocation of the Notes in its sole discretion, after the expiry of the Offering Period, and no later than on 18 March 2020. The Notes will be allocated to the investors participating in the Offering in accordance with the following principles:

- (i) the division of the Notes between the Institutional Offering and the Retail Offering has not been predetermined. The Issuer will determine the exact tranche sizes of the Retail Offering and Institutional Offering (percentage wise) in its sole discretion;
- (ii) the Issuer will determine the exact allocation of the Notes among investors in its sole discretion;
- (iii) the main criteria for the determination of the levels and allocation percentages are: (a) the total demand for the Notes in the Offering and (b) the size and amount of Subscription Undertakings in the Offering;
- (iv) no tranche has been predetermined to any investors or any group of investors;
- (v) allocation of the Notes will not be determined on the basis of which firm they are made through or by;
- (vi) possible multiple Subscription Undertakings submitted by an investor in the Retail Offering or in the Institutional Offering shall be merged for the purpose of allocation. If different securities' accounts of the investor have been indicated in the Subscription Undertakings submitted by such investor respectively, subject to the amount of the Notes indicated in each such Subscription Undertaking, the Issuer shall have the full discretion to determine the number of the Notes that will be transferred to each such securities' accounts of such investor in the course of the settlement of the Offering;
- (vii) each investor subscribing via a nominee account is considered as an independent investor if the Issuer has received information on such investor's identity and the amount of Notes subscribed for by such investor; and
- (viii) each investor entitled to receive the Notes shall be allocated a whole number of Notes and, if necessary, the number of Notes to be allocated shall be rounded down to the closest whole number. Any remaining Notes which cannot be allocated using the above-described process will be allocated to investors on a random basis.

The results of the allocation process of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Issuer's website <https://www.prfoods.ee/> no later than on 18 March 2020, but in any case, before the Notes are transferred to the investors' securities accounts. Therefore, dealing with the Notes shall not begin before the allocation process has been announced.

4.9. Settlement and Trading

The Notes allocated to investors will be transferred to their securities accounts on or about 20 March 2020 through the "delivery versus payment" method simultaneously with the transfer of payment for such Notes. The title to the Notes will pass to the relevant investors when the Notes are transferred to their securities accounts. If an investor has submitted several Subscription Undertakings through several securities accounts, the Notes allocated to such investor will be transferred to all such securities accounts proportionally to the number of the Notes indicated in the Subscription Undertakings submitted for each account, rounded up or down as necessary. Trading with the Notes is expected to commence on the Baltic Bond List of Tallinn Stock Exchange on or about 23 March 2020.

4.10. Return of Funds

If (i) the Offering or a part thereof is cancelled in accordance with the terms described in this Prospectus, (ii) the investor's Subscription Undertaking is rejected, (iii) the investor's Subscription Undertaking is revoked, or (iv) if the allocation is less than the amount of Notes indicated in the duly submitted Subscription Undertaking, the funds blocked on the investor's cash account, or the excess part thereof (the amount in excess of payment for the allocated Notes), will be released by the respective financial institution. Regardless of the reason for which funds are released, the Issuer shall never be liable for the release of the respective funds and for the payment of interest on the released funds for the time they were blocked (if any).

4.11. Cancellation of the Offering

The Issuer has the right to cancel the Offering in full or in part in its sole discretion, at any time until the end of the Offering Period. In particular, the Issuer may decide to cancel the Offering in the part not subscribed for. Any cancellation of the Offering will be announced through the information system of the Nasdaq Tallinn Stock Exchange and through the Issuer's website <https://www.prfoods.ee/>. All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated as of the moment when such announcement is made public.

5. REASONS FOR THE OFFERING AND USE OF PROCEEDS

In connection with the Offering, the Issuer expects to receive net proceeds (net of legal fees, financial consultancy fees, fees related to the registration of the Collateral and any other agreed costs and expenses relating to the Offering and/or the Admission) of up to approximately EUR 1.8 million. Such proceeds shall be used for the following purposes:

- as first priority, to refinance the existing indebtedness of the Group, in the amount of approximately EUR 1 million; and
- as second priority, for general corporate purposes, including ensuring sufficient working capital for the Group and investing into fish farms in Finland, Sweden and Estonia, in the amount of approximately EUR 0.8 million.

The total amount of costs related to the Offering (which mainly comprise of legal fees, financial consultancy fees, fees related to the registration of the Collateral and any other agreed costs and expenses relating to the Offering and/or the Admission) is estimated to be up to approximately EUR 0.1 million, which will be deducted from the proceeds of the Offering before using the proceeds as described above.

In addition to the proceeds the Issuer expects to receive in connection with the Offering, the Issuer has received net proceeds (net of legal fees, financial consultancy fees, fees related to the registration of the Collateral and any other agreed costs and expenses relating to the Offering and/or the Admission) in the amount of approximately EUR 8.8 million in connection with the issuing of the First Tranche of Notes. Such proceeds were used to finance the early repayment of Saaremere Kala's investment loan from SEB Bank (in the amount of approximately EUR 8.5 million) and the investments to the automation of the Group's factories (in the amount of approximately EUR 0.3 million). The costs related to the issuing of the First Tranche of Notes (which mainly comprised of legal fees, financial consultancy fees, fees related to the registration of the Collateral and any other agreed costs and expenses relating to the Offering and/or the Admission) amounted to approximately EUR 0.3 million.

6. NOTES

6.1. First Tranche of Notes

In accordance with the Terms, the Notes may be issued in several Tranches, which will together constitute a single issue of Notes. The Issuer has on 22 January 2020 issued the First Tranche of Notes, i.e. 91,096 Notes, with the aggregate nominal value of EUR 9,109,600. The First Tranche of Notes were offered and issued to institutional investors in and outside of Estonia, by way of a private placement, without drawing up and publishing a prospectus. The First Tranche of Notes carry the same rights as the Notes issued in the course of the Offering (including bear the same ISIN code, have the same Maturity Date and accrue Interest at the same rate and according to the same rules) and upon the completion of the Offering and the Issue of the Notes, shall form a single series of Notes.

6.2. Approval of the Offering

The Offering has been approved by the Supervisory Board by a resolution dated 26 February 2020. Furthermore, the Management Board has approved the Terms on 14 January 2020, and the Final Terms and Offering on 4 March 2020.

6.3. Representation of Noteholders

For the purpose of constituting security for the due and punctual payment, discharge and performance of the Secured Obligations in relation to the Notes, the Issuer has established the Collateral in favour of PRF Collateral Agent OÜ (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 14880068) as the Collateral Agent (and, if applicable, the person to whom the rights and obligations of the Collateral Agent have been transferred in accordance with the Terms), acting in the interests and/or (as may be applicable) on behalf of the Noteholders, on the terms and within the timelines set out in the Terms. By submitting a Subscription Undertaking, each investor appoints the Collateral Agent to perform the obligations and exercise the rights in connection with the Collateral and the Collateral Agreements as set forth in the Terms.

In relation to the Collateral Agent's appointment, the Issuer and the Collateral Agent have entered into the Collateral Agent Agreement, that stipulates the fees and remuneration payable to the Collateral Agent for the performance of its duties under the Terms and the Collateral Agreements.

The Collateral Agent Agreement and the Collateral Agreements are available on the webpage of the Issuer, at: <https://prfoods.ee/investor-relations/notes>.

6.4. Overview of the Key Terms of the Notes

Introduction

This Section 6.4 provides an overview of the key terms of the Notes. The overview is not, and does not purport to be, a complete list of terms and conditions applicable to the Notes and is taken from and is qualified in its entirety by, the remainder of this Prospectus, the Terms and the Final Terms. This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus, the Terms and the Final Terms as a whole.

Terms of the Notes

The Notes carry the rights and are governed by the provisions of the Terms and the Final Terms.

Type and Class of Notes

The Notes are non-equity (debt) securities with the nominal value of EUR 100, which shall be secured by the Collateral specified in this Prospectus and the Terms of the Notes (please see subsection titled “Security” below for more details).

Ranking and Status

The Notes shall constitute direct and general debt obligations of the Issuer which shall be secured by the Collateral, and which shall at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The Issuer shall be liable to the Noteholders for due and complete fulfilment of its obligations arising from the Notes with all of its assets in accordance with, and subject to limitations arising from, the applicable laws and Note Documents.

Amount of Notes and Maximum Aggregate Nominal Value

The Issuer is offering up to 18,904 Notes, with the maximum aggregate nominal value of EUR 1,890,400.

The maximum aggregate nominal value of all Notes, i.e. the First Tranche of Notes and the Notes offered in the Offering is EUR 11,000,000.

Applicable Law

The Notes will be issued in accordance with and are governed by the laws of the Republic of Estonia unless the exclusive jurisdiction of any other court is provided for by the provisions of law, which cannot be derogated from by an agreement of the parties.

Form and Registration

The Notes are in dematerialised book-entry form and are not numbered. The Notes are registered in the ERS under ISIN code EE3300001577.

Currency

The Notes are denominated in EUR.

Credit Ratings

The Notes have not been rated by any credit rating agencies.

Interest

Each Note shall bear interest (“**Interest**”) on its outstanding Nominal Value at the rate of 6.25% *per annum*. Interest is calculated on 30E/360 basis from 22 January 2020 (the “**Interest Commencement Date**”) until 22 January 2025 (the “**Maturity Date**”).

Interest will be payable in arrears on 22 July and 22 January of each year, starting from 22 July 2020 (including) (each an “**Interest Payment Date**”) and on the date of any redemption. If an Interest Payment Date falls on a day that is not a Banking Day, interest shall be paid on the next Banking Day after the Interest Payment Date.

Interest shall be calculated on a Note from 22 January 2020, to, but excluding, the Maturity Date, the Early Redemption Date or the Extraordinary Early Redemption Date (whichever is earlier) on which the Note has been finally redeemed.

Yield

The estimated yield-to-maturity of the Notes on the Issue Date, calculated from the Issue Date until the Maturity Date, on the basis of the Offer Price, is 6.25%. The yield-to-maturity is the percentage rate of return paid if the Note is held to its Maturity Date, assuming that interest paid over the life of the Note is reinvested at the same rate.

Rights Attached to Notes

The rights attached to the Notes are provided in the Terms of the Notes, which are included in this Prospectus as Appendix 1 and the Final Terms, which are included in this Prospectus as Appendix 2. The main rights of Noteholders arising from the Notes and the Terms of the Notes are the right to the redemption of the Notes and the right to receive payment of interest.

In addition to the right to the redemption of the Notes and the right to receive payment of interest, upon a delay in making any payments due under the Terms of the Notes, the Noteholders are entitled to a delay interest at the rate of 0.003% per each day in delay.

The rights arising from the Notes can be exercised by the Noteholders in accordance with the Terms of the Notes and the applicable law. According to the Terms of the Notes any dispute between the Issuer and a Noteholder shall be settled by Estonian courts, whereas Harju County Court shall be the court of first instance. Claims arising from the Notes shall expire in accordance with the statutory terms arising from applicable law.

After the contemplated listing of the Notes on the Baltic Bond List of Tallinn Stock Exchange, information on the Issuer and the operations of the Group required to be disclosed in accordance with applicable law and the Rules of the Nasdaq Tallinn Stock Exchange, including required financial statements, will be disclosed via the information system of the Tallinn Stock Exchange.

Maturity Date and Redemption

The Maturity Date of the Notes is 22 January 2025. The Notes shall be redeemed at their principal amount on the Maturity Date.

Early Redemption at the Option of the Issuer (Call Option)

The Issuer is entitled to redeem all or part of the Notes on every Banking Day until the Maturity Date, subject to at least 30 day's advance notice to the Noteholders.

Upon such early redemption, the Redemption Price for each Note to be redeemed shall be the sum of the Nominal Value of the Note and the Call Premium for early redemption on the relevant Early Redemption Date (which shall be for each Note to be redeemed, EUR 0.003 per each euro redeemed early for each interest payment period (i.e. each Interest Payment Date) that is to follow the relevant Early Redemption Date (up to the Maturity Date)), together with the unpaid Interest accrued on the Note to, but excluding, that Early Redemption Date in accordance with Section 3 of the Terms ("Interest") and any other monies due and payable to the Noteholder under the Terms on that Early Redemption Date.

Early Redemption at the Option of the Noteholders (Put Option)

Each Noteholder may request that the Issuer redeems the Notes held by such Noteholder in full (but not in part), if:

- a) the Notes are not admitted to trading on Tallinn Stock Exchange by 22 January 2021; or
- b) more than 50% of the shares in the Issuer are acquired after the date of the Terms by any person (or persons acting in concert) other than the following existing beneficial shareholders of the Issuer (who may hold their shares either via a nominee (including ING Luxembourg S.A.) or directly): Amber Trust S.C.A, Amber Trust II S.C.A, KJK Fund SICAV-SIF (in liquidation), Firebird Avrora Fund, Ltd or Firebird Republics Fund, Ltd.

In the above event, each Noteholder may demand the redemption of the Notes held by such Noteholder in full (but not in part) by submitting the relevant request to the Issuer in accordance with Section 13 of the Terms (“Notices”) no later than (i) in the case of the event described in subsection a) – by 22 January 2021 or (ii) in the case of the event described in subsection b) – within 60 days from the occurrence of the relevant change of control event. Such request to be submitted by the Noteholder shall specify the number and the aggregate outstanding Nominal Value of the Notes to be redeemed

If a Noteholder duly submits a request for redemption of its Notes in accordance with, the Issuer shall redeem the respective Notes held by that Noteholder within 60 days following the receipt of the Noteholder’s request. The Redemption Price payable by the Issuer upon such redemption shall be equal to the full outstanding principal (i.e. the Nominal Value) of the Note to be redeemed, together with the unpaid Interest accrued on the Note to, but excluding, the date of the relevant early redemption in accordance with the Terms and any other monies due and payable to the Noteholder under the Terms on that date.

Extraordinary Early Redemption

A Noteholder shall have the right, but not the obligation, to demand extraordinary early redemption of the Notes held by the respective Noteholder in case an Extraordinary Early Redemption Event (i.e. an event listed in Section 8.1 of the Terms (“Extraordinary Early Redemption Events”)) has occurred and is continuing.

Upon the occurrence of an Extraordinary Early Redemption Event, each Noteholder shall have the right to request the Issuer that all, or only some, of its Notes are redeemed by the Issuer.

Notwithstanding the above, if:

- c) after the occurrence of an Extraordinary Early Redemption Event which is that a bankruptcy petition (in Estonian: *pankrotiavaldus*) has been submitted in respect of the Issuer and the competent Estonian court has accepted the relevant bankruptcy petition (in Estonian: *menetlusse võtnud*), a court declares bankruptcy in relation to the Issuer, all Notes (including those held by Noteholders who have not submitted an Extraordinary Early Redemption Application) shall be considered as immediately being subject to the extraordinary early redemption and the date of such declaration of bankruptcy shall be considered the Extraordinary Early Redemption Date with regard to all such Notes that have not yet matured, in each case without any additional declaration, notice or demand by or to any persons.
- d) the Collateral is enforced in accordance with these Terms upon the occurrence of an Extraordinary Early Redemption Event, all Notes (including those held by Noteholders who have not submitted an Extraordinary Early Redemption Application) shall be subject to extraordinary early redemption and the date of such enforcement shall be considered the Extraordinary Early Redemption Date with regard to all such Notes that have not yet matured.

A Noteholder requesting an extraordinary early redemption of the Notes upon the occurrence of an Extraordinary Early Redemption Event must submit to the Issuer an Extraordinary Early Redemption Application, indicating the grounds for requesting extraordinary early redemption and the number of Notes held by it that it requests to redeem. The Noteholder shall lose the right to submit an Extraordinary Early Redemption Application in case the Noteholder has not submitted the Extraordinary Early Redemption Application within two (2) months from the date when the Issuer has notified the Collateral Agent and the Noteholders of the occurrence of an Extraordinary Early Redemption Event.

Upon the occurrence of an Extraordinary Early Redemption Event, the Issuer shall pay the Redemption Price for the Notes subject to extraordinary early redemption in accordance with the Terms, no later than on the sixtieth (60th) day after the receipt of the Extraordinary Early Redemption Application filed in accordance with these Terms (such tenth sixtieth (60th) day shall be the Extraordinary Early Redemption Date with regard to the Notes subject to extraordinary early redemption).

Security

The Issuer's obligations in relation to the Notes shall be secured by the following Collateral in favour of the Collateral Agent, acting in the interests of the Noteholders:

Mortgage over the immovable owned by Vettel

A mortgage in the amount of EUR 12,350,000 over the immovable owned by Vettel and located at Kärsa, Suure-Rootsi village, Saaremaa, Estonia registered in the Estonian land register with registered immovable number 1586334, ranking immediately after the Higher Ranking Security Interests established in favour of SEB Bank.

The said mortgage ranks immediately behind Higher Ranking Security Interests in favour of SEB Bank. These are the first ranking mortgage in the amount of 12,000,000 Eesti kroons (approximately EUR 766,940), the second ranking mortgage in the amount of 8,000,000 Eesti kroons (approximately EUR 511,293), the third ranking mortgage in the amount of 15,000,000 Eesti kroons (approximately EUR 958,675), the fourth ranking mortgage in the amount of 15,000,000 Eesti kroons (approximately EUR 958,675), the fifth ranking mortgage in the amount of 30,000,000 Eesti kroons (approximately EUR 1,917,349); and sixth ranking mortgage in the amount of 5,000,000 Eesti kroons (approximately EUR 319,558). The above listed Higher Ranking Security Interests in favour of SEB Bank secure the obligations of Saaremere Kala, arising from the Overdraft Agreement (please see the paragraphs "Overdraft Agreement" in Section 10.9 ("Material Contracts") for more details on the said agreement).

Mortgages over the immovable owned by Heimon Kala

The following mortgages over the immovable owned by Heimon Kala and Kuittila, Finland and registered with a property identification number 109-573-14-1 with the Title and Mortgage Register maintained by National Land Survey of Finland (the "**Finnish Property**"):

- (i) a mortgage in the amount of EUR 2,084,000, effected by way of second ranking pledge over the existing electronic mortgage notes encumbering the Finnish Property with the order of priority counting from 1st to 21st; and
- (ii) a mortgage in the amount of EUR 10,266,000, effected by way of first ranking pledge over a new electronic mortgage note with the 22nd priority order;

The pledge of the existing mortgage notes encumbering the Finnish Property with the order of priority counting from 1st to 21st described in item (i) above ranks on the second rank, i.e., immediately behind the Higher Ranking Security Interests over the existing mortgage notes created in favour of Finnish Customs in the amount of EUR 84,000 and SEB Bank in the amount of EUR 2,000,000. The pledge of the new mortgage note described in item (ii) above is a first ranking security interest established to encumber the Finnish Property with the 22nd order of priority. The above listed Higher Ranking Security Interest in favour of SEB Bank secures the obligations of Saaremere Kala, arising from the Overdraft Agreement (please see the paragraph "Overdraft Agreement" in Section 10.9 ("Material Contracts") for more details on the said agreements). The above listed Higher Ranking Security Interest in favour of Finnish Customs secures Heimon Kala's obligations for the payment of customs tariffs and taxes related to the importing of goods from outside the European Union (enabling Heimon Kala to receive the goods in expedited manner).

Under Finnish law, a security interest over a real estate property is effected by way of pledging a mortgage note encumbering the relevant real estate property up to an amount identified in the mortgage note. A real estate property unit may be subject of one or more mortgage notes. In such a case, the entries into the Title and Mortgage Register (in Finnish: *lainhuuto- ja kiinnitysrekisteri*) maintained by the National Land Survey of Finland (in Finnish: *Maanmittauslaitos*) will indicate the priority ranking among the mortgage notes encumbering the real estate property unit, the first priority being registered by default with the mortgage note applied the earliest. Each mortgage note entitles the holder of the mortgage note to receive payment of the value of the encumbered real estate property unit up to the amount, and in the order of priority, of the relevant mortgage note. In addition, each mortgage note may be subject to several security interests with different priority rankings. A creditor having second or lower ranking

security interest over a mortgage note is entitled to receive payment from the value of the encumbered real estate property unit up to the amount, and in the order of priority, of the mortgage note only after all claims secured by mortgage notes with higher priority order as well as claims secured by priority ranking security interest over the respective mortgage note have been satisfied. This means that the enforcement proceeds relating to a sale of the Finnish Property would be used to satisfy the claims of the Collateral Agent only after the claims secured by mortgage notes with higher priority order as well as claims secured by priority ranking security interest over the respective mortgage note have been satisfied.

Commercial pledge over the movable assets of Vettel

A commercial pledge in the amount of EUR 12,350,000 over the movable assets of Vettel, ranking immediately after the Higher Ranking Security Interests established in favour of SEB Bank.

The said commercial pledge ranks immediately behind two Higher Ranking Security Interests established in favour of SEB Bank, i.e. the first ranking commercial pledge in the amount of 10,000,000 Estonian kroons and second ranking commercial pledge in the amount of EUR 3,361,000. The above listed Higher Ranking Security Interests in favour of SEB Bank secure the obligations of Saaremere Kala, arising from the Overdraft Agreement (please see the paragraph "Overdraft Agreement" in Section 10.9 ("Material Contracts")) for more details on the said agreements).

Pledge over 100% of the shares of Heimon Kala

A pledge over 100% of the shares of Heimon Kala, which are held by Saaremere Kala, ranking immediately after the Higher Ranking Security Interest established in favour of SEB Bank.

The Higher Ranking Security Interest in favour of SEB Bank secure the obligations of Saaremere Kala, arising from the Overdraft Agreement (please see the paragraph "Overdraft Agreement" in Section 10.9 ("Material Contracts")) for more details on the said agreements).

Pledge over 100% of the shares of Överumans Fisk

A pledge over 100% of the shares of Överumans Fisk, which are held by Heimon Kala, ranking immediately after the Higher Ranking Security Interest established in favour of SEB Bank.

The Higher Ranking Security Interest in favour of SEB Bank secure the obligations of Saaremere Kala, arising from the Overdraft Agreement (please see the paragraph "Overdraft Agreement" in Section 10.9 ("Material Contracts")) for more details on the said agreements).

Pledge over 85.0149% of the shares of JRJ & PRF

A first ranking pledge over 85.0149% of the shares of JRJ & PRF which are held by Saaremere Kala.

In addition to the above, the Terms provide that unless and until Trio Trading is merged with Heimon Kala, a pledge 100% of the shares of Trio Trading, which are held by Saaremere Kala, shall be established in favour of the Collateral Agent (ranking immediately after the Higher Ranking Security Interest established in favour of SEB Bank). As Trio Trading has merged with Heimon Kala, such share pledge has not and will not be established.

Establishment of the Collateral

The Collateral Agreements for the establishment of the above listed Collateral have by the date of this prospectus all been executed, in accordance with the Terms and within the timeline provided in the Terms. Furthermore, all of the other steps for the establishment of the above referred Collateral has been completed.

Value of the Assets Subject to the Collateral

As explained in more detail in the risk factor "The Satisfaction of all Claims of the Noteholders on the Account of the Collateral may not be Possible" in Section 3.6 ("Risks Related to the Notes"), neither the

Issuer nor the Collateral Agent have obtained any valuation reports in the relation to the assets subject to the Collateral, which would be relevant and up-to-date at the date of this Prospectus, and no guarantee is provided in relation to the value of such assets and the potential amount of enforcement proceeds which could be obtained upon the enforcement of the Collateral.

Enforcement of the Collateral

In accordance with the Terms, the Collateral Agent shall enforce the Collateral according to the terms, conditions and procedure provided for in the Collateral Agreements and shall commence the enforcement in case all of the following conditions are met:

- a) the Issuer has failed to perform the Secured Obligations and to redeem any Notes on their due date (including at maturity or on any early redemption date or extraordinary early redemption date), of which the Collateral Agent has been informed in accordance with the Terms; and
- b) a resolution approved by Majority Noteholders has been passed and submitted to the Collateral Agent, instructing it in writing to enforce the Collateral and specifying which Secured Obligations the Issuer failed to perform.

In case the conditions set out above have been fulfilled, the Majority Noteholders have the right to instruct the Collateral Agent to take specific actions to enforce the Collateral according to the procedure provided for in the Collateral Agreements. The Collateral Agent may assume that no violation of the Secured Obligations has occurred, unless the Collateral Agent has received notice to the contrary from the Issuer or has been notified accordingly by the Majority Noteholders.

The Collateral Agent shall be entitled (but is not under any circumstances obliged) to request instructions from the Noteholders as to whether, and in what manner, the Collateral Agent should exercise or refrain from exercising any rights, powers and discretions with regard to the enforcement of the Collateral and may refrain from acting unless and until it has received an instruction approved by at least the Majority Noteholders.

Transferability

The Notes are freely transferrable, unless otherwise provided by applicable laws. However, a Noteholder may be subject to purchase or transfer restrictions with regard to the Notes, as may be applicable under the laws to which that Noteholder is subject. Furthermore, any Noteholder wishing to transfer any Notes must ensure that such transfer and any communications and arrangements relating thereto would not qualify as an offering requiring the publication of a prospectus in the meaning of the applicable laws and regulations. Each Noteholder must ensure and shall be liable for the compliance with any such restrictions, requirements and regulations at its own cost and expense.

All Note transfers are subject to the Terms. The Terms and all other relevant Note Documents shall be automatically applicable in relation to all persons who have acquired any Notes.

The ERS may temporarily block the Notes on a Noteholder's (or its nominee's) securities account to ensure performance of corporate actions in relation to the Notes.

6.5. Taxation

Introductory Remarks

The purpose of this section is to give an overview of the tax regime applicable to the Noteholders and the Issuer. The below summary is in no way exhaustive and is not meant to constitute professional advice to any person. Tax legislation of the Noteholder's residency and of the Issuer's country of incorporation may have an impact on the income received from the Notes. In order to establish particular tax consequences of the Offering or the ownership of the Notes, each individual investor is advised and strongly encouraged to seek specialist assistance.

Capital Gains from Sale or Exchange of Notes

Gains realised by an Estonian resident individual are taxable on a cash-basis. Upon the sale or exchange of securities (including the Notes) gains are subject to income tax at the rate of 20%. Since all earnings of resident legal persons, including capital gains, are taxed only upon distribution of profits, capital gains realised by resident legal persons are not subject to immediate taxation. As a rule, capital gains received by non-residents from the sale or exchange of securities are not taxed in Estonia (except for certain securities related to Estonian real estate). The non-resident Noteholders receiving capital gains from the sale or exchange of the Notes may be subject to declaring and paying income tax in their respective countries of residence. For the purposes of capital gains taxation, the gain derived from the sale of securities (including the Notes) is the difference between the acquisition cost and the sales price of such securities. The gain derived from the exchange of securities is the difference between the acquisition cost of securities subject to exchange and the market price of the property received as the result of the exchange. The expenses directly related to the sale or exchange of shares may be deducted from the gains but are generally rather limited.

Taxation of Interest

Estonian resident individuals are subject to paying income tax (20%) on the interest received from loans, securities (including the Notes) and other debt obligations. Therefore, interest (coupon payments) received by Estonian resident individuals from the Notes is subject to income tax in Estonia. Income tax is withheld by the payor unless the resident individual notifies the Issuer that Notes were acquired from funds held in the investment account. Since all earnings of resident legal persons are taxed only upon distribution (as described below), interest received by Estonian resident legal persons is not subject to immediate taxation. As a rule, interest payments received by non-residents are exempt in Estonia (i.e. no withholdings are made). Note, however, that non-resident Noteholders receiving interest from the Notes may be subject to declaring and paying income tax in their respective countries of residence.

Investment Account

Individuals may defer the taxation of their investment income by using an investment account (in Estonian: *investeerimiskonto*) for the purposes of making transactions with financial assets (including the Notes). An investment account is a monetary account opened with a European Economic Area or the Organisation for Economic Co-operation and Development (OECD) member state credit institution, through which the transactions with the financial assets, taxation of income from which (e.g. capital gains, interest, etc.) a person wants to defer, shall be made. The moment of taxation of the financial income held on an investment account is postponed until such income is withdrawn from the investment account (i.e. the amount withdrawn from the account exceeds the amount which had been previously paid into the account). Therefore, financial income held at the investment account may be reinvested tax-free until it is withdrawn from the account.

Corporate Income Tax

The system of taxation of corporate income currently in force in Estonia differs from the traditional model of corporate income taxation in that it shifts the point of corporate taxation from the moment of earning to the moment of distribution. Therefore, in Estonia corporate income tax is charged only on the distributed profit with the reinvested profits remaining untaxed until distribution. Corporate income tax is charged on profit distributions such as dividends, payments in the course of the reduction of share capital and acquisition of treasury shares when in excess of equity contributions, as well as on implicit distributions such as fringe benefits, gifts and donations, expenditures and payments not related to the business activities of a company. All of the above profit distributions are taxed at the rate of 20/80 (25%) of the net amount of the distribution, i.e. 20% of the gross amount of the distribution. The corporate income tax charged on above profit distributions is payable only at the company level with the company being responsible for calculating, declaring and paying of the respective corporate income tax. Corporate income tax imposed on distributed profit is not a withholding tax and thus is not influenced by

the applicable international tax treaties. Payments made in the course of the reduction of share capital and redemption of shares are taxable at the company level only to the extent such payments exceed the monetary and in-kind contributions previously made by the shareholders into the company.

6.6. Listing and Admission to Trading

The Issuer intends to apply for the listing and admission to trading of the Notes on the Baltic Bond List of Tallinn Stock Exchange. The expected date of listing and the admission to trading of the Notes is on or around 23 March 2020. While every effort will be made and due care will be taken by the Issuer in order to ensure the listing and the admission to trading of the Notes, the Issuer cannot ensure that the Notes are listed and admitted to trading on the Baltic Bond List of Tallinn Stock Exchange.

If the Notes are not admitted to trading on the Baltic Bond List of Tallinn Stock Exchange within one (1) year from the First Issue Date, each Noteholder may request to the Issuer to redeem the Notes held by such Noteholder, by submitting a relevant notice to the Issuer, in accordance with the Terms, no later than 60 (sixty) days from the first (1st) anniversary of the First Issue Date. Such request to be submitted by the Noteholder shall specify the number and the aggregate outstanding Nominal Value of the Notes to be redeemed. In such event, the Issuer shall redeem the respective Notes held by that Noteholder within 60 (sixty) days following the receipt of the Noteholder's request. The Redemption Price payable by the Issuer in accordance with this Section 6.3 of the Terms ("Early Redemption at the option of the Noteholders (Put Option)") shall be equal to the full outstanding principal (i.e. the Nominal Value) of the Note to be redeemed, together with the unpaid Interest accrued on the Note to, but excluding, the date of the relevant early redemption in accordance with the Terms and any other monies due and payable to the Noteholder under the Terms on that date.

7. GENERAL CORPORATE INFORMATION

7.1. General Corporate Information

The business name of the Issuer is AS PRFoods (formerly AS Premia Foods). The Issuer was registered in the Estonian Commercial Register on 23 December 2008 under the registry code 11560713 and its legal entity identifier (LEI) code is 529900PFXFO2ZDCRNK93. The Issuer has been established and is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *aktsiaselts* or AS) and is established for an indefinite term.

The contact details of the Issuer are the following:

Address: Pärnu mnt 141, 11314 Tallinn, Estonia

Phone: +372 452 1470

E-mail: investor@prfoods.ee

Website: <https://www.prfoods.ee/>

The information on the website of the Issuer does not form part of the prospectus unless that information is incorporated by reference into the Prospectus.

According to the Audited Financial Statements, the field of activity of the Issuer is "activities of holding companies" (EMTAK: 64201 / EMTAK 2008).

7.2. Major Shareholders of the Issuer

As at the date of this Prospectus, Shareholders holding over 5% of all Shares in the Issuer are the following:

Name of Shareholder	Number of Shares	Ownership interest
Amber Trust II S.C.A	14,813,540	38.2948%
Amber Trust S.C.A	5,381,370	13.9115%
KJK Fund SICAV-SIF (in liquidation)	4,063,456	10.5045%
Total	24,258,366	62.7109%

The Shares belonging to all the above referred Shareholders are held on the nominee account of ING LUXEMBOURG S.A.

Amber Trust II S.C.A and Amber Trust S.C.A, which hold together the majority of the shares, are investment funds managed by Amber Trust II Management SA and Amber Trust Management SA respectively. To the knowledge of the Issuer, Amber Trust II S.C.A and Amber Trust S.C.A have not entered into a shareholders' agreement in relation to the shareholdings in the Issuer, and they exercise their rights as shareholders of the Issuer in accordance with applicable law, the articles of association of the Issuer and the rules of Nasdaq Tallinn Stock Exchange.

The shareholdings of the members of the Management Board and Supervisory Board of the Issuer are brought out in Section 9.5 ("Conflicts of Interests") below.

All Shareholder of the Issuer have the same voting rights.

The Issuer is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Issuer.

7.3. Rights of Shareholders

Right to Participate in the General Meeting

Purpose of the General Meeting

Shareholders are entitled to take part in the corporate governance of the Issuer through the general meeting of shareholders (the “**General Meeting**”), where they can exercise their powers to decide on certain important corporate matters, such as e.g. amending the Articles of Association, increasing and reducing the share capital, issuing convertible notes, electing and removing the members of the Supervisory Board and the auditor, approving the annual accounts and the distributions of profit, dissolution, merger, division or transformation of the Issuer and certain other matters. The General Meeting is the highest governing body of a limited company in Estonia.

Convening the General Meeting

An ordinary General Meeting is held once a year, pursuant to the procedure and at the time prescribed by the Articles of Association but not later than six months after the end of a financial year. Despite to the fact that according to the Estonian Commercial Code, the ordinary General Meeting must be held within six months as from the end of a financial year, the Estonian Securities Market Act further specifies that the audited annual accounts of listed and publicly traded companies must be made public within four months as from the end of a financial year. In accordance with the Estonian Commercial Code, before the ordinary General Meeting is held, the Supervisory Board must review the annual accounts and provide the General Meeting with a written report on the annual accounts indicating whether Supervisory Board approves the accounts but also providing information on how the Supervisory Board has organised and supervised the activities of a company. In practise the referred report is made available along with the notice on calling the General Meeting.

Additionally, an extraordinary General Meeting shall be held if: (i) the net equity of the Issuer decreases below the legally required minimum level, or (ii) shareholders representing at least 1/20 of the share capital (whereas this threshold applies in case of a companies listed on a stock exchange, such as the Issuer; for companies not listed on a stock exchange, the relevant threshold is at least 1/10 of the share capital), the Supervisory Board or the auditor demand that a meeting is convened or (iii) if the meeting is clearly in the interests of the Issuer. The Articles of Association of the Issuer do not include any deviation from the applicable law with respect to when the General Meeting needs to be called.

If the Management Board fails to convene the extraordinary General Meeting within one month after the receipt of a relevant demand from the Shareholders (or the Supervisory Board or the auditor), then the Shareholders (or, respectively, the Supervisory Board or the auditor) have the right to convene the General Meeting themselves. Notice of an upcoming General Meeting must be sent to all Shareholders three weeks in advance of an ordinary General Meeting and at least one week in advance of an extraordinary General Meeting.

As a general rule, the notice must be sent via registered mail to the addresses entered in the share register. However, where a company has over 50 shareholders, the notice does not have to be sent but instead it shall be published in at least one national daily newspaper in Estonia. For companies listed on Tallinn Stock Exchange, the notice is also published through the information system of the Tallinn Stock Exchange.

When the above requirements for convening a General Meeting are violated, such General Meeting does not have the capacity to adopt resolutions except where all Shareholders participate at the General Meeting.

Agenda of the General Meeting

As a rule, the agenda of a General Meeting is determined by the Supervisory Board. However, if the General Meeting is convened by the Shareholders or the auditor, the agenda is determined by them. Furthermore, the Management Board or the Shareholders whose shares represent at least 1/10 of the

share capital may demand the inclusion of a certain issue on the agenda. An issue which is initially not on the agenda of a General Meeting may be included on the agenda upon the consent of at least 9/10 of the Shareholders who participate in the General Meeting if their shares represent at least 2/3 of the share capital.

Quorum

A General Meeting is capable of passing resolutions if more than 1/2 of the votes represented by shares held by the Shareholders are present at the General Meeting. If the quorum is not met, the Management Board is required to convene a new General Meeting within three weeks but no sooner than seven days after the date of the initial General Meeting. There are no quorum requirements for the newly convened General Meetings of shareholders called in such manner.

Voting rights and resolutions

The registered share capital of the Issuer is 7,736,572 euros which is divided to 38,682,860 ordinary Shares without nominal value.

Each Share entitles the Shareholder to one vote. A Shareholder may attend and vote at a General Meeting in person or by proxy. In case of companies whose shares are listed on the Tallinn Stock Exchange, such as the Issuer, only those shareholders are eligible to attend and vote at a General Meeting who were on the list of shareholders (which is recorded in the ERS) as at seven days before holding the General Meeting as at the end of the working day of the settlement system of the registrar of the ERS, which precedes the General Meeting. A Shareholder whose Shares are registered in the name of a nominee can exercise voting rights if a respective power of attorney has been executed in favour of such Shareholder by the holder of the nominee account.

As a rule, resolutions of a General Meeting require the approval of the majority of the votes represented at the General Meeting. Certain resolutions, such as amending the Articles of Association, increasing or decreasing the share capital and, in certain cases, resolutions relating to a merger or liquidation of the Issuer, require a qualified majority of 2/3 of the votes represented at the General Meeting.

Right to Information

Pursuant to the Estonian Commercial Code, Shareholders have the right to receive information on the activities of a company from the Management Board at the General Meeting of Shareholder. However, the Management Board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the Issuer. In the event the Management Board refuses to give information, the Shareholders may require the General Meeting to decide on the legality of such refusal or submit a respective claim to the court of law.

Right to Subscribe for New Shares

Pursuant to the Estonian Commercial Code, existing Shareholders of the Issuer have the preferential right to subscribe for new shares of the Issuer in proportion to their existing shareholding. However, where Shares need to be issued to a specific person(s), such preferential right can be waived by a resolution of the General Meeting by a majority of three-fourths of the votes represented at the General Meeting.

8. REGULATORY DISCLOSURES

Introduction

The Issuer regularly publishes market announcements *via* the information system of the Tallinn Stock Exchange. as required under the Tallinn Stock Exchange rules, the Estonian Securities Market Act and Regulation No 596/2014/EU of the European Parliament and of the Council of 16 April 2014 on market abuse.

Below is the summary of the information other than interim and annual financial reports disclosed under Regulation No 596/2014/EU over the last 12 months, which is relevant as at the date of the Prospectus:

Joint Ventures

On 11 December 2018, the Issuer announced that Saaremere Kala (the wholly owned subsidiary of the Issuer) and OÜ Tallinna Lihatoöstus have concluded a letter of intent for establishing a joint undertaking to set up a joint offshore fish farm.

OÜ Tallinna Lihatoöstus belongs to AS Direct Consulting with the subsidiary of AS Hiiu Kalur. AS Hiiu Kalur is an Estonian fishing company founded in 1991 (whose legal predecessor operated already since 1949) which has a share in seven fish processing plants and is one of the biggest Estonian fishing companies. The same group also operates the ports of Veere and Lehtma and Suursadam in Estonia.

The purpose of establishing a joint venture is uniting AS Direct Consulting's long-term fishing and fish processing experience and the Group's wide fish-farming experience for setting up and subsequent operating an environment-friendly modern joint offshore fish-farming.

Application for Building Right to Establish an Offshore Fish Farm

On 24 January 2019, the Issuer announced that Avamere Kalakasvatus OÜ, an affiliate of the Group, has submitted an application of building right to the Technical Regulatory Authority, for the establishment of an offshore fish farming complex in the Estonian waters off the coast in the bay of Paldiski.

Establishment of the Estonian Offshore Fish Farming Association

On 10 October 2019 the Issuer announced that the Group related companies Redstorm and Avamere Kalakasvatus OÜ participated in establishing the Estonian Offshore Fish Farming Association together with Hiiumere Farm OÜ. The aim of the association is to support and facilitate the economic activities related to fish farming of the members and thus improve their competitiveness.

Överumans Fisk obtained an approval to expand fish farming in Sweden

On 21 January 2020 the Issuer announced that Överumans Fisk obtained an approval to establish an additional fish farm in the Västerbotten region of Sweden. The permit is valid for fish farming and keeping fish over winter. The permit grants the right to use 2400 tonnes of fish feed to farm approximately 2200 tonnes of fish. The permit shall entry into force after the expiry of dispute time and shall be valid for 15 years.

Changes to the Managing Bodies of Group Companies

During the last 12 months prior to the date of the Prospectus, the Issuer has announced the following changes to the managing bodies of the Group companies:

- (i) On 1 March 2019 the Issuer announced the recalling of Mairi Paiste from the supervisory board of Saaremere Kala and the election of Helin Tiido and Emil Johannes Metsson as the new members of the supervisory board of Saaremere Kala. Furthermore, Kit Harrison was recalled from the management board of JRJ & PRF and Anna Crona was chosen as the new member of

the management board of JRJ & PRF. Lastly Pekka Pentti Olavi Lahtinen was elected as the new member of the management board of Trio Trading (which has now merged with Heimon Kala).

- (ii) On 8 March 2019 the Issuer announced the resignation of Pekka Pentti Olavi Lahtinen from the position of substitute management board member of Överumans Fisk and the election of Indrek Kasela as a new substitute management board member.
- (iii) On 14 June 2019 the Issuer announced that Jarkko Alho will from 01.07.2019 chair the management board of Vettel, Trio Trading (which has now merged with Heimon Kala) and Heimon Kala and to act as a member of the management board of Överumans Fisk.
- (iv) On 7 August 2019 the Issuer announced the recalling of Helin Tiido from the supervisory board of Saaremere Kala.
- (v) On 4 September 2019 the Issuer announced that Pekka Pentti Olavi Lahtinen was resigning from the position of the member of the management board of Trio Trading (which has now merged with Heimon Kala) and leaving his position as the chief executive officer of Heimon Kala. Jarkko Alho was elected as the new chief executive officer of Heimon Kala.
- (vi) On 17 September 2019 the Issuer announced that the authorities of Ivari Vokk as a member of the management board of Saaremere Kala and Vettel terminated. Furthermore, Jarkko Alho was appointed as the chief executive officer of Vettel, as part of the Issuer's intention to combine the management of the Estonian and Finnish units of the Group.
- (vii) On 2 October 2019 the Issuer announced the resignation of Victoria Leigh-Pearson from the management board of Saaremere Kala.
- (viii) On 12 December 2019 the Issuer announced the election of Dagni Viskus to the management board of Vettel.
- (ix) On 23 January 2020 the Issuer announced the election of Raivo Polding to the management board of Vettel.
- (x) On 28 January 2020 the Issuer announced the 3-year extension of the authorities of Kuldar Leis and Lauri Kustaa Äimä, the members of the supervisory board of Saaremere Kala.

Note Issue

On 19 December 2019 the Issuer notified of its intention to issue the Notes.

On 21 January 2020, the Issuer announced the results of the private placement of the First Tranche of Notes. In the said private placement, investors subscribed for approximately 92,630 Notes, with the aggregate nominal value of approximately EUR 9,263,000, i.e. for approximately 109% of the maximum volume of the private placement. Due to the strong interest of the investors for the Notes and the resulting oversubscription, the Issuer decided to increase the volume of the First Tranche of Notes from the initial 85,000 to 91,096 Notes, and to allocate to investors a total of 91,096 Notes, with the aggregate nominal value of EUR 9,109,600.

On 25 January 2020, the Issuer announced that at the meeting of noteholders of the First Tranche of Notes, the noteholders approved the increase of the Maximum Aggregate Nominal Value of the Notes to EUR 11,000,000 and in relation thereto, the amendment of the Terms and the final terms of the First Tranche of Notes.

9. MANAGEMENT

9.1. Management Structure

The Issuer has a three-tier management. The management board of the Issuer (the “**Management Board**”) is responsible for the day-to-day management of the Issuer and each of its members (whereas currently there is only one member) is eligible to represent the Issuer in keeping with the law and the Articles of Association. The supervisory board of the Issuer (the “**Supervisory Board**”) is responsible for the strategic planning of the activities of the Issuer and for supervising the activities of the Management Board. The highest governing body of the Issuer is the General Meeting.

The business address of the members of the Management Board and the Supervisory Board is the registered address of the Issuer – Pärnu mnt 141, 11314 Tallinn, Estonia.

9.2. Management Board

The Management Board of the Issuer is responsible for the day-to-day management of the Issuer. The key obligations of the Management Board members include representing and directing the Issuer, adhering to the lawful instructions of the Supervisory Board and obtaining the consent of the Supervisory Board for matters exceeding the scope of day-to-day business activities, submitting to the Supervisory Board a review of the Issuer's business activities and economic situation at least once every four months as well as notifying immediately of the material deterioration of the economic situation of the Issuer and other similar circumstances relating to the Issuer (regular reporting requirements). In addition, the Management Board is responsible for organising the accounting and compiling the annual accounts of the Issuer and calling and preparing meetings of shareholders. The Management Board is also required to guarantee the enforcement of the resolutions of the higher managing bodies (the Supervisory Board and the General Meeting).

Upon performance of their duties, the Management Board members are required to act with due diligence, performing their duties with sufficient skill and in a manner commensurate with their knowledge and abilities. The Management Board members must act to maximise the benefits to the Issuer and to prevent any losses.

The Supervisory Board of the Issuer appoints Management Board members for a three-year term and decides upon the remuneration of the Management Board members. The Articles of Association prescribe the Management Board to consist of one to four members.

Currently, the Management Board of the Issuer consists of one member:

Name	Position	Member since	Current term expires
Indrek Kasela	Member of the Management Board	2 February 2015	15 November 2020

Indrek Kasela (born 1971) has been acting as a member of the Supervisory Board of the Issuer from its foundation until January 2015 and is currently acting as the member of the Management Board of the Issuer since February 2015. He holds LL.M (Master of Laws) degree from New York University (1996), BA degree in law from the University of Tartu (1994) and certificate in EU Law from the University of Uppsala. In addition to the Management Board member position in the Issuer, he serves as a member of the management board in almost all the Group entities and also in non-Group entities (such as Lindermann, Birnbaum & Kasela OÜ, “BAN HOLDINGS” SIA etc). He serves as a supervisory board member of AS Toode, ELKE Grupi AS, ELKO Grupa AS, Salva Kindlustuse AS, Ridge Capital AS, AS Ekspress Grupp, Elering AS, SA Avatud Eesti Fond, Tulundusühistu Tuleva. Furthermore, he is involved in companies and non-profit organisations domiciled abroad.

9.3. Supervisory Board

The Supervisory Board is responsible for the strategic planning of the activities of the Issuer and focuses on supervising the activities of the Management Board. The Supervisory Board informs the General Meeting of the results of its supervision. In addition, the Supervisory Board grants approvals to the Management Board for concluding transactions beyond day-to-day business activities, presents to the General Meeting written opinions on the annual accounts prepared by the Management Board and prepares the agenda of General Meetings of the Shareholders. According to the Articles of Association, the functions of the Supervisory Board also include approval of the Issuer's annual budget and annual report prepared by the Management Board.

The consent of the Supervisory Board is required for conclusion of transactions which are beyond the scope of everyday economic activities and, above all, for conclusion of transactions which bring about:

- (i) the acquisition or termination of holdings in other companies;
- (ii) the foundation or dissolution of subsidiaries;
- (iii) the acquisition or transfer of an enterprise, or the termination of its activities;
- (iv) the transfer or encumbrance of immovables or registered movables;
- (v) the foundation or closure of foreign branches;
- (vi) the making of investments exceeding a prescribed sum of expenditure for the current financial year;
- (vii) the assumption of loans or debt obligations exceeding a prescribed sum for the current financial year; and
- (viii) the granting of loans or the guarantee of debt obligations if this is beyond the scope of everyday economic activities.

In addition to the above, according to the Articles of Association the consent of the Supervisory Board is required for conclusion of the following transactions:

- (i) entry into, amendment or termination of any such contract or agreement (a) which is beyond the scope of everyday business activities or (b) the objective whereof is to bind the Issuer for over 12 months and which obligates the Issuer to incur expenditures or obligations exceeding EUR 50,000 (indexed), including on unanticipated bases;
- (ii) initiating any court or arbitration proceedings related to claims (including related expenses) that exceed or may exceed EUR 50,000, and regard other than routine debt collection in any jurisdiction, or termination thereof by an agreement;
- (iii) making of any investments in other persons or business, or full or partial realization or transfer of any investments made by the Issuer;
- (iv) acquisition or transfer of any assets the value whereof exceeds EUR 50,000 (indexed), unless it is prescribed in the budget;
- (v) making any other amendments than those required under law or under the Estonian GAAP to the accounting principles or to rules of accounting applied by the Issuer;
- (vi) capitalization or returning of any reserves of the Issuer, withdrawal of shares from circulation or purchase of shares by the Issuer, or increase, reduction or reorganization of the share capital of Issuer or its subsidiary company;
- (vii) assumption of debt obligations or granting of a guarantee in any other way than by commercial credit assumed under normal trading conditions and in the course of everyday business operations in accordance with previous practices, or the assumption of any such debt obligations (including but not limited to premature repayment) or amendment or termination of contracts regarding the granting of any guarantee;

- (viii) encumbering of any funds, assets, enterprise or uncalled capital of the Issuer with a mortgage, claim, debt obligation, pledge, lien or other encumbrance or right of security, or waiver thereof in any other way than by commercial credit assumed under normal trading conditions and in the course of everyday business operations in accordance with previous practices;
- (ix) appointment of such employees or consultants of the Issuer whose annual income exceeds EUR 50,000 (indexed) and who are not members of the Management Board, determination of the terms of their employment contracts, their transfer or removal, as well as determination of the remuneration of or granting of benefits to the members of the Management Board or Supervisory Board;
- (x) any material change in the nature or scope of business activities, including implementation of a new area of activity or winding up an area of activity, as well as relocation or extension of the premises of the Issuer or foundation of companies outside Estonia;
- (xi) conclusion of transactions or amendment thereof by the Issuer with (i) a Shareholder; (ii) a member of the Supervisory Board or Management Board; (iii) persons related to the aforesaid persons; or (iv) officers, members of the management board or employees of the aforesaid persons;
- (xii) performance of any acts set out in this list by a subsidiary of the Issuer.

According to the Articles of Association of the Issuer, the Supervisory Board consists of three to seven members who are appointed by the General Meeting for a period of three years. The members of the Supervisory Board shall elect a chairman from among themselves for organising the activities of the Supervisory Board, and a vice-chairman who shall organise the activities of the Supervisory Board in the absence of the chairman.

The Supervisory Board of the Issuer convenes according to actual necessity but in any case, at least once every three months. An extraordinary meeting of the Supervisory Board is convened when so demanded by a member of the Supervisory Board, the Management Board, the auditor or the shareholders whose shares represent at least 1/10 of the share capital of the Issuer. The meetings of the Supervisory Board must be summoned with at least 10 days' notice, specifying the agenda for the meeting. A meeting has quorum if more than one half of all members of the Supervisory Board are present and a resolution is adopted if more than one half of all members of the Supervisory Board vote in favour of the resolution.

Currently, the Supervisory Board of the Issuer consists of the following members:

Name	Position	Member since	Current term expires
Lauri Kustaa Äimä	Chairman of the Supervisory Board	8 December 2008	11 December 2022
Aavo Kokk	Member of the Supervisory Board	5 May 2009	11 December 2022
Arko Kadajane	Member of the Supervisory Board	29 May 2012	11 December 2022
Harvey Sawikin	Member of the Supervisory Board	5 May 2009	11 December 2022
Vesa Jaakko Karo	Member of the Supervisory Board	17 August 2009	11 December 2022
Kuldar Leis	Member of the Supervisory Board	29 May 2013	11 December 2022

Lauri Kustaa Äimä (born 1971) holds a master's degree in economics from the University of Helsinki. He is the managing director and founding shareholder of Kaima Capital Oy. He serves as a board member of Saaremere Kala, AS Tallink Group, AS Baltika, AS Toode, AS Tahe Outdoors, ManageTrade OÜ, AB Baltic Mill, UAB Malsena Plius, Baltijas Apdrošinašanas Nams AAS and also in several investment companies and funds domiciled in Finland, England, Netherlands, Slovenia and

Luxembourg, incl. KJK Management SA, KJK Fund SICAV-SIC, KJK Capital Oy, Amber Trust Management SA, Amber Trust II Management SA, Aurejärvi Varainhoito Oy.

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

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

Harvey Sawikin (born 1960) holds degrees from the Columbia University and Harvard Law School. In 1994 Harvey Sawikin co-established a fund management company Firebird Management LLC, in which he holds a leading position also today. Harvey Sawikin holds management position in the following companies and funds: Firebird Fund, Firebird New Russia Fund, Firebird Mongolia GP LLC, Firebird Republics Fund and Firebird Aurora Fund and Amber Trust funds. He is a member of the New York State Bar.

Vesa Jaakko Karo (born 1962) graduated from the Helsinki School of Economics in 1986 with M.Sc. in finance and international marketing and received a Licentiate (Econ) degree in economics in 1996. Currently he is a member of supervisory boards of Aurejärvi Rahastoyhtiö Oy (former Cumulant Capital Oy) and KJK Capital Oy.

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 has been acting as a member of the Supervisory Board of the Issuer from its foundation until May 2013 and is currently acting as the member of the Supervisory Board of the Issuer since May 2013. He is also a member of supervisory boards of Saaremere Kala, AS Linda Nektar and Competence Centre of Food and Fermentation Technology and a member of management boards of Rododendron OÜ, Solarhouse OÜ, MTÜ Põlva Tenniseklubi and MTÜ Põlva Käsipallklubi.

9.4. Committees

Under Estonian law, the only committee the Issuer is obliged to have an audit committee, and the Issuer has not established any committees other than an audit committee.

The Issuer's audit committee is an advisory body of the Supervisory Board of the Issuer. The audit committee was set up by the Supervisory board in 2010 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. The main task of the audit committee is to consult the Supervisory Board in matters involving a) accounting; b) auditing; c) risk management; d) internal control and audit; e) exercising of oversight; and f) budget preparation and legality of the mentioned activities.

The committee consists of three members elected by the Supervisory Board for a term of three years. The activities of the committee are managed by the chairman of the committee. The Supervisory Board of the Issuer elected on 15 November 2017 Aleksander Zaporozhtsev as the chairman of the audit committee, the members of the audit committee since 2010 are Mairi Paiste and Aavo Kokk.

9.5. Conflicts of Interests

Indrek Kasela (member of the Management Board) and Lauri Kustaa Äimä (member of the Supervisory Board) provide consultancy services to Amber Trust S.C.A. and Amber Trust II S.C.A., which hold together the majority of the Shares.

In addition, the members of the Management Board and the Supervisory Board are direct or indirect shareholders, members of managing bodies and/or managers in companies which hold shares of the Issuer:

- (i) Indrek Kasela (member of the Management Board) is the sole shareholder and member of the management board of Lindermann, Birnbaum & Kasela OÜ (which holds 1,606,623 shares of the Issuer, i.e. approximately 4.1533% of all the shares of the Issuer), a member of the supervisory board of Salva Kindlustuse AS (which holds 77,890 shares of the Issuer, i.e. approximately 0.2014% of all the shares of the Issuer) and an investment advisor to Amber Trust S.C.A (which holds 5,381,370 shares of the Issuer, i.e. approximately 13.9115% of all the shares of the Issuer) and Amber Trust II S.C.A (which holds 14,813,540 shares of the Issuer, i.e. approximately 38.2948% of all the shares of the Issuer);
- (ii) Lauri Kustaa Äimä (member of the Supervisory Board) is the indirect sole shareholder and member of the management board of Kaima Capital Eesti OÜ (which holds 125,000 shares of the Issuer, i.e. approximately 0.3231% of all the shares of the Issuer). Lauri Kustaa Äimä is also a member of the management board of KJK Management S.A. (the fund manager of KJK Fund SICAV-SIF (in liquidation), which holds 4,063,456 shares of the Issuer, i.e. approximately 10.5045% of all the shares of the Issuer), Amber Trust Management SA (the fund manager of Amber Trust S.C.A) and Amber Trust II Management SA (the fund manager of Amber Trust II S.C.A);
- (iii) Arko Kadajane (member of the Supervisory Board) is the sole shareholder and member of the management board of Portfellihaldus OÜ (which holds 8,928 shares of the Issuer, i.e. approximately 0.0231% of all the shares of the Issuer) and holds a position of a portfolio manager in Ambient Sound Investments OÜ (which holds 1,385,267 shares of the Issuer, i.e. approximately 3.5811% of all the shares of the Issuer);
- (iv) Harvey Sawikin (member of the Supervisory Board) is the manager of Firebird Republics Fund Ltd (which holds 1,277,729 shares of the Issuer, i.e. approximately 3.3031% of all the shares of the Issuer) and Firebird Aurora Fund Ltd (which holds 730,678 shares of the Issuer, i.e. approximately 1.8889% of all the shares of the Issuer), and the member of the management board of Amber Trust Management SA (the fund manager of Amber Trust S.C.A) and Amber Trust II Management SA (the fund manager of Amber Trust II S.C.A);
- (v) Kuldar Leis (member of the Supervisory Board) is the sole shareholder and member of the management board of Rododendron OÜ (which holds 1,219,589 shares of the Issuer, i.e. approximately 3.1528% of all the shares of the Issuer); and
- (vi) Kuldar Leis and Vesa Jaakko Karo (members of the Supervisory Board) hold shares of the Issuer directly. Kuldar Leis holds 3,461 shares of the Issuer (i.e. approximately 0.0089% of all the shares of the Issuer) and Vesa Jaakko Karo holds 90,000 shares of the Issuer (i.e. approximately 0.2327% of all the shares of the Issuer).

Apart from the above, the Issuer is not aware of any actual or potential conflicts of interest between the duties of any of the members of the Management Board and the Supervisory Board to the Issuer or to any Group company, and their private interests or other duties.

9.6. Statement of Compliance with the Good Corporate Governance Code

The Estonian Corporate Governance Code (the “CGC”), as adopted by the EFSA, is a set of guidelines which is primarily intended to be followed by the companies the shares of which are listed on the Tallinn Stock Exchange. Compliance with the provisions of CGC is not mandatory but all companies which are subject to the CGC have to follow the “fulfil or explain” principle, meaning that companies applying the CGC are obliged to disclose and substantiate as to whether and to which extent CGC is not complied with.

In its activities, the Issuer takes the recommendations of the CGC into account. Still, for practical considerations, some of the recommendations are only partly followed. The requirements which were not fully followed by the Issuer are described in its Corporate Governance Reports made available on the web-page of the Issuer: <http://prfoods.ee/about/governance/corporate-governance-reports>.

9.7. Statutory Auditors

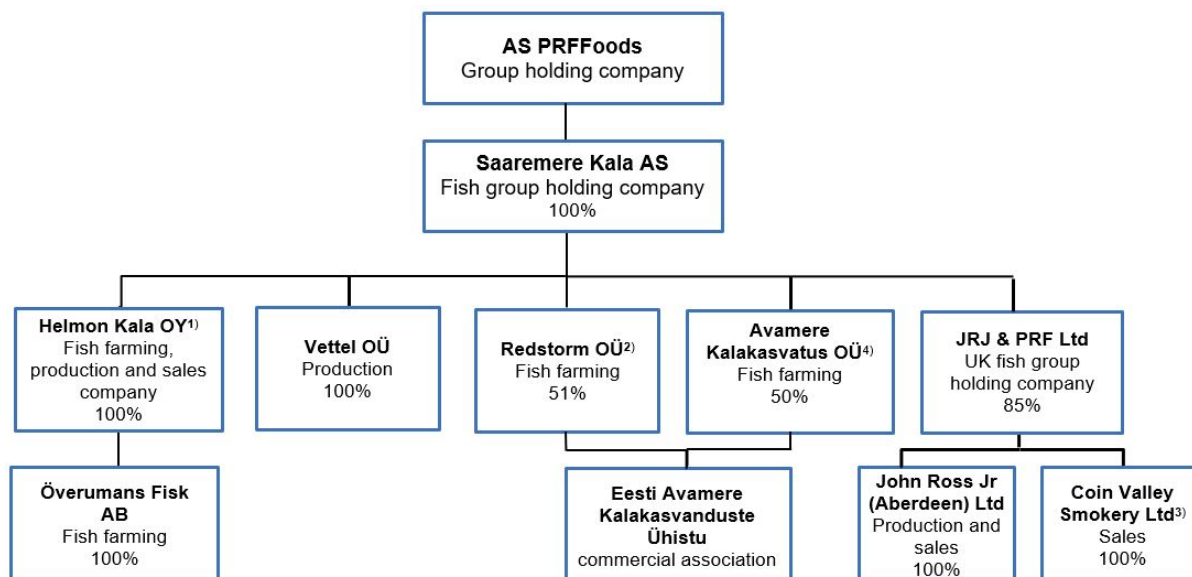
In accordance with the Estonian Commercial Code, the General Meeting elects the auditor of the Issuer. Pursuant to the relevant resolutions of the General Meeting, the Issuer appointed Aktsiaselts PricewaterhouseCoopers (registered in the Estonian Commercial Register under registry code 10142876, having its registered address at Pärnu mnt 15, 10141 Tallinn, Estonia) as the auditor of the Issuer for the periods covered by the Audited Financial Statements, and the Audited Financial Statements have been audited by Aktsiaselts PricewaterhouseCoopers. Aktsiaselts PricewaterhouseCoopers is a member of the Estonian Auditing Board.

Pursuant to a resolution of the General Meeting dated 19 December 2019, the General Meeting appointed KPMG Baltics OÜ (registered in the Estonian Commercial Register under registry code 10096082, having its registered address at Narva mnt 5, Tallinn 10117, Estonia) as the auditor of the Issuer for the financial year 2019/2020. KPMG Baltics OÜ is a member of the Estonian Auditing Board.

10. BUSINESS OVERVIEW

10.1. Group Structure

The structure of the Issuer's Group is as follows:



- 1) *Trio Trading has merged with Heimon Kala on 31 January 2020.*
- 2) *Consolidated from 01 July 2018.*
- 3) *64% of Coin Valley Smokery shares owned by JRJ & PRF and 36% by John Ross.*
- 4) *The Group does not consolidate Avamere Kalakasvatus OÜ as it holds neither dominant nor significant control over the company.*

In addition, the Issuer holds a 20%-share of AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Centre of Food and Fermentation Technology).

10.2. Principal Activities

The Group's principal activities are fish farming, processing and sales. The Group's key market is Finland, where the Management believes the Group to be amongst the three largest fish production companies. Since the acquisition of John Ross Jr. and Coin Valley Smokery in the summer of 2017, the Group has sales experience to 37 countries in Europe, North and South America, and Asia.

The Group carries out its fish manufacturing operation in four contemporary production buildings in Renko and Kokkola (Finland), in Saaremaa (Estonia), and in Aberdeen (Great Britain). The Group aims to increase production capacity and to boost sales volumes of fish products (although there are no assurances that such increase will materialise).

Approximately 2/3 of the raw fish used in the Group's rainbow trout production comes from the Group's own fish farms in Swedish lakes, Turku Archipelago area in Finland and in coastal waters of Saaremaa in Estonia. The Management believes that using fish from the Group's own fish farms for the majority of its production helps to ensure the high quality and reliable deliveries of the fish need for the production of the Group's products. The rest of the raw fish used by the Group is purchased mainly from Norway and Denmark.

On a smaller scale, European whitefish and Baltic herring are also used in production. In addition, a red caviar is made from fish harvested in the Group's own fish farms.

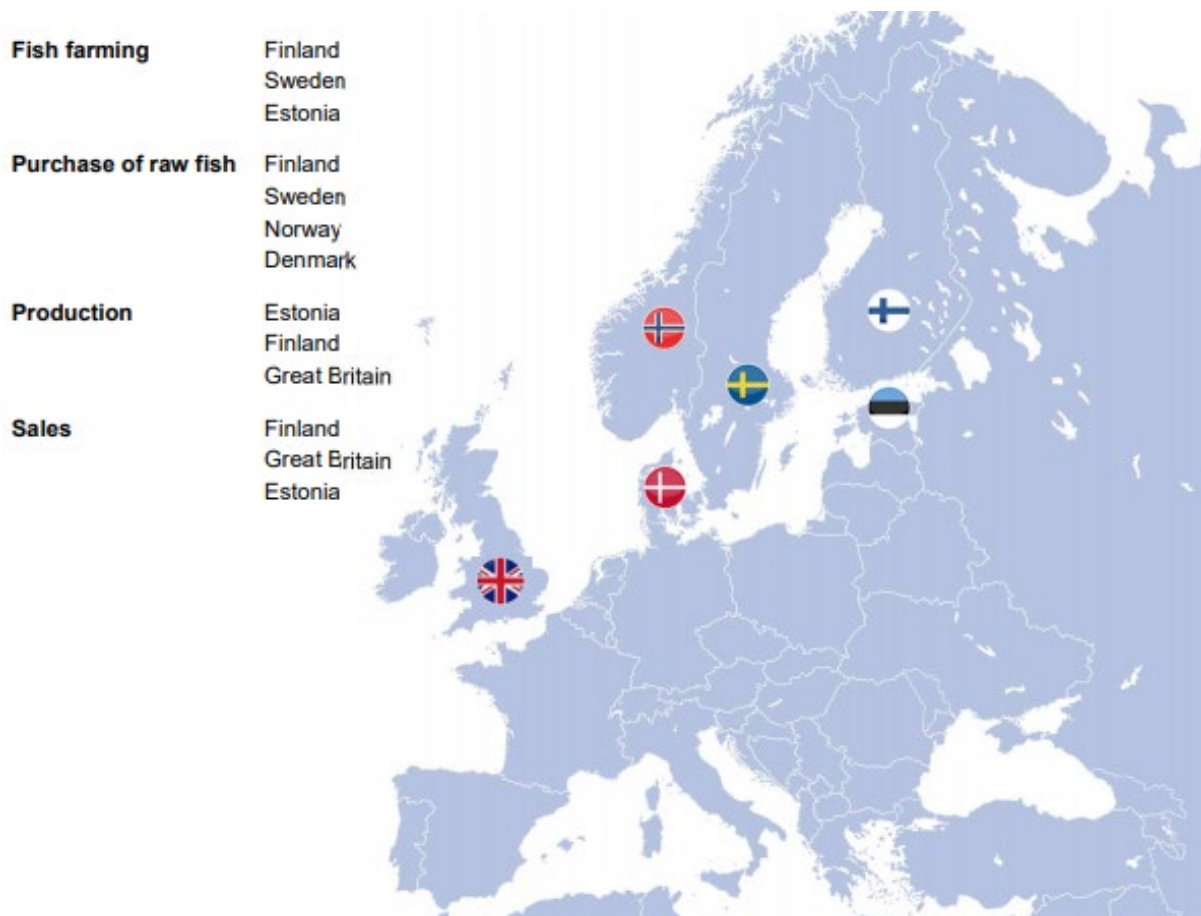
10.3. The Group's Brands

The most significant trademarks of the Group are "Heimon Gourmet" and "Saaristomeren". The Group's other trademarks include "Gurmé" and "Polar Fish", which are marketed in the Baltic States. Other notable brands of the acquired companies acquired in 2017 are "John Ross Aberdeen", "Coln Valley Smokery" and "Fishk".



10.4. Geographical Markets

The Group's key market is Finland, where it is amongst the three largest fish production companies. Products of the Group are sold as leading brands in their respective operating market and the primary focus is on higher value-added premium products, which in turn would increase the profitability of the Group. The geographical markets where the Group's farming, purchasing, production and sales activities are carried out are as follows:



The Group is actively involved in developing new products for expanding to new export markets. As introducing the Group's own brands is in its early stage in Scandinavia and elsewhere in the world, the Management believes that the Group's business has a possibility to grow.

10.5. The Group's Products

The Group's main products are salmon (*Salmo salar*) and rainbow trout (*Oncorhynchus mykiss*) products. The most popular products are hot and cold smoked fish and low-salt fish products from rainbow trout, salmon and European whitefish (*Coregonus lavaretus*).

In addition, the Group's product portfolio includes:

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

10.6. Environmental Impact

The fish production industry has significant environmental impact that is mostly 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. This 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.

As a sustainably operating company, the Issuer is aware of the global responsibility for preserving natural resources and unharmed environment and is targeting to keep the environmental impact of its activities at a minimum and further reduce its ecological footprint. To achieve that, the Group has, among others:

- developed a new fish feed recipe that results in a 13.5% reduction in nitrogen emissions and a 30.3% reduction in phosphorus in the water;
- developed a completely new wastewater treatment solution, in Finland, to treat wastewater from fish gutting. The aim is to significantly improve the efficiency of nutrient purification from wastewater. After the tests, similar systems are planned to be introduced in Sweden and Estonia;
- equipped all of its fish farms with state-of-the-art water quality monitoring sensors. The results of the water monitoring of all breeding sites are continuously visible through the cloud service;
- been actively involved in various innovation and environmental projects such as UKIPOLIS in Finland (design of sediment separation cushion in the Baltic Sea), sustainable cage farming in Denmark and in the Joint Baltic Sea Fisheries Working Group;
- been an innovation partner of the Finnish Natural Resources Centre (LUKE) in carrying out various research projects on fish farming;
- been active in ensuring that the Group's packaging materials are friendly to the environment.

Among other things, the Group is committed to improving sustainability and reducing food waste in combination with better product packaging on retail shelves. The first of two new packaging solutions aim to reduce the proportion of plastics by 88% and the carbon footprint by 35%. The second packaging solution is based on wood as a raw material - the packaging is recyclable, renewable and degradable. The plastic part is minimized and replaces today's plastic alternatives. The Group's choice of packaging manufacturers is also based on matching values, thus being guided by environmental aspects and

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

10.7. Changes in the Financial Performance and Prospects of the Group

There has been no material adverse change in the prospects of the Group since the date of the Audited Financial Statements. Furthermore, the Management is not aware of any significant change in the financial performance of the Group since the end of the period covered by the Financial Statements.

Since the date of the Financial Statements, an intra-group merger has taken place, whereby Trio Trading merged with Heimon Kala. The merger was carried out to seek higher efficiencies in the Group’s operations and was completed on 31 January 2020. However, the merger was an intra-group transaction and in the opinion of the Management, will not have an effect on the consolidated financial results and standing of the Group.

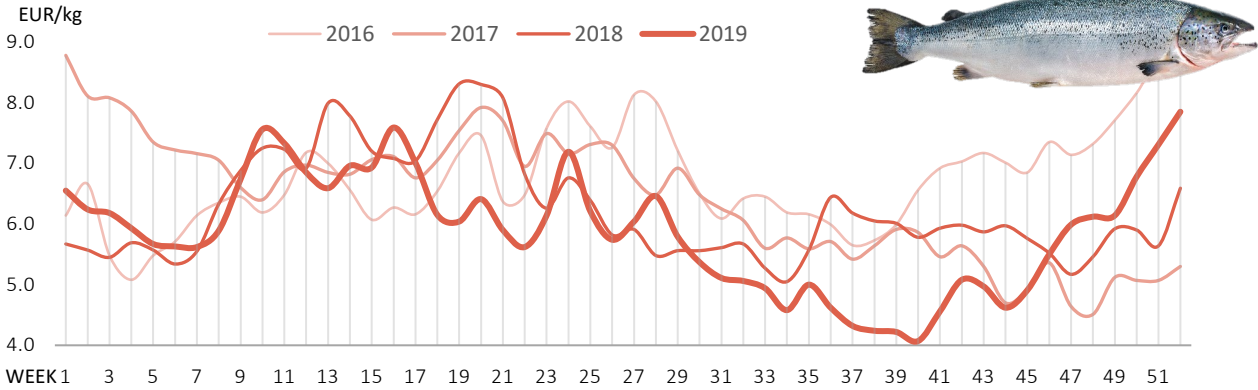
10.8. Trend Information

A known uncertainty, which in the opinion in the Management could likely have a material effect on the Group’s prospects during the current financial year is the fluctuation of the price of raw fish.

The fish industry is extremely dependent on availability and the price of raw fish. Large producers make their production plans for three years in advance as it is difficult and expensive in shorter perspective to adapt a fish farm’s production cycle to market needs. Therefore, the world market fish supply is relatively rigid in the short-term, while demand is somewhat shifting depending on the season. This imbalance in fish supply and demand results in constantly fluctuating price of raw fish.

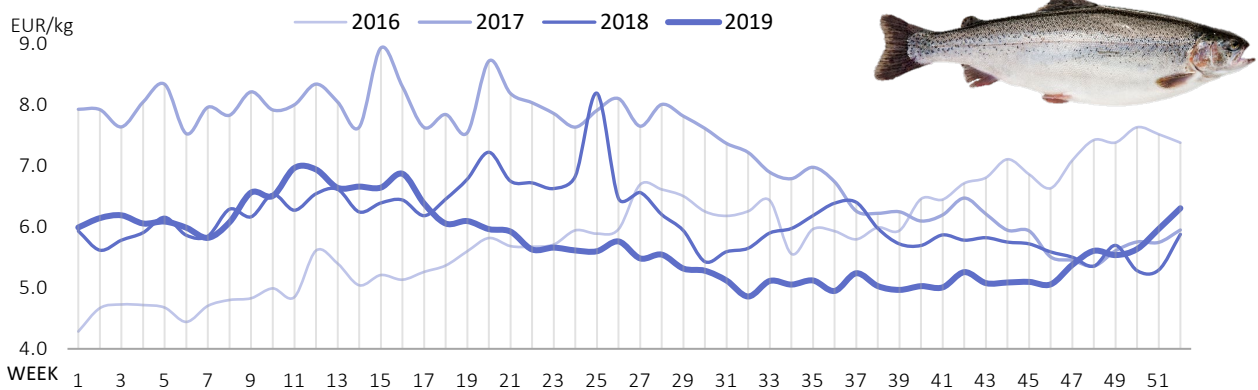
The graphs below illustrate the weekly average prices of salmon and rainbow trout since 2016:

Export Price of Norwegian Salmon:



Source: Nasdaq Salmon price

Export Price of Norwegian Rainbow Trout:



Source: akvafakta.no

Average fish prices, 12 months:

EUR/kg	12m 2019	12m 2018	12m 2019 vs 12m 2018	12m 2017	12m 2019 vs 12m 2017	12m 2016	12m 2019 vs 12m 2016
Salmon	5,73	6,24	-8,1%	6,27	-8,6%	6,68	-14,2%
Rainbow trout	5,59	6,04	-7,5%	6,94	-19,4%	5,73	-2,4%

Fish prices as at the end of a period, year-over-year:

EUR/kg	31.12.2019	31.12.2018	31.12.19 vs 31.12.18	31.12.2017	31.12.19 vs 31.12.17	31.12.2016	31.12.19 vs 31.12.16
Salmon	7,85	6,59	19,1%	5,30	48,1%	8,72	-10,0%
Rainbow trout	6,31	5,88	7,3%	5,95	6,0%	7,39	-14,6%

Source: Salmon – Nasdaq Salmon price; Rainbow trout – www.akvafakta.no

The above graphs and tables illustrate that the market price of raw fish fluctuating substantially, both on average and as at the end of a period and thus, creates uncertainty. Such uncertainty may be material to the financial performance and results of operations of the Group, as the purchase cost of raw fish accounts for a major part of the cost of the Group's products (please see the notes in the Financial Statements outlining the components of the cost of goods sold).

To mitigate the risk of price fluctuations in the price of raw fish, the Group farms a large part the fish needed for its operations itself. Approximately 2/3 of the raw fish used in the Group's rainbow trout production comes from the Group's own fish farms in Swedish lakes, Turku Archipelago area in Finland and in coastal waters of Saaremaa in Estonia, assuring the highest quality and reliable deliveries. The rest of raw fish is purchased mainly from Norway and Denmark.

Other than the above described uncertainty related to the fluctuation of the price of raw fish, the Management is not aware of any trends, uncertainties, demands, commitments or events which could occur under normal course of business operations and which would be reasonably likely to have a material effect on the Group's prospects during the current financial year.

10.9. Material Contracts

Introduction

The Group companies are parties to the below described agreements entered into outside their ordinary course of business, which may result in the Group companies being under an obligation or entitlement that could be material to the Issuer's ability to meet its obligations to Noteholders in respect of the Notes.

In the Audited Financial Statements it is noted that as at the date of the Audited Financial Statements, Saaremere Kala also had entered into an investment loan agreement with SEB Bank, which was valid and outstanding at the date of the Audited Financial Statements. The investment loan granted under the said investment loan agreement was prematurely repaid from the funds borrowed to Saaremere Kala by the Issuer, which the Issuer received from the issue of the First Tranche of Notes and thus, the said investment loan agreement has terminated prior to the date of this Prospectus.

The level of detail of the information provided is limited due to the confidentiality provisions included in agreements. However, the Management believes that the provided data is sufficient for comprehending the overall contents of the agreements.

Overdraft Agreement with SEB Bank

Saaremere Kala, Vettel and GourmetHouse osaühing (a former Subsidiary of the Issuer, which has now merged with Vettel) have entered into an overdraft agreement with SEB Bank, originally dated 6

September 2016, which has been amended on 28 April 2017, 19 July 2017, 28 August 2017, 27 April 2018, 30 May 2018, 8 August 2018, 2 May 2019, 6 June 2019, 6 December 2019 and 10 January 2020 (and may be amended from time to time hereafter), whereby SEB Bank has granted the above referred Group companies an overdraft facility (the “**Overdraft Agreement**”). The original overdraft limit was originally EUR 5,000,000 but has been amended thereafter. In accordance with the latest amendment of the Overdraft Agreement as of 10 January 2020, the overdraft limit is EUR 8,000,000. As at 29 February 2020, the outstanding principal amount of the overdraft facility was approximately EUR 7,309,400.

The repayment date of the overdraft facility is 30 November 2020. The loan issued under the Overdraft Agreement is subject to an unfixed interest rate of 6 month’s EURIBOR (base interest rate) + 2,5% (interest margin) per annum.

The Overdraft Agreement includes terms and conditions largely customary for such financing arrangements. The Overdraft Agreement stipulates covenants, including minimum EBITDA and minimum DSCR, as well as other covenants customary for these types of financing that may restrict certain activities of the Group.

For the purposes of securing the performance of obligations of the relevant Group companies arising from the Overdraft Agreement, the following collateral has been established in favour of SEB Bank:

- a) six mortgages over the immovable owned by Vettel and located at Kärssa, Suure-Rootsi village, Saaremaa, Estonia registered in the Estonian land register with registered immovable number 1586334;
- b) one mortgage over the immovable owned by Heimon Kala and located at Kuittila, Finland, registered in the Finnish land register with property identifier 109-573-14-1;
- c) two commercial pledges over the movable assets of Vettel;
- d) a share pledge over 100% of the shares of Heimon Kala;
- e) a share pledge over 100% of the shares of Överumans Fisk;
- f) a share pledge over 100% of the shares of Saaremere Kala;
- g) a guarantee issued by the Issuer in the amount of EUR 20,500,000.

The Overdraft Agreement was previously also secured by a share pledge over the shares of JRJ & PRF and a floating charge over the Scottish law assets of Saaremere Kala but in accordance with the agreement between Saaremere Kala and SEB Bank, those securities have now been released by SEB Bank.

The assets encumbered by the collateral in items a) - e) are also encumbered by the Collateral in favour of the Collateral Agent, serving as security for the fulfilment of the Issuer’s obligations under the Notes. On such assets, the collateral established in favour of SEB Bank ranks before the Collateral in favour of the Collateral Agent, i.e. the collateral in favour of SEB Bank constitutes Higher Ranking Security Interests. Please see subsection “Security” in Section 6.4 (“Overview of the Key Terms of the Notes”) for more detail on the Higher Ranking Security Interests.

During the reporting period covered by the Audited Financial Statements, the Group companies which are parties to the Overdraft Agreement were in breach of the terms of the overdraft limit in use, minimum EBITDA and debt coverage ratio (DSCR) covenants provided in the Overdraft Agreement, However, on 29 October 2019 SEB Bank waived such breaches and confirmed that despite non-compliance with the covenants set out in the Overdraft the Agreement, SEB Bank would not recall the loan prematurely. By the date of this Prospectus, the said breaches have been cured.

Option Agreement with Christopher Leigh and Victoria Leigh-Pearson

As part of the transaction for the acquisition of 85.0149% of the shares of JRJ & PRF by Saaremere Kala, Saaremere Kala and JRJ & PRF have on 21 June 2017 entered into a put and call option

agreement with Christopher Leigh and Victoria Leigh-Pearson, pursuant to which Saaremere Kala issued a put option to Christopher Leigh and Victoria Leigh-Pearson, and Christopher Leigh and Victoria Leigh-Pearson issued a call option to Saaremere Kala, to acquire the shares of JRJ & PRF held by Christopher Leigh and Victoria Leigh-Pearson (i.e. in aggregate 15% of the shares in JRJ & PRF, which grant a non-controlling shareholding in JRJ & PRF) at the end of the years 2020, 2021 and 2022.

The price payable upon the exercise of the options is not fixed and would be determined on the basis of the financial results of JRJ & PRF, in accordance with the formula: $Price = A \times ((8XB) + C - D)$. In the said formula, A constitutes option shares as the numerator and total of issued shares as the denominator, B constitutes EBITDA of JRJ & PRF on consolidated bases as further specified in the option agreement, C constitutes free cash as the last business day prior to exercising the option and D constitutes the aggregate amount immediately prior to option completion of all outstanding loans and borrowings of JRJ & PRF and its subsidiaries.

In connection with the acquisition of 85% of the shares of JRJ & PRF by Saaremere Kala, JRJ & PRF Ltd also issued loan notes to Christopher Leigh and Victoria Leigh-Pearson at the time of transaction in total amount in the total aggregate value of 395,649 GBP. The loan notes bear interest at the rate of 4% *per annum*. The realisation of the loan notes is tied to the realisation of the option agreement – in case the option will be exercised, the loan notes issued to Christopher Leigh and Victoria Leigh-Pearson, in the total aggregate value of 395,649 GBP (British pound sterling) will be redeemed as well.

Shareholders' Agreement relating to JRJ & PRF

As part of the transaction for the acquisition of 85.0149% of the shares of JRJ & PRF by Saaremere Kala, JRJ & PRF, Saaremere Kala and the minority shareholders of JRJ & PRF (Christopher Leigh and Victoria Leigh-Pearson) have on 26 June 2017 entered into a shareholders' agreement relating to JRJ & PRF (as amended). The shareholders' agreement regulates the relationships between the shareholders of JRJ & PRF and JRJ & PRF, as well as certain aspects of the affairs of and their dealings with JRJ & PRF.

Among other matters customary for shareholders' agreements of such nature, the shareholders' agreement provides for rules regarding corporate governance (including that Saaremere Kala shall have the right to appoint three directors and the minority shareholders of JRJ & PRF two directors), provision of information to shareholders and conduct of business.

The shareholders' agreement also provides that if Christopher Leigh or Victoria Leigh-Pearson are no longer employed by JRJ & PRF, Saaremere Kala shall be obliged to purchase all the shares held by Christopher Leigh or Victoria Leigh-Pearson (as applicable) for a price determined in accordance with the shareholders' agreement.

The shareholders' agreement provides that in case the shares of JRJ & PRF are to be transferred to a third party, such third party must before the completion of the transfer sign a deed of adherence whereby it undertakes to be bound by and shall be entitled to the benefit of the provisions of the shareholders' agreement.

10.10. Legal and Arbitration Proceedings

In the course of its everyday business operations, the Group companies are from time to time parties to legal and administrative proceedings. Since the Group companies (most relevantly the Issuer) operate in the fields subject to extensive legal regulation, they are from time to time also subject to administrative proceedings, which are primarily carried out by the food safety and similar authorities in the course of ordinary ongoing supervision.

As of the date of this Prospectus, the Group is not a party to any governmental, legal or administrative proceedings relating to the Group (including any such proceedings which are pending or threatened, of which the Issuer is aware), which the Issuer would consider likely to have any significant effects on the

Group's financial position or profitability, nor have there been any such proceedings during the 12 months preceding the date of this Prospectus.

11. FINANCIAL INFORMATION

11.1. Introduction

The following tables set forth summary consolidated financial information of the Group as of and for the second quarter and six months ended 31 December 2019 for the financial year 2019/2020 and the second quarter and six months ended on 31 December 2018 for the financial year 2018/2019, as well as and for the full financial years 1 July 2018 - 30 June 2019 and 1 January 2017 - 30 June 2018. The financial data in the tables provided below should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the notes contained therein. The Audited Financial Statements have been compiled in accordance with the IFRS, as adopted by the European Union. The Interim Financial Statements have been compiled in accordance with IAS 34. The “Interim Financial Reporting” do not hold all the information that must be presented in the Audited Financial Statements, so the Interim Financial Statements should be read together with the Audited Financial Statements.

The financial year 2017/2018 lasted from 1 January 2017 to 30 June 2018, i.e. for 18 months, instead of 12 months, due to the change of the financial year of the Issuer from 1 January – 31 December, as approved by the General Meeting on 11 December 2017. The Audited Financial Statements have been audited by AS PricewaterhouseCoopers. The Audited Financial Statements, together with the audit report thereon, are attached to this Prospectus as Appendix 3.

11.2. Financial Statements

Consolidated Statement of Financial Position

EUR '000	31.12.2019	30.06.2019	30.06.2018
	Unaudited	Audited	Audited
ASSETS			
Cash and cash equivalents	2,680	2,583	5,960
Receivables and prepayments	6,342	5,300	4,706
Inventories	9,104	11,980	12,678
Biological assets	4,354	4,924	6,498
Total current assets	22,480	24,787	29,842
Deferred income tax	66	41	153
Long-term financial investments	217	202	134
Tangible fixed assets	14,444	14,535	12,764
Intangible assets	23,286	22,969	22,604
Total non-current assets	38,013	37,747	35,655
TOTAL ASSETS	60,493	62,534	65,497
EQUITY AND LIABILITIES			
Loans and borrowings	12,505	13,502	12,562
Payables	13,301	14,105	14,254
Government grants	188	234	216
Total current liabilities	25,994	27,841	27,032
Loans and borrowings	7,945	9,540	11,487
Payables	190	190	0
Deferred tax liabilities	2,070	2,010	2,441
Government grants	981	1,087	1,226
Total non-current liabilities	11,186	12,827	15,154
TOTAL LIABILITIES	37,180	40,668	42,186

Share capital	7,737	7,737	7,737
Share premium	14,007	14,007	14,007
Treasury shares	-390	-390	-390
Statutory capital reserve	51	51	48
Currency translation difference	167	-214	7
Retained profit (-loss)	1,108	66	1,904
Equity attributable to parent	22,680	21,257	23,313
Non-controlling interest	633	609	-2
TOTAL EQUITY	23,313	21,866	23,311
TOTAL EQUITY AND LIABILITIES	60,493	62,534	65,497

Consolidated Statement of Comprehensive Income

EUR '000	12m 2018/2019	18m 2017/2018	6m 2019/2020	6m 2018/2019
	Audited	Audited	Unaudited	Unaudited
Revenue	85,727	118,499	44,703	46,122
Cost of goods sold	-73,830	-103,811	-37,796	-38,448
Gross profit	11,897	14,688	6,907	7,674
Operating expenses	-10,702	-12,423	-5,767	-5,619
Selling and distribution expenses	-7,499	-8,841	-3,938	-3,927
Administrative expenses	-3,203	-3,582	-1,829	-1,692
Other income / expense	83	-250	334	303
Fair value adjustment on biological assets	-1,744	-524	224	-1,555
Operating profit (loss)	-466	1,491	1,698	803
Financial income/expense	-776	-1024	-393	-435
Profit (loss) before tax	-1,242	467	1,305	368
Income tax	-230	-410	-239	-4
Net profit (loss) for the period	-1,472	57	1,066	364
Net profit (loss) attributable to:				
Owners of the Parent Company	-1,458	59	1,042	229
Non-controlling interest	-14	-2	24	135
Total net profit (loss)	-1,472	57	1,066	364
Other comprehensive income (loss) that may subsequently be classified to profit or loss:				
Foreign currency translation differences	-221	-421	381	-77
Total comprehensive income (expense)	-1,693	-364	1,447	287
Total comprehensive income (expense) attributable to:				
Owners of the Parent Company	-1,679	-362	1,423	152
Non-controlling interest	-14	-2	24	135
Total comprehensive income (expense) for the period	-1,693	-364	1,447	287
Profit (loss) per share (EUR)	-0.04	0.00	0.04	0,00

Diluted profit (loss) per share (EUR)	-0.04	0.00	0.04	0.00
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Consolidated Statement of Cash Flows

EUR '000	12m 2018/2019	18m 2017/2018	6m 2019/2020	6m 2018/2019
	Audited	Audited	Unaudited	Unaudited
Total cash flow from operations				
Net profit (loss)	-1,472	57	1,066	364
Adjustments:				
Depreciation	2,209	2,700	1,118	1,094
Profit from sale and write off of fixed assets	-18	-51	0	-8
Other non-cash items	540	-2,360	353	-853
Changes in receivables and prepayments	-594	-573	-1,067	-1,660
Changes in inventories	698	-7,285	2,876	1,125
Changes in biological assets	1,574	1,086	570	1,779
Changes in payables and prepayments	2,062	6,024	-358	936
Corporate income tax paid	-657	-48	-59	-64
Total cash flow from / (used in) operating activities	4,342	-450	4,499	2,713
Total cash flow from investments				
Proceeds from the sale of tangible and intangible fixed assets	133	131	2	42
Payments for tangible and intangible fixed assets	-1,907	-1,299	-1,165	-1,033
Government grants for acquisition of assets	7	310	0	42
Purchase and sale of other financial instruments	-1	0	-20	0
Acquisition of subsidiaries, net cash received	-2,631	-12,964	-131	-2,500
Repayments of loans issued	0	51	0	0
Interest received	16	9	-5	15
Income from long-term investments	0	1	0	0
Total cash flow used in investing activities	-4,383	-13,761	-1,319	-3,434
Total cash flow from financing				
Repurchase of own shares	0	-134	0	0
Change in overdraft	709	4,707	-1,298	1,512
Repayments of loans	-3,239	-1,194	-1,436	-1,349
Loans received	907	14,000	160	310
Change in factored receivables	9	-61	1	20
Capital lease repayments	-554	-565	-191	-340
Dividends paid	-377	-215	0	0
Interest paid	-791	-741	-319	-482
Total cash flow (used in)/from financing activities	-3,336	15,797	-3,083	-329
Total cash flow	-3,377	1,586	97	-1,050
Cash and cash equivalents at beginning of year	5,960	4,374	2,583	5,960
Change in cash and cash equivalents	-3,377	1,586	97	-1,050
Cash and cash equivalents at the end of the period	2,583	5,960	2,680	4,910

Consolidated Statement of Changes in Equity

EUR '000	Share capital	Share premium	Treasury shares	Statutory capital reserve	Unrealised currency translation differences	Retained earnings (-loss)	Total	Non-controlling interests	Total equity
Balance at 31.12.2016 (audited)	7,737	14,007	-256	12	428	1,881	23,809	0	23,809
Increase of statutory reserve capital	0	0	0	36	0	-36	0	0	0
Buy-back of treasury shares	0	0	-134	0	0	0	-134	0	-134
Transactions with equity holders of the company	0	0	-134	36	0	-36	-134	0	-134
Net loss for the year	0	0	0	0	0	59	59	-2	57
Other comprehensive expense	0	0	0	0	-421	0	-421	0	-421
Total comprehensive expense for the period	0	0	0	0	-421	59	-362	-2	-364
Balance at 30.06.2018 (audited)	7,737	14,007	-390	48	7	1,904	23,313	-2	23,311
Increase of statutory reserve capital	0	0	0	3	0	-3	0	0	0
Non-controlling interests on acquisition of subsidiary	0	0	0	0	0	0	0	625	625
Dividends	0	0	0	0	0	-377	-377	0	-377
Transactions with equity holders of the company	0	0	0	3	0	-380	-377	625	248
Net loss for the year	0	0	0	0	0	-1,458	-1,458	-14	-1,472
Other comprehensive expense	0	0	0	0	-221	0	-221	0	-221
Total comprehensive expense for the period	0	0	0	0	-221	-1,458	-1,679	-14	-1,693
Balance at 30.06.2019 (audited)	7,737	14,007	-390	51	-214	66	21,257	609	21,866
Net profit for the year	0	0	0	0	0	1,042	1,042	24	1,066
Other comprehensive income	0	0	0	0	381	0	381	0	381
Total comprehensive income for the period	0	0	0	0	381	1,042	1,423	24	1,447
Balance at 31.12.2019 (unaudited)	7,737	14,007	-390	51	167	1,108	22,680	633	23,313

Key Indicators

As the Issuer is a holding company and forms insignificant part of operations of the Group, the key indicators presented below constitute consolidated indicators for the Group, and the Issuer's standalone key indicators have not been presented.

Furthermore, for the sake of comparability, in the table below the financial year 1 January 2017 - 30 June 2018 has been adjusted to 12-month period 1 July - 30 June marked "2017/2018". Consequently, the figures of the financial year 1 January 2017 - 30 June 2018 in the Financial Statements are not reconcilable with the figures below for 2017/2018.

Income statement				
mIn EUR (unless stated otherwise)	12m 2018/ 2019	12m 2017/2018	6M 2019/2020	6M 2018/2019
	Audited	Unaudited	Unaudited	Unaudited
Revenue	85.7	94.9	44.7	46.1
Gross profit	11.9	13.2	6.9	7.7
Operating profit (loss)	-0.5	2.3	1.7	0.8
Profit (loss) before tax	-1.2	1.4	1.3	0.4
Net profit (-loss) for the period	-1.5	1.0	1.1	0.4
Ratios	Unaudited	Unaudited	Unaudited	Unaudited
EBITDA from operations	4.0	6.0	2.9	3.5
EBITDA	1.7	4.4	2.8	1.9
Gross margin	13.9%	13.9%	15.5%	16.6%

Operational EBITDA margin	4.7%	6.3%	6.5%	7.6%
EBITDA margin	2.0%	4.7%	6.3%	4.1%
EBIT margin	-0.5%	2.5%	3.8%	1.7%
EBT margin	-1.4%	1.5%	2.9%	0.8%
Net margin	-1.7%	1.1%	2.5%	0.8%
Operating expense ratio	12.5%	10.5%	12.9%	12.2%

Balance sheet			
mln EUR (unless stated otherwise)	31.12.2019	30.06.2019	30.06.2018
	Unaudited	Audited	Audited
Total assets	60.5	62.5	65.5
Total equity	23.3	21.9	23.3
Ratios	Unaudited	Unaudited	Unaudited
Net debt	17.8	20.5	18.1
Working capital	-3.5	-3.1	2.8
Liquidity ratio	0.9x	0.9x	1.1x
Equity ratio	38.5%	35.0%	35.6%
Gearing ratio	43.3%	48.3%	43.7%
Debt to total assets	0.6x	0.7x	0.6x
Net debt-to-EBITDA from operations	5.3x	5.1x	3.0x
ROE	-3.2%	-6.5%	4.3%
ROA	-1.2%	-2.3%	2.0%

Consolidated statement of cash flows				
mln EUR	12m 2018/2019	18m 2017/2018	6m 2019/2020	6m 2018/2019
	Audited	Audited	Unaudited	Unaudited
Total cash flow from / (used in) operating activities	4.3	-0.5	4.5	2.7
Total cash flow used in investing activities	-4.4	-13.8	-1.3	-3.4
Total cash flow (used in) / from financing activities	-3.3	15.8	-3.1	-0.3

The tables “Ratios” presented above include certain data that the Group considers to constitute alternative performance measures (the APMs) as defined in the “ESMA Guidelines on Alternative Performance Measures” issued by the European Securities and Markets Authority on 5 October 2015. The Group uses APMs as additional information to financial measures presented in the consolidated statement of income, consolidated statement of financial position and consolidated statement of cash flows prepared in accordance with IFRS. The APMs are not accounting measures defined or specified in IFRS and, therefore, they are considered non-IFRS measures that do not replace performance measures in accordance with IFRS nor should they be viewed in isolation or as a substitute to the performance measures reported in accordance with IFRS.

The Group believes that APMs provide meaningful supplemental information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS, increase the understanding of the Group’s results of operations and enhance comparability between financial periods. The Group’s use and method of calculation of APMs may vary from other companies’ use and calculation of such measures. Therefore, the APMs presented in this Prospectus may not be comparable with similarly titled measures presented by other companies.

For the purposes of this subsection “Key Indicators”, the following ratios have been calculated as follows:

EBITDA from operations = Profit (loss) before one-offs and fair value adjustment of fish stock

EBITDA = Profit (loss) before interest, tax, depreciation and amortisation

Gross margin = Gross profit / Revenue

Operational EBITDA margin = EBITDA from operations / Revenue

EBITDA margin = EBITDA / Revenue

EBIT margin = Operating profit (loss) / Revenue

EBT margin = Profit (loss) before tax/ Revenue

Net margin = Net earnings / Revenue

Operating expense ratio = Operating expenses / Revenue

The calculation of operating expense ratio is presented as follows:

EUR '000 (unless stated otherwise)	12m 2018/2019	12m 2017/2018	6m 2019/2020	6m 2018/2019
	Unaudited	Unaudited	Unaudited	Unaudited
Operating expenses	-10,702	-10,007	-5,767	-5,619
Revenue	85,727	94,871	44,703	46,122
Operating expenses / Revenue	12.5%	10.5%	12.9%	12.2%

Net debt = Short- and long-term loans and borrowings – Cash and cash equivalents

Working capital = Total current assets – Total current liabilities

Liquidity ratio = Total current assets / Total current liabilities

Equity ratio = Total equity / Total assets

Gearing ratio = Net debt / (Total equity + Net debt)

Debt to total assets = Total liabilities / Total assets

The calculation of debt to total assets ratio is presented as follows:

EUR '000 (unless stated otherwise)	31.12.2019	30.06.2019	30.06.2018
	Unaudited	Unaudited	Unaudited
Total liabilities	37,180	40,668	42,186
Total assets	60,493	62,534	65,497
Debt to total assets	0.6	0.7	0.6

Net debt to EBITDA = Net debt / EBITDA from operations for the trailing 12 months

ROE = Net earnings for the trailing 12 months / Average equity

The calculation of ROE is presented as follows:

EUR '000 (unless stated otherwise)	31.12.2019	30.06.2019	30.06.2018
	Unaudited	Unaudited	Unaudited
Net profit for the trailing 12 months	-770	-1,472	999
E1=Total equity at the end of the period	23,313	21,866	23,311
E2= Total equity at the beginning of the period (i.e. 12 months ago)	24,225	23,311	22,697
Average equity = (E1+E2) / 2	23,769	22,589	23,004
Net profit for the trailing 12 months / Average equity	-3.2%	-6.5%	4.3%

ROA = Net earnings for the trailing 12 months / Average assets

The calculation of ROA is presented as follows:

EUR '000 (unless stated otherwise)	31.12.2019	30.06.2019	30.06.2018
	Unaudited	Unaudited	Unaudited

Net profit for the trailing 12 months	-770	-1,472	999
A1=Total assets at the end of the period	60,493	62,534	65,497
A2= Total assets at the beginning of the period (i.e. 12 months ago)	65,450	65,497	33,466
Average assets = (A1+A2) / 2	62,972	64,016	49,482
Net profit for the trailing 12 months / Average assets	-1.2%	-2.3%	2.0%

11.3. Audit Report

The Audited Financial Statements together with the audit report are attached to this Prospectus as Appendix 3 and can also be found on Issuer's website (<https://www.prfoods.ee/investor-relations/reports/annual-reports>), as well as on the website of Tallinn Stock Exchange (<https://www.nasdaqbaltic.com/>).

The auditor's reports to the Audited Financial Statements have been prepared in accordance with Directive 2014/56/EU and Regulation (EU) No 537/2014.

Other than the Audited Financial Statements, none of information in the Prospectus has been audited by auditors.

11.4. Profit Forecasts

The Audited Financial Statements contain a forecast that for the financial year 2019/2020, the Group expected sales increase by at least 5% and EBITDA improvement of 25-30%. However, by a market announcement made on 21 February 2020, the Issuer renounced the said forecasts, due to the increased risks of the global economy, as well as the unclear effects of the Brexit process, the outbreak of the coronavirus, major factory modernizations in Estonia and Finland and the changes in the product portfolio planned for the calendar year 2020.

12. GLOSSARY

Audited Financial Statements	shall mean the consolidated audited financial statements of the Issuer as of and for the financial year 1 July 2018 - 30 June 2019, including the comparative financial information as of and for the financial year 1 January 2017 - 30 June 2018.
Articles of Association	shall mean the Articles of Association of the Issuer, registered in the Estonian Commercial Register and in force as at the date of this Prospectus.
Banking Day	shall mean a business day, i.e. any day, except Saturday, Sunday, a national or a public holiday of the Republic of Estonia.
CGC	shall mean the Estonian Corporate Governance Code, a set of guidelines adopted by the EFSA.
CPT	shall mean the Common Fisheries Policy of the European Union.
Coln Valley Smokery	shall mean Coln Valley Smokery Ltd, a company incorporated under the laws of Scotland, registered in the Scottish Register of Companies under company number 01176278.
Delegated Regulation	shall mean Commission Delegated Regulation No 2019/980/EU of 14 March 2019 supplementing Regulation No 2017/1129/EU of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation No 809/2004/EC.
EBITDA	shall mean in respect of any relevant period, the Issuer's consolidated profit (or loss) before interest, tax, depreciation, amortisation, biomass

	fair value adjustment, extraordinary income and extraordinary expenses.
EFSA	shall mean Estonian Financial Supervision Authority.
ERS	shall mean Estonian Register of Securities.
EUR	shall mean the official currency of Eurozone countries, including Estonia, the euro.
Final Terms	shall mean the Final Terms of the Issuer's Secured Note Issue, dated 4 March 2020, which have been attached to this Prospectus as Appendix 2.
Financial Statements	shall mean the Interim Financial Statements together with the Audited Financial Statements.
Finnish Property	shall mean the immovable owned by Heimon Kala and located at Kuittila, Finland, registered in the Finnish land register with property identifier 109-573-14-1.
First Issue Date	shall mean 22 January 2020.
First Tranche of Notes	shall mean the tranche of 91,096 Notes, with the aggregate nominal value of EUR 9,109,600, issued by the Issuer on 22 January 2020.
Group	shall mean the Issuer and its Subsidiaries.
Heimon Kala	shall mean Heimon Kala Oy, a company incorporated under the laws of Finland, registered in the Finnish Business Register with business ID 0426956-8.
Higher Ranking Security Interests	shall mean pledges, mortgages and other securities interests (i) granted in favour of the Priority Ranking Lender to secure obligations of the Issuer's group arising from the Priority Ranking Financing and (ii) granted in favour of the Finnish Customs over the immovable owned by Heimon Kala Oy referred to in item "Mortgages over the immovable owned by Heimon Kala" in subsection "Security" of Section 6.4 ("Overview of the Key Terms of the Notes"), which are of higher rankings than the Collateral to be established in favour of the Collateral Agent under the Terms.
IAS	shall mean the International Accounting Standards.
IFRS	shall mean International Financial Reporting Standards as adopted by the European Union.
Institutional Offering	shall mean the offering of the Notes and to institutional investors in and outside of Estonia.
Interim Financial Statements	shall mean the consolidated unaudited interim financial statements of the Issuer as of and for the second quarter and six months ended 31 December 2019, including the comparative financial information as of and for the second quarter and six months ended on 31 December 2018.
Issuer	shall mean AS PRFoods, a public limited company established and existing under the laws of the Republic of Estonia, registered in the Estonian Commercial Register under registry code 11560713, having its registered address at Pärnu mnt 141, 11314 Tallinn, Estonia.
John Ross	shall mean John Ross Jr (Aberdeen) Ltd, a company incorporated under the laws of Scotland, registered in the Scottish Register of Companies under company number SC104274.
JRJ & PRF	shall mean JRJ & PRF LIMITED, a company incorporated under the laws of Scotland, registered in the Scottish Register of Companies under company number SC567615.
Listing	shall mean the listing and the admission to trading of the Notes on the Baltic Bond List of Tallinn Stock Exchange.

Management	shall mean jointly the Management Board and the Supervisory Board.
Management Board	shall mean the management board of the Issuer.
Nominal Value	shall mean the nominal value of EUR 100 <i>per</i> Note.
Notes	shall mean debt securities issued by the Issuer in accordance with the Terms and the Final Terms, with the nominal value of EUR 100 <i>per</i> note.
Offering	shall mean the Retail Offering together with the Institutional Offering.
Offering Period	shall mean the period of the Offering during which the Notes may be subscribed for commencing at 10:00 (Estonian time) on 10 March 2020 and ending at 16:00 on 16 March 2020.
Offer Price	shall mean the price of EUR 101.00 per one (1) Note.
Overdraft Agreement	shall mean the overdraft agreement with SEB Bank, originally dated 6 September 2016, which has been amended on 28 April 2017, 19 July 2017, 28 August 2017, 27 April 2018, 30 May 2018, 8 August 2018, 2 May 2019, 6 June 2019, 6 December 2019 and 10 January 2020 (and may be amended from time to time hereafter), whereby SEB Bank has granted the above referred Group companies an overdraft facility.
Prospectus	shall mean this Public Offering, Listing and Admission to Trading Prospectus.
Prospectus Regulation	shall mean the Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC.
Redstorm	shall mean Osaühing REDSTORM, a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 11228060.
Retail Offering	shall mean the offering of the Notes by way of a public offering to retail investors in Estonia.
Saaremere Kala	shall mean Saaremere Kala AS, a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 11310040.
Section	shall mean the Section of this Prospectus.
SEB Bank	shall mean AS SEB Pank, a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 10004252.
Subsidiary	shall mean, with respect to any entity, any other entity at least 50% of whose capital is owned, directly or indirectly, by such entity or which is otherwise effectively controlled by such entity.
Subscription Undertaking	shall mean a document, which is submitted by an investor to the Issuer substantially in the form set out in Section 4.6 (“Subscription Undertakings”) or in another form as set forth by the Registrar, and in which the investor expresses a wish to acquire, through Primary Distribution, a certain amount of the Notes and undertakes to pay the Issue Price for the number of Notes indicated in the Subscription Undertaking.
Summary	shall mean the summary of this Prospectus.
Supervisory Board	shall mean the supervisory board of the Issuer.
Tallinn Stock Exchange	shall mean the Baltic Bond List of the Nasdaq Tallinn Stock Exchange.
Terms	shall mean the Terms of the Issuer’s Secured Note Issue, dated 14 January 2020, as amended on 25 February 2020, which have been attached to this Prospectus as Appendix 1.

Trio Trading	shall mean Trio Trading Ab Oy, a company incorporated under the laws of Finland, registered in the Finnish Business Register with business ID 1559086-7, which on 31 January 2020 merged with Heimon Kala.
Vettel	shall mean Osaühing Vettel, a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 10377013.
Överumans Fisk	shall mean Överumans Fisk AB, a company incorporated under the laws of Sweden, registered in the Swedish Companies Registration Office with registration number 556527-2977.

13. INDEX OF APPENDICES

Appendix 1 – Terms of the Notes.

Appendix 2 – Final Terms of the Notes.

Appendix 3 – Consolidated audited financial statements of the Issuer as of and for the financial year 1 July 2018 - 30 June 2019, including the comparative financial information as of and for the financial year 1 January 2017 - 30 June 2018.

Appendix 4 – Consolidated unaudited interim financial statements of the Issuer as of and for the second quarter and six months ended 31 December 2019, including the comparative financial information as of and for the second quarter and six months ended on 31 December 2018.

THE ISSUER

AS PRFoods

(Pärnu mnt 141, 11314 Tallinn, Estonia)

The logo for PRFoods, consisting of the word "PRFOODS" in white, uppercase, sans-serif font, centered within a dark blue rectangular background.

LEGAL COUNSEL TO THE ISSUER

Advokaadibüroo COBALT OÜ

(Pärnu mnt 15, 10141 Tallinn, Estonia)

The logo for COBALT, featuring the word "COBALT" in blue, uppercase, sans-serif font. The letter "O" is stylized with a blue arch above it and a blue arch below it.

FINANCIAL COUNSEL TO THE ISSUER

Redgate Capital AS

(Pärnu mnt 10, 10148 Tallinn, Estonia)

The logo for Redgate Capital, featuring a red square with a white stylized "R" shape inside, followed by the word "REDGATE" in black, uppercase, sans-serif font, and the word "CAPITAL" in red, uppercase, sans-serif font below it.

AS PRFOODS

TERMS AND CONDITIONS OF SECURED NOTE ISSUE

DATED 14 JANUARY 2020 AND AMENDED ON 25 FEBRUARY 2020

Pursuant to these terms and conditions (the “**Terms**”) AS PRFoods, a public limited liability company established and existing under the laws of Estonia with registry code 11560713, (the “**Issuer**”) will issue notes governed by the laws of Estonia and representing direct and general debt obligations of the Issuer which shall be secured by a collateral stipulated in these Terms (“**Notes**”).

Notes issued under these Terms may be issued in several tranches of Notes bearing the same ISIN code, which will together constitute a single issue of Notes (“**Issue**”). Each such tranche of Notes shall be the subject to final terms of such tranche of Notes (each “**Final Terms**”) which shall complete these Terms. In the event of any inconsistency between these Terms and the relevant Final Terms, the relevant Final Terms shall prevail.

The maximum aggregate nominal amount of the Notes to be issued under these Terms (i.e. of all relevant tranches of Notes) is EUR 11,000,000.

Capitalised terms used in these Terms shall have the meanings ascribed to them under Section 17 (*Definitions*) of these Terms.

1 THE NOTES

1.1 Form

The Notes are issued in dematerialized book-entry form. The Notes are not numbered.

1.2 Status

The Notes shall constitute direct and general debt obligations of the Issuer which shall be secured by the Collateral, and which shall at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. The Issuer shall be liable to the Noteholders for due and complete fulfilment of its obligations arising from the Notes with all of its assets in accordance with, and subject to limitations arising from, the applicable laws and the Note Documents.

1.3 Denomination

The Notes shall be denominated in Euros (EUR) and all payments to the Noteholders by the Issuer in connection with the Notes shall be made in Euros.

1.4 Validity and Title

A Note shall be valid from the registration of that Note in the Register pursuant to Section 2.1.3 of these Terms and until deletion of that Note from the Register in accordance with Section 6.4.4 of these Terms.

The legal title to a Note passes vis-à-vis third parties by the registration of the transfer of the title from a transferor to a transferee in the Register, when the Note is transferred from the transferor's securities account to the securities account of a transferee. Ownership of a Note is deemed to have changed vis-à-vis the Issuer as from the moment when a relevant entry is made in the Register.

1.5 Transferability

The Notes shall be freely transferable, unless otherwise provided by applicable laws. However, a Noteholder may be subject to purchase or transfer restrictions with regard to the Notes, as may be applicable under the laws to which that Noteholder is subject. Furthermore, any Noteholder wishing to transfer any Notes must ensure that such transfer and any communications and arrangements relating thereto would not qualify as an offering requiring the publication of a prospectus in the meaning of the applicable laws and regulations. Each Noteholder must ensure and shall be liable for the compliance with any such restrictions, requirements and regulations at its own cost and expense.

All Note transfers are subject to these Terms. These Terms and all other relevant Note Documents shall be automatically applicable in relation to all persons who have acquired any Notes.

The Register may temporarily block the Notes on a Noteholder's (or its nominee's) securities account to ensure performance of corporate actions in relation to the Notes.

2 ISSUE, PRIMARY DISTRIBUTION AND REGISTRATION OF THE NOTES

2.1 Issue of the Notes

2.1.1 The Issuer has the right to issue Notes under these Terms on one or more Issue Date(s). The Issue Date with respect to each tranche of Notes will be determined in the Final Terms of that tranche of Notes and may be any date until the Maturity Date.

2.1.2 The Issuer shall have the right from time to time, without the consent of the Noteholders, to issue further tranches of Notes and to freely determine the size of each tranche of the Notes, provided that the total aggregate Nominal Value of all Notes issued by the Issuer under these Terms shall be up to the Maximum Aggregate Nominal Value of the Notes.

2.1.3 Unless stated otherwise in these Terms, the Final Terms or (if applicable) the Prospectus, any subsequent Notes issued on any Additional Issue Date shall carry same rights as the Notes issued on the First Issue Date. Any such subsequent Notes shall have the same ISIN code, rate of Interest, currency, Nominal Value and the Maturity Date as the Notes issued on the First Issue Date. Nevertheless, for the avoidance of doubt, the Issue Price of any such subsequent Notes may differ from those of the Notes issued on the First Issue Date.

2.1.4 The Notes allocated to each Noteholder whose Subscription Undertaking has been accepted by the Issuer and who has paid for such Notes in the course of the Primary Distribution, and the Notes subscribed for by the Issuer in accordance with Section 2.2.3 below (if any), shall be registered in the Register in the securities or other account of that Noteholder (or its respective nominee) and, if applicable, of the Issuer on the relevant Issue Date.

2.2 Primary Distribution

2.2.1 Persons who have been invited to subscribe for a tranche of the Notes in the course of Primary Distribution ("investors") have the right to subscribe for the relevant Notes during the subscription period determined by the Issuer in the relevant Final Terms applicable to such tranche (i.e. during the First Subscription Period and/or the Additional Subscription Period(s), as applicable).

2.2.2 Primary Distribution of each tranche of the Notes may be carried out by the Issuer (in its discretion) either by way of a Private Placement or a Public Offering. The Issuer shall indicate whether the Primary Distribution of the tranche of Note is carried out by a Private Placement or a Public Offering in the Final Terms. In the case of a Private Placement,

Section 15 of these Terms shall apply to the Primary Distribution of the relevant tranche of Notes. In the case of a Public Offering, Section 15 of these Terms shall not apply, and the terms and conditions for placing of Subscription Undertakings, the procedure for the Primary Distribution and Issue of the Notes of that tranche, payment of the Issue Price for the relevant Notes and other matters as prescribed by law, applicable stock exchange rules or the rules of the Register shall be provided in Prospectus and/or documents incorporated by reference therein and may vary from those set out in these Terms.

2.2.3 The Issuer shall have the right to itself subscribe to the Notes in the course of Primary Distribution. In such situation the Issuer shall not be required to make payment for the Notes subscribed by it in the course of the Primary Distribution.

3 INTEREST

3.1 Interest calculation

3.1.1 Each Note shall bear interest on its outstanding Nominal Value at the rate per annum specified in the Final Terms applicable to such Note. Such interest will be payable in arrear on each Interest Payment Date as is specified in the relevant Final Terms (including on the date of any redemption). Interest shall be calculated on 30E/360 basis.

3.1.2 Interest shall be calculated on a Note from the First Issue Date (for Notes issued on the First Issue Date) or from the Interest Commencement Date, as indicated in the Final Terms applicable to such Notes (for Notes subsequently issued on an Additional Issue Date(s)), to, but excluding, the Maturity Date, the Early Redemption Date or the Extraordinary Early Redemption Date (whichever is earlier) on which the Note has been finally redeemed.

3.1.3 Interest shall be paid in accordance with Section 7.1.

4 COLLATERAL

4.1 General

4.1.1 For the purpose of constituting security for the due and punctual payment, discharge and performance of the Secured Obligations in relation to the Notes, the Issuer shall arrange establishing of the Collateral, on the terms and within the timelines set out in Section 4.2, in favour of the Collateral Agent acting in the interests and/or (as may be applicable) on behalf of the Noteholders. The Collateral will serve as security for the Secured Obligations of the Issuer arising from all Notes from time to time to be issued under these Terms. The Collateral Agent shall hold the Collateral in the interests of the Noteholders in accordance with these Terms (including Sections 9 - 11 of these Terms) and the Collateral Agent Agreement.

4.2 Establishment of Collateral

4.2.1 The Issuer shall organise conclusion by the Collateral Providers of the Collateral Agent Agreements for the establishment of the following Collateral within 30 Banking Days from the First Issue Date:

- a) a mortgage in the amount of EUR 12,350,000 over the immovable owned by Osaühing Vettel (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 10377013, which is a Subsidiary of the Issuer) and located at Kärssa, Suure-Rootsi village, Saaremaa, Estonia, registered in the Estonian land register with registered immovable number 1586334, ranking immediately after the six mortgages established in favour of the Priority Ranking Lender;

- b) (i) a mortgage in the amount of EUR 2,084,000 over the real estate property owned by Heimon Kala Oy (a company incorporated under the laws of Finland, registered in the Finnish Business Register with business ID 0426956-8, which is a Subsidiary of the Issuer) (“**Heimon Kala Oy**”) and located at Kuittila, Finland and registered with a property identification number 109-573-14-1 with the Title and Mortgage Register maintained by National Land Survey of Finland (the “**Finnish Property**”), effected by way of second ranking pledge (i.e. ranking immediately after the mortgages established in favour of the Priority Ranking Lender and of the Finnish Customs) over the existing electronic mortgage notes encumbering the property with the order of priority counting from 1st to 21st and (ii) a mortgage in the amount of EUR 10,266,000 over the Finnish Property, effected by way of first ranking pledge over a new electronic mortgage note with the 22nd priority order;
- c) a commercial pledge in the amount of EUR 12,350,000 over the movable assets of Osaühing Vettel, ranking immediately after the commercial pledges established in favour of the Priority Ranking Lender (i.e. on the third rank);
- d) a pledge over 100% of the shares of Heimon Kala Oy, which are held by Saaremere Kala, ranking immediately after the pledge established in favour of the Priority Ranking Lender (i.e. on the second rank);
- e) unless and until Oy Trio Trading Ab is merged with Heimon Kala Oy, a pledge over 100% of the shares of Oy Trio Trading Ab (a company incorporated under the laws of Finland, registered in the Finnish Business Register with business ID 1559086-7, which is a Subsidiary of the Issuer), which are held by Saaremere Kala, ranking immediately after the pledge established in favour of the Priority Ranking Lender (i.e. on the second rank); and
- f) a pledge over 100% of the shares of Överumans Fisk AB (a company incorporated under the laws of Sweden, registered in the Swedish Companies Registration Office with registration number 556527-2977, which is a Subsidiary of the Issuer), which are held by Heimon Kala Oy, ranking immediately after the pledge established in favour of the Priority Ranking Lender (i.e. on the second rank).

In connection with the Collateral listed in this Section 4.2.1, the Issuer has disclosed to Noteholders (and the Noteholders acknowledge) that the assets serving as objects of the relevant Collateral are subject to the Higher Ranking Security Interests in favour of (i) the Priority Ranking Lender that secure obligations of the Issuer’s group arising from the Priority Ranking Financing and (ii) with respect to the immovable owned by Heimon Kala Oy referred to in paragraph b) of this Section 4.2.1, also in favour of the Finnish Tax Administration, which are of higher rankings than the Collateral to be established in favour of the Collateral Agent under these Terms. No intercreditor agreement has been entered into between such holders of the Higher Ranking Security Interests and the Collateral Agent (acting in the interests and/or on behalf of the Noteholders) in relation to their relationship and rights regarding the Collateral. As a result, the rights of the Noteholders and of the Collateral Agent in respect of the Collateral shall be subject to restrictions and limitations applicable to lower ranking security holders under the laws applicable to the relevant Collateral. For example, this may mean, among other, that the holders of the relevant Higher Ranking Security Interests may independently enforce their Higher Ranking Security Interests upon a failure by the Issuer’s group to comply with the relevant obligations secured by such Higher Ranking Security Interests and may cause the relevant assets of the Issuer’s group to be sold. Upon sale of the relevant Collateral assets, the holders of such Higher Ranking Security Interests may have a preferential right to receive the proceeds available from such sale and enforcement in satisfaction of their claims secured by such Higher Ranking Security Interests in priority to the claims of the Noteholders and the Collateral Agent under these Terms and the right of the Collateral Agent and of the Noteholders to receive payment of the value of the security assets in connection with enforcement of the security interest may be subordinated to the

corresponding right of the holders of the Higher Ranking Interests. If the holders of the Higher Ranking Security Interests do not join the enforcement of the Collateral by the Collateral Agent, this may adversely affect the amount of the proceeds that can be obtained from the enforcement due to the Higher Ranking Security Interests remaining in place upon such enforcement. Furthermore, with respect to the pledges over shares of the Finnish and Swedish subsidiaries of the Issuer, the Collateral Agent may have limited possibility to exercise the right to independently enforce the Collateral, i.e. without the cooperation from the holders of the Higher Ranking Security Interests. Moreover, according to these Terms, the subordination to the rights of the holders of the Higher Ranking Security Interests would extend to (i) any transferees of the holders of the Higher Ranking Security Interests and (ii) any credit institutions granting any loans replacing the original Priority Ranking Financing granted by the Priority Ranking Lender through refinancing.

In connection with the Collateral listed in subsection e) of this Section 4.2.1, the Issuer has disclosed to Noteholders (and the Noteholders acknowledge) that Oy Trio Trading Ab is in the process of being merged with Heimon Kala Oy (as a surviving entity). Following the merger, the Collateral listed in subsection e) of this Section 4.2.1 shall no longer be required to be established. Furthermore, if the pledge listed in subsection e) of this Section 4.2.1 is established prior to completion of the above-referred merger, the Collateral Agent shall (and is hereby respectively authorised by each Noteholder to) upon request of the Issuer do all things required to allow the relevant pledge on the shares of Oy Trio Trading Ab to be released and to permit Oy Trio Trading Ab to be merged with Heimon Kala Oy. The shares of Heimon Kala OY will be pledged in accordance with subsection d) of this Section 4.2.1.

4.2.2 The Issuer shall arrange the conclusion by Saaremere Kala of the Collateral Agreement(s) for the establishment of the following Collateral within 30 Banking Days from the date when the security interests established on the object of such Collateral in favour of the Priority Ranking Lender are released by the Priority Ranking Lender:

- a) a first ranking pledge over the shares of JRJ & PRF LIMITED (a company incorporated under the laws of Scotland, registered in the Scottish Register of Companies under company number SC567615, a Subsidiary of the Issuer) which are held by Saaremere Kala, i.e. 850 ordinary and 1 deferred share representing approx.. 85% of all the shares of JRJ & PRF LIMITED.

In connection with the Collateral listed in this Section 4.2.2, the Issuer has disclosed to Noteholders (and the Noteholders acknowledge) that AS SEB Pank (as the Priority Ranking Lender) has issued its consent to release its security interest(s) established over the relevant approx.. 85% of the shares of JRJ & PRF LIMITED (and to allow such shares to be encumbered with a first ranking pledge as a security for the Secured Obligations arising from the Notes) after the full repayment by the Issuer's group of all amounts owed to AS SEB Pank under a loan agreement no 2017015988 between AS SEB Pank and Saaremere Kala AS dated 19 July 2017, its respective annexes and amendments and the documents related thereto (the "**Investment Loan Agreement**") the balance of which as of 31 December 2019 was EUR 8,708,732.13. The Issuer undertakes to apply the proceeds from the Issue of the Notes, as a first priority, towards repayment of the amounts owed by the Issuer's group under the Investment Loan Agreement, but cannot give any assurances or guarantees as to when the relevant security interest(s) will be actually released by AS SEB Pank (as the Priority Ranking Lender).

4.2.3 Following the conclusion of each Collateral Agreement in accordance with Section 4.2.1 and/or 4.2.2 above, the Issuer shall organise taking of all the steps required for the registration or perfection of the relevant Collateral, where relevant, within the time prescribed for completion of the relevant registration or perfection by the appropriate registers under applicable laws or as provided in the relevant Collateral Agreements.

4.3 Parallel Debt

- 4.3.1 Notwithstanding any other provision of the Terms, for the purpose of ensuring and preserving the enforceability of the Collateral, the Issuer irrevocably and unconditionally undertakes to pay to the Collateral Agent, as creditor in its own right and not as representative of the Noteholders and as a joint creditor together with the Noteholders for the purposes of Estonian law (in Estonian: *solidaarvõlausaldaja*), sums equal to and in the currency of each amount payable by the Issuer to each of the Noteholders (whether present or future and whether actual or contingent) under the Terms and the Final Terms as and when that amount falls due for payment under the Terms and the Final Terms. The Collateral Agent shall be a joint creditor (together with the Noteholders) of each and every obligation (whether present or future and whether actual or contingent) of the Issuer to the Noteholders or any of them and, accordingly, the Collateral Agent shall have its own independent right to demand performance by the Issuer of any of those obligations.
- 4.3.2 Any amount (as well as respectively also the aggregate amount) due and payable by the Issuer under the Parallel Debt shall decrease to the extent the Issuer has paid the corresponding amount to the Noteholders under the Terms and the Final Terms, except to the extent such payment shall have been subsequently avoided or reduced by virtue of provisions or enactments relating to bankruptcy, insolvency, preference, liquidation or similar laws of general application.
- 4.3.3 Any amount (as well as respectively also the aggregate amount) due and payable by the Issuer to the Noteholders under the Terms and the Final Terms shall decrease to the extent the Issuer has paid the corresponding amount to the Collateral Agent under the Parallel Debt and to the extent any proceeds have been paid to the Collateral Agent in connection with enforcement of the Collateral and/or in connection with the exercise of its rights by the Collateral Agent under the Collateral Agreements, except to the extent such payment shall have been subsequently avoided or reduced by virtue of provisions or enactments relating to bankruptcy, insolvency, preference, liquidation or similar laws of general application.
- 4.3.4 To the extent the Collateral Agent receives any amount in payment of the Parallel Debt, the Collateral Agent shall transfer such amount to the Noteholders in accordance with these Terms and the Final Terms and following the order of the application of proceeds set out in Section 11.1.1 of these Terms. The Collateral Agent shall not be entitled (nor obliged) to demand payment of any amount in payment of the Parallel Debt, except as may be necessary upon or in connection with the enforcement of the Collateral in accordance with these Terms and the terms and conditions of the Collateral Agreements. For the avoidance of doubt, this does not affect the right of the Collateral Agent to demand payment of any fees and covering of any costs or expenses payable by the Issuer to the Collateral Agent under the Collateral Agent Agreement.
- 4.3.5 For the avoidance of doubt, an amount under the Parallel Debt will only become due and payable at the same time and to the same extent as that amount becomes due and payable to the Noteholders under the Terms and the Final Terms.
- 4.3.6 The Collateral Agent may only assign its claims under the Parallel Debt to a successor of the Collateral Agent.

5 REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

5.1 Representations and Warranties

The Issuer warrants to the Noteholders at the date of these Terms and for as long as any Notes are outstanding and have not been redeemed in full in accordance with these Terms that:

- 5.1.1 the Issuer is a duly incorporated and validly existing legal person acting pursuant to the laws of Estonia;
- 5.1.2 all the Issuer's obligations assumed under these Terms are valid and legally binding on the

Issuer and the performance of these obligations is not contrary to law or the Issuer's articles of association;

- 5.1.3 the Issuer has all the rights and sufficient authorizations to issue the Notes and fulfil obligations arising from the Notes and these Terms and the Issuer has performed all the formalities required for issuing the Notes;
- 5.1.4 all information that is provided by the Issuer to the Noteholders in the documents prepared for the purpose of the Primary Distribution of the Notes to the relevant Noteholders is true, accurate, complete and correct as of the date of presenting the respective information and is not misleading in any respect;
- 5.1.5 the Issuer is not insolvent and there are no liquidation, voluntary or compulsory dissolution, court-supervised reorganization (in Estonian: *saneerimine*) or bankruptcy proceedings pending or initiated against the Issuer, that have not been disclosed by the Issuer;
- 5.1.6 on the date of these Terms and on each Issue Date, there are no court or arbitration proceedings pending or initiated against the Issuer that have not been disclosed by the Issuer, in case of which, according to reasonable assessment of the Issuer, an unfavourable decision could have material adverse impact on the financial condition of the Issuer.

5.2 Financial Covenants

Until the Notes are fully repaid, the Issuer must ensure that the following financial covenants are true, when measured:

- 5.2.1 the Issuer's Net Debt to EBITDA Ratio:
 - a) when measured in respect of the Issuer's 2019/2020 financial year (i.e. the financial year 01.07.2019 – 30.06.2020) is less than 5.0; and
 - b) when measured in respect of any subsequent financial year of the Issuer is less than 4.5; and
- 5.2.2 the Issuer's DSCR is at least 1.2.

The above financial covenants shall be measured once a year on the basis of the Issuer's audited consolidated annual reports to be submitted by the Issuer after the date of these Terms in accordance with subsection c) of Section 5.4.1 of these Terms.

- 5.2.3 For the purposes of this Section 5.2, the following capitalised terms shall have the following meaning:
 - a) **EBITDA** means, in respect of any Relevant Period, the Issuer's consolidated profit (or loss) before interest, tax, depreciation, amortisation, biomass fair value adjustment, extraordinary income and extraordinary expenses;
 - b) **DSCR** means, in respect of any Relevant Period, the ratio of EBITDA to the total amount of scheduled principal payments of interest-bearing debt obligations and the amount of interest expenses, falling due and payable during the same Relevant Period, but excluding any voluntary prepayment of any interest-bearing obligations (other than Subordinated Debt) during such Relevant Period;
 - c) **Net Debt** means, at the relevant moment of time, the Debt less cash and cash equivalents;
 - d) **Debt** means, at the relevant moment of time, the outstanding aggregate amount of interest-bearing liabilities and any indebtedness for or in respect of moneys borrowed (whether interest-bearing or not), but excluding any Subordinated Debt;
 - e) **Net Debt to EBITDA Ratio** means the Net Debt as at the last day of any Relevant Period divided by the EBITDA of the same Relevant Period;

- f) **Relevant Period** means the period of 12 months ending on the last day of each financial year of the Issuer;
- g) **Subordinated Debt** means any liabilities or indebtedness to any direct or indirect legal or beneficial shareholders of any Issuer's group company the payments of which liabilities or debt are subordinated in accordance with their terms to the payments under the Notes.

5.3 Undertakings in relation to the Collateral

- 5.3.1 The Issuer shall ensure establishment of the Collateral in accordance with Section 4.2.1 and 4.2.2 of these Terms, and the validity and enforceability of the Collateral in accordance with the Collateral Agreements.
- 5.3.2 The Issuer shall ensure that after establishment of the Collateral described in subsections a)-c) of Section 4.2.1 and until the release of such Collateral, the property encumbered with such Collateral is insured at all times in accordance with past practices of the Issuer's group and undertakes within ten (10) Banking Days of the respective request by the Collateral Agent to provide to the Collateral Agent with documents evidencing the insurance cover.
- 5.3.3 The Issuer shall not encumber any shares held by the Issuer in Saaremere Kala with any pledges or similar security interests and shall ensure that Saaremere Kala shall not encumber any shares held by Saaremere Kala in JRJ & PRF LIMITED with any pledges or similar security interests, other than the Higher Ranking Security Interests established in favour of the Priority Ranking Lender and except for the establishment of the Collateral in favour of the Collateral Agent in accordance with Section 4.2.2 of these Terms.
- 5.3.4 The Issuer shall continue to own 100% of the shares owned by the Issuer in Saaremere Kala and shall not dispose of any shares in Saaremere Kala and shall ensure that Saaremere Kala shall continue to own approx.. 85% of the shares in JRJ & PRF LIMITED and shall not dispose of any shares in JRJ & PRF LIMITED, other than upon the enforcement of the Higher Ranking Security Interests established in favour of the Priority Ranking Lender and except for the enforcement of the Collateral established in favour of the Collateral Agent in accordance with Section 4.2.2 of these Terms.

5.4 Information Undertakings

- 5.4.1 For as long as the Issuer's securities are admitted to trading on Nasdaq Tallinn Stock Exchange or any other stock exchange, the rules and regulations of such stock exchange will be applied to the Issuer's reporting obligations and the information undertakings provided below in this Section 5.4 (*Information Undertakings*) shall be applied only to the extent not contrary to mandatory rules of the relevant stock exchange. Where required by the rules of the relevant stock exchange, all relevant information shall be disclosed by means of a market announcement (in Estonian: *börsiteade*) through the information system of Nasdaq Tallinn Stock Exchange. Subject to the reporting requirements arising from the rules of the relevant stock exchange, the Issuer undertakes to provide the Noteholders and the Collateral Agent with the following information:
 - a) unaudited consolidated interim reports of the Issuer for: (i) the 1st quarter and 3 months of the financial year; (ii) the 2nd quarter and 6 months of the financial year; (iii) the 3rd quarter and 9 months of the financial year; and (iv) the 4th quarter and 12 months of the financial year within two (2) months from the end of the relevant accounting period, which must include a statement on the Issuer's consolidated financial position as at the end of the relevant accounting period, and statements on the Issuer's consolidated comprehensive income and cash flows for the relevant accounting period;
 - b) audited consolidated annual reports of the Issuer within four (4) months from the end

of the relevant accounting period; and

- c) simultaneously with submission of audited consolidated annual reports of the Issuer, information on whether the financial covenants in Section 5.2 of these Terms are fulfilled as at the date of such reports;
- d) information about any new debt security issued by the Issuer or any of its material Subsidiaries no later than within five (5) Banking Days after the issue; and
- e) information on any court or arbitration proceedings pending or initiated against the Issuer, where, according to reasonable assessment of the Issuer, an unfavourable decision could have material adverse impact on the economic condition of the Issuer, promptly after becoming aware thereof;
- f) information about the occurrence of an Extraordinary Early Redemption Event, promptly after becoming aware thereof.

5.5 Waivers and consents

The Issuer may request from Noteholders a waiver in respect of, or consent to deviate from, the covenants and undertakings set forth in Sections 5.2 - 5.4 of these Terms. Any such waiver in respect of, or consent to deviate from, the covenants and undertakings set forth in Sections 5.2 - 5.4 of these Terms may be granted by a resolution adopted by the Noteholders holding in aggregate Notes with the Nominal Value representing more than 50% of the aggregate Nominal Value of all Notes held by Noteholders present at the relevant meeting of Noteholders, where such matter is decided in accordance with Section 12 below. When granted in accordance with the above, such waiver or consent shall be binding on all Noteholders.

6 REDEMPTION AND PURCHASE

6.1 Redemption on Maturity

Unless previously redeemed, or purchased and cancelled, the Notes shall be redeemed in full on the Maturity Date. In such case, the Redemption Price for each Note to be redeemed shall be equal to the full outstanding principal (i.e. the outstanding Nominal Value) of the Note together with the unpaid Interest accrued on the Notes to, but excluding, the Maturity Date in accordance with Section 3 of these Terms and any other monies due and payable to the relevant Noteholder under these Terms on the Maturity Date.

6.2 Early Redemption at the option of the Issuer (Call Option)

6.2.1 The Issuer may, having given not less than 30 days' advance notice to the Noteholders in accordance with Section 13 redeem the Notes fully or partially (and to respectively reduce all or part of the outstanding Nominal Value of each Note) on any Early Redemption Date indicated in the Final Terms. The notice to be given by the Issuer shall specify: (i) whether the Notes are to be redeemed in whole or in part only and, if in part only, the outstanding Nominal Value of the Notes which is to be redeemed (per each Note and in aggregate); (ii) the relevant Early Redemption Date for such redemption, which shall be not less than 30 days after the date on which such notice is validly given; and (iii) the Redemption Price at which such Notes are to be redeemed. Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

6.2.2 In such event, the Redemption Price payable by the Issuer on the respective Early Redemption Date shall be for each Note to be redeemed, the sum of the Nominal Value of the Note and Call Premium for early redemption on such Early Redemption Date (as set forth in the relevant Final Terms), together with the unpaid Interest accrued on the Note to, but excluding, that Early Redemption Date in accordance with Section 3 of these Terms,

and any other monies due and payable to the Noteholder under these Terms on that Early Redemption Date.

6.2.3 Any partial redemption of the Notes shall be carried out in compliance with all applicable laws, the rules of the stock exchange on which the Notes have then been admitted to trading and the rules of the Register.

6.3 Early Redemption at the option of Noteholders (Put Option)

6.3.1 Each Noteholder may request that the Issuer redeems the Notes held by such Noteholder in full (but not in part):

- a) if the Notes are not admitted to trading on Nasdaq Tallinn Stock Exchange within one (1) year from the First Issue Date, or
- b) if more than 50% of the shares in the Issuer are acquired after the date of these Terms by any person (or persons acting in concert) other than the following existing beneficial shareholders of the Issuer (who may hold their shares either via a nominee (including ING Luxembourg S.A.) or directly): Amber Trust S.C.A, Amber Trust II S.C.A, KJK Fund SICAV-SIF, Firebird Avrora Fund, Ltd or Firebird Republics Fund, Ltd,

each such event a „Put Option Event“).

In the above event, each Noteholder may demand the redemption of the Notes held by such Noteholder in full (but not in part) by submitting the relevant request to the Issuer in accordance with Section 13 no later than (i) in the case of the event described in subsection a) of this Section 6.3.1 – within 60 days from the first (1st) anniversary of the First Issue Date or (ii) in the case of the event described in subsection b) of this Section 6.3.1 – within 60 days from the occurrence of the relevant change of control event. Such request to be submitted by the Noteholder shall specify the number and the aggregate outstanding Nominal Value of the Notes to be redeemed.

6.3.2 If a Noteholder duly submits a request for redemption of its Notes in accordance with Section 6.3.1, the Issuer shall redeem the respective Notes held by that Noteholder within 90 days following the receipt of the Noteholder's request. The Redemption Price payable by the Issuer in accordance with this Section 6.3 shall be equal to the full outstanding principal (i.e. the Nominal Value) of the Note to be redeemed, together with the unpaid Interest accrued on the Note to, but excluding, the date of the relevant early redemption in accordance with Section 3 of these Terms and any other monies due and payable to the Noteholder under these Terms on that date.

6.3.3 The Issuer shall immediately after becoming aware thereof notify the Noteholders of the occurrence of a Put Option Event. In the absence of such notice, the Collateral Agent and the Noteholders shall be entitled to proceed on the basis that no such Put Option Event has occurred.

6.4 Payment of the Redemption Price, Adjustment of Nominal Value, Cancellation and Deletion

6.4.1 The Redemption Price payable in accordance with Sections 6.1 - 6.3 shall be paid in accordance with Section 7.1. Following the payment of the Redemption Price in accordance with these Terms, the Notes shall be considered redeemed in the relevant amount.

6.4.2 If a Noteholder submits a request for redemption of its Notes in accordance with Section 6.3.1, the Redemption Price shall be paid only for the Notes that are held by that Noteholder at the close of settlement day of the Register two (2) Banking Days preceding the due date for such payment, but not exceeding the number of the Notes in respect of which the redemption request was submitted. If the Noteholder holds less Notes at the close of

settlement day of the Register two (2) Banking Days preceding the due date for such payment than was indicated in the Noteholder's redemption request, the redemption request shall be deemed valid only in relation to the number of the Notes held by the Noteholder at the relevant time.

6.4.3 Upon partial redemption, following the payment of the Redemption Price to the Noteholders the Nominal Value of the Notes shall be reduced by the amount of the repaid principal. The Issuer shall arrange the relevant amendment of the Nominal Value of the Notes in the Register.

6.4.4 Upon full redemption, following the payment of the Redemption Price to the Noteholders the Issuer shall arrange cancellation and/or deletion of the redeemed Notes from the Register, except if the Issuer decides otherwise in the case of early redemption of the Notes in accordance with above Section 6.2 or 6.3 of these Terms.

6.4.5 The Noteholders are obliged to co-operate with the Issuer and do all actions reasonably required to effect the reduction of the Nominal Value of the Notes in the Register or deleting the Notes from the Register, as applicable. The Issuer shall be entitled to take any and all actions required to comply with this Section 6.4 without the need for any further consent or authorisation from any of the Noteholders.

6.5 Purchase

The Issuer, or any of its Subsidiaries, may purchase Notes in the open market or otherwise and at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, cancelled.

7 PAYMENT MECHANICS, DEFAULT INTEREST AND TAX

7.1 Payments

Payments of any amounts (including any amount of Interest, principal amount, Redemption Price or any other amount) due on a Notes under these Terms and other Note documents will be made to the Noteholders thereof, who appear as the holders of the relevant Notes in the Register at the close of settlement day of the Register two (2) Banking Days preceding the due date for such payment. Payment of amounts due on the final redemption of the Notes will be made simultaneously with deletion of the Notes, or, if so required by the Issuer, against delivery of the Notes to the Issuer. If the due date for the payment of any amount of the Notes is not a Banking Day, the relevant payment shall be effected on the next Banking Day and no further payment shall be due in respect of such postponement of the due date.

7.2 Payments in respect of the Notes held by the Issuer and its Related Parties

Payments related to the principal outstanding on the Notes held by the Issuer shall be made only after the payments of principal due on Notes held by other Noteholders. When making payments related to the principal outstanding on the Notes held by the Issuer's Related Parties, the Related Parties shall be treated equally with other Noteholders and shall in no way be preferred to other Noteholders.

7.3 Default Interest

In case the Issuer does not timely pay any amount due under these Terms on the due dates determined in accordance with these Terms, the Issuer shall be obliged to pay the Noteholders or, as the case may be, the Collateral Agent, default interest in the rate of 0.03% of the delayed amount per each delayed day.

7.4 Tax

Should any amounts payable in respect of the Notes (whether in respect of principal, redemption amount, interest or otherwise) be subject to withholding or deduction of any present or future

taxes or duties of whatever nature imposed or levied in Estonia, the Issuer shall be entitled to withhold or deduct the respective taxes or duties on the account of the Noteholder and with no obligation to compensate the withheld or deducted tax amounts.

Should the Noteholder wish to rely on an applicable treaty for the avoidance of double taxation setting forth lower withholding rates than those otherwise applicable under Estonian domestic law, the respective Noteholder shall provide the documents necessary for application of the respective treaty to the Issuer at least 15 (fifteen) days prior to the payment, failing which the Issuer shall be entitled to withhold tax at the rates set forth by the Estonian domestic legislation.

Individuals may postpone the taxation of their (interest) income from the Notes by using an investment account (in Estonian: *investeerimiskonto*) for making transactions with the Notes and notifying the Issuer in a form reproducible in writing at least 15 (fifteen) days prior to the payment that they are entitled to benefit from the investment account special tax regime. In the case of failure by a Noteholder to submit such notice, the Noteholder shall be entitled to withhold tax in accordance with the general withholding rules.

8 EXTRAORDINARY EARLY REDEMPTION

8.1 Extraordinary Early Redemption Events

A Noteholder shall have the right, but not the obligation, to demand extraordinary early redemption of the Notes held by the respective Noteholder in any of the following events (each an “**Extraordinary Early Redemption Event**”) has occurred and is continuing:

- 8.1.1 the Issuer has not paid any amount of Interest due and payable in respect of the Notes for more than five (5) Banking Days from the relevant Interest Payment Date or the Issuer has not paid the full amount of the Redemption Price due and payable in respect of the Notes for more than five (5) Banking Days from the due date for payment thereof, provided that in each of the above events such breach remains unremedied for five (5) Banking Days after a notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer in accordance with Section 13.1;
- 8.1.2 the Issuer breaches any of the covenants set forth in Section 5.2 of these Terms;
- 8.1.3 a Collateral Provider fails to enter into a Collateral Agreement within the term specified in Sections 4.2.1 or 4.2.2 of these Terms or breaches other undertakings set out in Section 5.3 of these Terms;
- 8.1.4 the Issuer has not provided the documents and/or information described in Section 5.4 of these Terms and such breach remains unremedied for seven (7) Banking Days after a notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer in accordance with Section 13.1;
- 8.1.5 a bankruptcy petition (in Estonian: *pankrotiavaldus*) has been submitted in respect of the Issuer and the competent Estonian court has accepted the relevant bankruptcy petition (in Estonian: *menetlusse võtnud*);
- 8.1.6 the Issuer has filed for voluntary dissolution or liquidation with the competent state authorities of Estonia or an order for compulsory dissolution has been taken by the competent court or state authorities of Estonia; or
- 8.1.7 enforcement of the Higher Ranking Security Interest has been initiated over the assets subject to the Collateral.

Upon the occurrence of an Extraordinary Early Redemption Event, each Noteholder shall have the right to request the Issuer that all, or only some, of its Notes are redeemed by the Issuer.

8.2 Notification of an Extraordinary Early Redemption Event

8.2.1 The Issuer shall immediately notify the Collateral Agent and the Noteholders of the occurrence of an Extraordinary Early Redemption Event. In the absence of such notice, the Collateral Agent and the Noteholders shall be entitled to proceed on the basis that no such Extraordinary Early Redemption Event has occurred or is expected to occur. The Issuer shall also notify the Collateral Agent and the Noteholders of the termination or remedy of the circumstances that served as an Extraordinary Early Redemption Event promptly after such termination or remedy.

8.3 Submission of Extraordinary Early Redemption Applications

8.3.1 A Noteholder requesting an extraordinary early redemption of the Notes upon the occurrence of an Extraordinary Early Redemption Event shall submit to the Issuer a respective application (the “**Extraordinary Early Redemption Application**”), indicating the grounds for requesting extraordinary early redemption and the number of Notes held by it that it requests to redeem.

8.3.2 The Noteholder shall lose the right to submit an Extraordinary Early Redemption Application in case the Noteholder has not submitted the Extraordinary Early Redemption Application within two (2) months from the date when the Issuer has notified the Collateral Agent and the Noteholders of the occurrence of an Extraordinary Early Redemption Event.

8.3.3 If after the occurrence of an Extraordinary Early Redemption Event the Issuer receives an Extraordinary Early Redemption Application from a Noteholder, the Issuer shall promptly inform other Noteholders and the Collateral Agent thereof, except if within 30 (thirty) Banking Days prior to submission of such Extraordinary Early Redemption Application the Noteholders have been informed of submission of another Extraordinary Early Redemption Application or if the Issuer has submitted in accordance with Section 8.2.1 a notice to the Collateral Agent and the Noteholders expressly informing them about the occurrence of an Extraordinary Early Redemption Event.

8.4 Redemption Price upon an Extraordinary Early Redemption Event

8.4.1 Upon the occurrence of an Extraordinary Early Redemption Event, the Redemption Price payable for each Note to be redeemed in accordance with this Section 8 shall be equal to the sum of the full outstanding principal (i.e. the Nominal Value) of the Note, together with the unpaid Interest accrued on the Note held by the Noteholder in accordance with Section 3 of these Terms, and any other monies due and payable to the Noteholder (if any) on the Extraordinary Early Redemption Date under these Terms.

8.4.2 The Redemption Price shall be paid pursuant to an Extraordinary Early Redemption Application submitted in accordance with this Section 8 only for the Notes that are held by that Noteholder at the close of settlement day of the Register two (2) Banking Days preceding the due date for such payment, but not exceeding the number of the Notes in respect of which the Extraordinary Early Redemption Application was submitted by the relevant Noteholder. If the Noteholder holds less Notes at the close of settlement day of the Register two (2) Banking Days preceding the due date for such payment than was indicated in the Noteholder’s Extraordinary Early Redemption Application, the Extraordinary Early Redemption Application shall be deemed valid only in relation to the number of the Notes held by the Noteholder at the relevant time.

8.5 Extraordinary Early Redemption Date

8.5.1 Upon the occurrence of an Extraordinary Early Redemption Event, the Issuer shall pay the Redemption Price for the Notes subject to extraordinary early redemption no later than on the sixtieth (60th) day after the receipt of the Extraordinary Early Redemption Application filed in accordance with these Terms (such sixtieth (60th) day shall be the Extraordinary Early Redemption Date with regard to the Notes subject to extraordinary early redemption).

- 8.5.2 Notwithstanding Section 8.5.1, if after the occurrence of an Extraordinary Early Redemption Event set forth in Section 8.1.5 a court declares bankruptcy in relation to the Issuer, all Notes (including those held by Noteholders who have not submitted an Extraordinary Early Redemption Application) shall be considered as immediately being subject to the extraordinary early redemption and the date of such declaration of bankruptcy shall be considered the Extraordinary Early Redemption Date with regard to all such Notes that have not yet matured, in each case without any additional declaration, notice or demand by or to any persons.
- 8.5.3 If the Collateral is enforced in accordance with these Terms upon the occurrence of an Extraordinary Early Redemption Event, all Notes (including those held by Noteholders who have not submitted an Extraordinary Early Redemption Application) shall be subject to extraordinary early redemption and the date of such enforcement shall be considered the Extraordinary Early Redemption Date with regard to all such Notes that have not yet matured.

9 COLLATERAL AGENT

9.1 Appointment of the Collateral Agent

- 9.1.1 By submitting the Subscription Undertaking or acquiring the Notes on the secondary market, each Noteholder:
- a) appoints the Collateral Agent to act as an agent for the Noteholder in relation to establishing, holding and enforcing the Collateral and entering into the Collateral Agreements and authorizes the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent in connection with the Collateral or the Collateral Agreements under these Terms, including the Collateral Agent Agreement, together with any other incidental rights, powers, authorities and discretions;
 - b) acknowledges that the Issuer has concluded the Collateral Agent Agreement with the Collateral Agent and confirms that the Noteholder has read and is aware of the contents of the Collateral Agent Agreement;
 - c) confirms that the fact that that the Collateral Agent acts under the Collateral Agent Agreement with the Issuer or that the Collateral secures, inter alia, the Issuer's obligations towards the Collateral Agent (e.g. that the Collateral Agent has the right to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent in accordance with subsection a) of Section 11.1.1 of these Terms) does not constitute any conflict with the interests of the Noteholder;
 - d) acknowledges that in certain cases described in these Terms and its annexes, the Collateral Agent shall act on the instructions of the Majority Noteholders or on the resolutions of the Noteholders adopted in accordance with Section 12 and not on instructions of each individual Noteholder and each Noteholder agrees that upon the performance of its obligations and exercising of its rights in connection with the Collateral, the Collateral Agent shall be entitled to act pursuant to the these Terms and Collateral Agreements, considering the interests of the Noteholders collectively and generally (and not of any particular Noteholder), unless specifically instructed otherwise by the Majority Noteholders in accordance with subsection b) of Section 10.1.1 and Sections 10.2.2 and 10.2.3 of these Terms;
 - e) consents that, except as otherwise is required by the laws applicable to the Collateral, only the Collateral Agent shall be indicated as the pledgor and holder of

the Collateral under the Collateral Agreements in the registers where such Collateral shall be registered (where relevant) and only the Collateral Agent shall be entitled to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreements;

- f) authorises the Collateral Agent to enter into the Collateral Agreements with the Collateral Providers in accordance with these Terms, to make amendments to the Collateral Agreements in accordance with these Terms and to represent the Noteholders in communication with any debtor(s) of the Issuer or any public authority (including but not limited to submitting notifications or inquiries in relation to the Collateral, submitting applications, complaints, or claims in relation with the Collateral or the activities of the Issuer) to fulfil its obligations under the Note Documents;
- g) agrees that the Collateral Agent shall have the right to advise the Issuer and to provide any services to the Issuer in any matters and in any fields of activity which do not directly relate to the performance of obligations of the Collateral Agent set forth in these Terms, and that the Noteholder does not consider this to be in conflict with any of its interests.

9.2 Obligations of the Collateral Agent

9.2.1 The Collateral Agent is required to perform its obligations in relation to the Collateral only if the Collateral Providers have entered into the Collateral Agreements relating to Collateral listed in Section 4.2.1, in accordance with these Terms. The functions and obligations of the Collateral Agent are limited to those expressly specified in these Terms and, notwithstanding any other provisions of these Terms, such functions are limited to the exercise of those rights which belong to the Collateral Agent in its capacity as the holder of the Collateral. The Collateral Agent does not have any obligation to:

- a) take any action (including, without limitation, to commence legal proceedings, compulsory enforcement proceedings, bankruptcy proceedings or any other proceedings) with the purpose to satisfy any claims arising under these Terms on the account of any assets of the Issuer, except for enforcing the Collateral in accordance with these Terms and relevant instructions from the Majority Noteholders;
- b) ensure the existence or validity of the objects of the Collateral or the value of the Collateral;
- c) preserve the Collateral or to assess any rights arising from or relating to the Collateral;
- d) inform the Noteholders or the Issuer about any circumstances except to the extent such obligation to provide information is explicitly set forth in these Terms; or
- e) provide any advice to any of the Noteholders in legal, accounting, tax or other matters;
- f) verify the correctness of the representations and warranties or the adherence of the covenants set out in the Note Documents or monitor the fulfilment of the obligations of the Issuer provided for in the Note Documents; and
- g) notify the Noteholders of any breach of these Terms or other Note Documents by the Issuer.

9.2.2 The Noteholders shall not have any independent power to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreements. Noteholders can exercise their rights in relation to the Collateral only through the Collateral Agent pursuant

to these Terms.

- 9.2.3 Upon the performance of its obligations and exercising its rights the Collateral Agent shall act pursuant to these Terms and Collateral Agreements in the interests and on the account of the Noteholders collectively and generally (and not of any particular Noteholder) without having any independent interests of its own (for the avoidance of doubt, except for the right of the Collateral Agent to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent as specified in subsection a) of Section 11.1.1 of these Terms) and without any obligation to consider any instructions of the Issuer and without any right of the Issuer to give any instructions to the Collateral Agent. The Collateral Agent is not a party to the legal relationship between the Issuer and the Noteholders and is under no circumstances liable for the performance of the obligations of the Issuer.
- 9.2.4 Upon the performance of its obligations and exercising of its rights hereunder the Collateral Agent shall have the right to use the services of third parties and to appoint third party representatives (including in the course of performance of its tasks and acts as stipulated in these Terms and the Collateral Agreements), at its own cost.
- 9.2.5 Upon the payment of the full Redemption Price for all outstanding Notes to all Noteholders, the Collateral Agent shall immediately, without the need for any consents or instructions from any Noteholders, take all necessary steps to release and deregister the Collateral, or if so instructed by the Issuer, transfer the Collateral to any person(s) determined by the Issuer.

9.3 Replacement of the Collateral Agent

- 9.3.1 Subject to Section 9.3.3 below, if the Collateral Agent is insolvent or becomes subject to bankruptcy proceedings, the Collateral Agent shall be deemed to resign as Collateral Agent and the Issuer shall appoint a successor Collateral Agent.
- 9.3.2 Noteholders holding in aggregate Notes with the Nominal Value representing at least 10% of the aggregate Nominal Value of all Notes may, by notice to the Issuer, require that a meeting of Noteholders is held for the purpose of dismissing the Collateral Agent, terminating of the Collateral Agent Agreement with such Collateral Agent and appointing a successor Collateral Agent. A resolution on dismissing the Collateral Agent, terminating of the Collateral Agent Agreement with such Collateral Agent and appointing a successor Collateral Agent is adopted if approved by the Majority Noteholders.
- 9.3.3 The retiring Collateral Agent shall, at its own cost, make available to the successor Collateral Agent such documents and records and provide such assistance as the successor Collateral Agent may reasonably request for the purposes of performing its functions as Collateral Agent under these Terms, the Collateral Agent Agreement and the Collateral Agreements. The retiring Collateral Agent further undertakes to ensure that upon the replacement of the Collateral Agreement, all relevant registrations are performed and all relevant persons are duly notified.
- 9.3.4 Upon the appointment of a successor, the retiring Collateral Agent shall be discharged from any further obligation in respect of these Terms, the Collateral Agent Agreement and the Collateral Agreements but shall remain entitled to any accrued but unpaid fees payable to it under these Terms and the Collateral Agent Agreement, and shall remain liable under these Terms, the Collateral Agent Agreement and the Collateral Agreements in respect of any action which it took or failed to take whilst acting as Agent (subject to the terms and conditions of Section 9.4 below). The successor Collateral Agent, the Issuer and the Noteholders shall have the same rights and obligations amongst themselves under these Terms, the Collateral Agent Agreement and the Collateral Agreements as they would have had if such successor had been the original Collateral Agent.

9.3.5 The Collateral Agent's resignation or dismissal shall only take effect upon the appointment of a successor Collateral Agent and the execution of all necessary documentation to effectively substitute the retiring Collateral Agent.

9.3.6 In the event that there is a change of the Collateral Agent in accordance with Section 9.3, the Issuer shall execute such documents and take such actions as the new Collateral Agent may reasonably require for the purpose of vesting in such new Collateral Agent the rights, powers and obligation of the Collateral Agent and releasing the retiring Collateral Agent from its further obligations under these Terms, the Collateral Agent Agreement and the Collateral Agreements. Unless the Issuer and the new Collateral Agent agree otherwise, the new Collateral Agent shall be entitled to the same fees and the same indemnities as the retiring Collateral Agent.

9.4 Liability of the Collateral Agent

9.4.1 The Collateral Agent is not liable for any circumstances relating to or affecting the validity of the Collateral that are outside the control of the Collateral Agent.

9.4.2 The Collateral Agent is only liable for the breach of any of its obligations under the Terms (including the Collateral Agent Agreement) or the Collateral Agreements in the event of gross negligence or intentional breach of the Collateral Agent.

9.4.3 The Collateral Agent shall not be liable in front of Noteholders for the outcome of the enforcement of the Collateral.

9.5 Remuneration of the Collateral Agent

9.5.1 The Collateral Agent shall have the right to receive fees from the Issuer and to be compensated by the Issuer for the costs relating to the performance of its obligations under the Terms and the Collateral Agreements in accordance with the Collateral Agent Agreement. As regards the costs, the Issuer shall compensate to the Collateral Agent all payments made by the Collateral Agent to third parties for the purposes of establishment, amendment, termination and enforcement of the Collateral in accordance with the Terms and the Collateral Agreements (including, without limitation, state fees and taxes, other fees and payments established by laws and regulations, costs and expenses incurred by the Collateral Agent) as well as all damages incurred by the Collateral Agent in relation to the same. As an exception, the Issuer does not have an obligation to compensate any costs or expenses that occur in the course of: (i) use of services of third parties and appointment of third party representatives by the Collateral Agent in accordance with Section 9.2.4 of the Terms; and (ii) the transfer of the rights and obligations of the Collateral Agent in accordance with Section 9.3 of the Terms (except when released under Section 9.3.2 of these Terms for reasons not attributable to breach of the obligations by the Collateral Agent).

9.5.2 The Collateral Agent shall have the right to withhold the performance of its duties and obligations in case of delay in payment of the relevant fees and costs as specified in Section 9.5.1. The Collateral Agent shall promptly notify the Issuer and the Noteholders thereof. The Collateral Agent does not have a right to withhold the performance of its duties and obligations in case in case the Noteholders have compensated such fees and costs to the Collateral Agent or the Collateral is required to be enforced in accordance with these Terms and the relevant fees can be compensated from the proceeds of enforcement. If Noteholders compensate the relevant fees and costs to the Collateral Agent, the Issuer undertakes to compensate such amounts to the relevant Noteholders.

9.6 Information on Noteholders to the Collateral Agent

9.6.1 Upon relevant request from the Collateral Agent, the Issuer shall provide the Collateral Agent with an updated list of Noteholders available to the Issuer stating the outstanding

Nominal Value of the Notes each of them is holding and the latest known e-mail addresses of the Noteholders.

- 9.6.2 At the request of the Collateral Agent, the Noteholder shall provide the Collateral Agent with any information required by the latter for the purposes of identification of the Noteholder and/or for the performance of other obligations arising from applicable laws and regulations.

10 ENFORCEMENT OF THE COLLATERAL

10.1 Enforcement of the Collateral

10.1.1 The Collateral Agent shall enforce the Collateral according to the terms and conditions and procedure provided for in the Collateral Agreements and shall commence the enforcement in case all of the following conditions are met:

- a) the Issuer has failed to perform the Secured Obligations and to redeem any Notes on their due date (including at maturity or on any early redemption date or extraordinary early redemption date), of which the Collateral Agent has been informed in accordance with Section 10.2 of these Terms; and
- b) a resolution approved by the Majority Noteholders has been passed and submitted to the Collateral Agent instructing it in writing to enforce the Collateral and specifying which Secured Obligations the Issuer failed to perform.

10.1.2 The Collateral Agent may assume that no violation of the Secured Obligations has occurred, unless the Collateral Agent has received notice to the contrary from the Issuer or has been notified accordingly by the Majority Noteholders.

10.2 Instructions to the Collateral Agent

10.2.1 In case the conditions set out in Section 10.1.1 have been fulfilled, the Majority Noteholders have the right to instruct the Collateral Agent to take specific actions to enforce the Collateral according to the procedure provided for in the Collateral Agreements.

10.2.2 The Collateral Agent shall be entitled (but is not under any circumstances obliged) to request instructions from the Noteholders as to whether, and in what manner, the Collateral Agent should exercise or refrain from exercising any rights, powers and discretions with regard to the enforcement of the Collateral and may refrain from acting unless and until it has received an instruction approved by at least the Majority Noteholders.

10.2.3 If the Majority Noteholders in accordance with Section 10.2 of the Terms (either at the request of the Collateral Agent or at their own initiative) have instructed the Collateral Agent to enforce the Collateral or have provided instructions to the Collateral Agent in accordance with Sections 10.2.1 or 10.2.2 of these Terms, the Collateral Agent shall inform all Noteholders of such instructions. Such instructions shall be binding on the Collateral Agent and all other Noteholders.

10.2.4 The Collateral Agent shall not be liable for any consequences or damages that result from complying with the instructions of the Majority Noteholders as set forth in these Terms. The Collateral Agent may refrain from acting in accordance with the instructions of the Majority Noteholders until it has received such indemnification or security as it may require for all costs, claims, losses, expenses (including but not limited to legal fees) and liabilities which it will or may expend or incur in complying with such instructions. Furthermore, the Collateral Agent may refrain from doing anything which in its opinion will or may be contrary to these Terms, the Final Terms, the Collateral Agreements, the

Collateral Agent Agreement or applicable legislation or otherwise render it liable to any person and may do anything which is in its opinion necessary to comply with such legislation, the Terms, the Final Terms, the Collateral Agreements or the Collateral Agent Agreement.

10.3 Suspension and Termination of the Enforcement of Collateral

- 10.3.1 To the extent permitted under applicable laws, the Collateral Agent has the right, without Majority Noteholders' consent, to suspend enforcement of the Collateral if in the Collateral Agent's reasonable opinion, the enforcement of the Collateral is not in the best interests of Noteholders (e.g. due to the fact that no market for the Collateral exists) or the Issuer has not paid to the Collateral Agent its fees and/or reimbursed costs to which the Collateral Agent is entitled under the Note Documents and such breach has not been remedied by the Issuer within 30 Banking Days from the respective notice from the Collateral Agent or by the Noteholders within a reasonable time after a relevant request is submitted by the Collateral Agent to the Noteholders following the passing of the 30 Banking Days' notice to the Issuer. The Collateral Agent shall inform the Noteholders of the suspension and shall bear no liability related to such suspension of the enforcement of the Collateral in accordance with this Section 10.3.1 above.
- 10.3.2 The Collateral Agent shall have the right to unilaterally terminate the performance of its duties hereunder (including, without limitation, terminate the enforcement of the Collateral) in case:
- a) (i) in the reasonable opinion of the Collateral Agent, there are grounds for claiming the amounts received by the Collateral Agent hereunder back either in the recovery proceedings, compulsory enforcement proceedings or any other way and/or (ii) the actions of the Collateral Agent hereunder may result in any other claim against the Collateral Agent and, in each case, the Collateral Agent has failed to receive such indemnification or security as it may require for all costs, claims, losses, expenses (including legal fees) and liabilities which it will or may expend or incur in connection with the above within the term specified by the Collateral Agent;
 - b) in the reasonable opinion of the Collateral Agent, (i) (further) enforcement of the Collateral on reasonable terms is not possible or feasible due to the commencement of the bankruptcy or reorganization proceedings of the Issuer or the Collateral Provider or for any other reason or (ii) the estimated proceeds of the enforcement of the Collateral will not be sufficient to cover the claims under subsection a) of Section 11.1.1 of these Terms; and/or
 - c) in the professional opinion of the Collateral Agent, the Collateral fully ceases to exist for any reason.
- 10.3.3 In order to exercise its right of termination under Section 10.3.2 of these Terms, the Collateral Agent shall submit a respective written notice to the Issuer and the duties and obligations of the Collateral Agent shall be deemed to have terminated from the moment of receipt of such notice by the Issuer.
- 10.3.4 Notwithstanding Section 10.3.3 above:
- a) if under the laws governing the relevant Collateral Agreement and/or the establishment and discharge of the Collateral, the Collateral Agent has an obligation to perform certain actions to release (discharge) the Collateral as a result of the termination under Section 10.3.2, the duties and obligations Collateral Agent shall not terminate until such actions have been taken by the Collateral Agent; and
 - b) the duties and obligations of the Collateral Agent shall, however, not be deemed to

have terminated before the Collateral Agent has transferred the Collateral, the Collateral Agreements and the Parallel Debt to a successor collateral agent determined in accordance with these Terms and the Collateral Agent Agreement.

11 APPLICATION OF THE PROCEEDS FROM ENFORCEMENT OF THE COLLATERAL

11.1 Application of Proceeds

- 11.1.1 The proceeds from the enforcement of the Collateral shall be applied in the following order of priority:
- a) first, towards the satisfaction and payment of all fees, costs and expenses and damages related to performance of its duties by and payable to the Collateral Agent under the Note Documents, subject to a cap equal to EUR 100,000 (plus applicable VAT);
 - b) second, (after the full satisfaction, payment and deduction of all claims and amounts set forth in subsection a) above) in payment of the claims of the Noteholders arising under these Terms and the Final Terms, including but not limited to the claims arising from the Notes; and
 - c) finally, any remaining proceeds shall be returned to the Issuer or the relevant Collateral Provider or paid to the persons entitled to receive such proceeds in accordance with mandatory provisions of law.
- 11.1.2 The Collateral Agent may withhold the proceeds necessary for satisfying the fees, costs, expenses and damages of the Collateral Agent as specified in subsection a) of Section 11.1 of these Terms before applying the enforcement proceeds in satisfaction of the Noteholders' claims under subsection b) of Section 11.1 of these Terms. In case the proceeds remaining after withholding the sums under subsection a) of Section 11.1 do not cover the claims arising from outstanding Notes in full, the claims arising from the Notes shall be satisfied proportionally to the outstanding amounts due under the Notes to each Noteholder.
- 11.1.3 In case the Issuer has informed the Collateral Agent in writing that all claims arising from all outstanding Notes have not fallen due by the time of transferring the proceeds from the enforcement of the Collateral by the Collateral Agent to the Noteholders, the Collateral Agent shall (a) transfer part of the proceeds corresponding to the claims fallen due under the Notes to the Noteholders holding such Notes; and (b) deposit the part of the proceeds corresponding to the claims under the Notes not fallen due in favour of the Noteholders holding such Notes.
- 11.1.4 The Collateral Agent is not obliged to pay to the Noteholders or any other persons any interest on the proceeds from the enforcement of the Collateral (whether deposited or not).
- 11.1.5 In case the Collateral Agent is required under applicable laws, to withhold or pay any taxes in connection with payments to be made by the Collateral Agent hereunder, the amount to be paid by the Collateral Agent shall be reduced by the amount of respective taxes and only the net amount shall be paid by the Collateral Agent.
- 11.1.6 In distributing the proceeds, the Collateral Agent shall rely on the information provided by the Issuer about the claims of the Noteholders arising under the Terms and the Final Terms (including about the size and due date of such claims).

12 MEETINGS OF NOTEHOLDERS

12.1 Calling of Noteholder's Meetings

- 12.1.1 In case (i) the Collateral Agent or (ii) Noteholders holding in aggregate Notes with the Nominal Value representing at least 10% of the aggregate Nominal Value of all Notes, seek to obtain a decision or a consent of Majority Noteholders, each such party may require the Issuer to convene a meeting of Noteholders. A meeting of Noteholders may also be convened by the Issuer on its own initiative at any time.
- 12.1.2 The Issuer shall convene a meeting of Noteholders by a notice of an Noteholder's meeting sent to all Noteholders who appear as the holders of the Note in the Register at the close of settlement day of the Register one (1) Banking Days preceding the notice, by e-mail (to the email addresses notified by the Noteholders to it) or, in the absence of such email address, by post (to the address registered together with the securities or other accounts of the Noteholders, opened in the Register) or, in case the Notes are admitted to trading on Nasdaq Tallinn Stock Exchange, by publishing a market announcement on Nasdaq Tallinn Stock Exchange, at least two (2) weeks in advance.
- 12.1.3 In the Issuer fails to convene a meeting of Noteholders when requested to do so in accordance with Section 12.1.1, the Collateral Agent may (and shall at the request of the relevant Noteholders) itself convene the relevant meeting.

12.2 Quorum and Majority Requirements

- 12.2.1 The meeting of Noteholders shall have quorum in case Noteholders holding in aggregate Notes with the Nominal Value representing more than 50% of the aggregate Nominal Value of all Notes are present at the meeting (excluding the Issuer and Related Parties holding any Notes). If the meeting of Noteholder's does not have quorum, a new meeting of Noteholder's shall be convened by notifying the Noteholders in accordance with Section 12.1.2 of these Terms, at least two (2) weeks in advance. Such repeated meeting of Noteholder's shall have quorum if at least one (1) Noteholder other than the Issuer and Related Parties holding any Notes is present at the relevant meeting of Noteholders.
- 12.2.2 A consent, instruction or decision that must be given or approved by the Majority Noteholders in accordance with these Terms is adopted in case Noteholders holding in aggregate Notes with the Nominal Value representing at least 2/3 of the aggregate Nominal Value of all Notes vote in favour of such consent, instruction or decision. Any other decision, consent or waiver of Noteholders under these Terms is adopted in case Noteholders holding in aggregate Notes with the Nominal Value representing more than 50% of the aggregate Nominal Value of all Notes held by Noteholders present at the relevant meeting of Noteholders, where such matter is decided, vote in favour of such decision, consent or waiver.
- 12.2.3 The Issuer and its Related Parties may not vote at the meeting of Noteholders and the Issuer and the Related Parties nor the Notes held by any of them shall be counted in determining the quorum or the majority requirements provided in this Section 12 above.
- 12.2.4 Noteholders who appear as the holders of the Note in the Register at the close of settlement day of the Register seven (7) Banking Days preceding the date of a meeting of Noteholders shall be entitled to vote at the relevant meeting of Noteholders.

13 NOTICES

13.1 Notices to the Issuer

- 13.1.1 Notices and documents to the Issuer shall be valid only if made and forwarded in writing

by post or in digitally signed format by e-mail by using the following contact details and provided that those include reference to the Notes, unless otherwise provided for in these Terms:

AS PRFOODS

Pärnu mnt 141
Tallinn, 11314,
Estonia

E-mail: investor@prfoods.ee

Attn: Chief Financial Officer

13.2 Notices to the Collateral Agent

Notices and documents to the Collateral Agent shall be valid only if made and forwarded in writing either by post or in digitally signed format by e-mail by using the contact details of the Collateral Agent set forth in the Final Terms, and provided that those include reference to the Notes.

13.3 Notices to the Noteholders

All notices and documents to the Noteholders under these Terms shall be sent by post or e-mail, unless these are made publicly available via market announcement or as otherwise provided for in these Terms. Notices to the Noteholders that are sent by post shall be forwarded to their addresses registered together with the securities or other accounts of the Noteholders, opened in the Register, or if by e-mail, to the email address notified by the Noteholder to the Issuer and the Collateral Agent (as applicable). Each Noteholder shall promptly upon subscribing for or subsequently acquiring any Note notify the Issuer and the Collateral Agent about its email address and keep them informed about any changes therein.

13.4 Receipt of Notices

All notices are deemed received: (i) if sent by email, when sent to the e-mail address of that person set out in this Section 13; (ii) if sent by post, when delivered to the address of that person set out in this Section 13 or five (5) Business Days after being deposited in the post in Estonia postage prepaid in an envelope addressed to the relevant person at that address; or (iii) if published by means of a market announcement through, the information system of the relevant stock exchange, when such market announcement is published.

14 NOTE DOCUMENTS

14.1 Note Documents

14.1.1 The documents of the Notes ("**Note Documents**") are the following:

- a) these Terms;
- b) the Final Terms;
- c) in the case of a Public Offering, the Prospectus prepared in connection with such Public Offering and the documents incorporated into the relevant Prospectus by reference;
- d) the Subscription Undertaking;
- e) the Confirmations;
- f) the Collateral Agreements;
- g) the Collateral Agent Agreement.

14.2 Availability of the Note Documents

Each Noteholder may review the Note Documents set forth in subsections a), b), c), f) and g) at the Issuer's office located at the address indicated in these Terms and make copies and excerpts therefrom at their own expense. If allowed under the rules of the Register, each Noteholder may review the details of the Subscription Undertaking(s) and/or the Confirmation(s) submitted by or to that Noteholder through the Register.

15 SPECIFIC PROVISIONS FOR PRIMARY DISTRIBUTION BY WAY OF PRIVATE PLACEMENT

This Section 15 shall apply only to Primary Distribution carried out by way of a Private Placement. Upon a Public Offering of the Notes, this Section 15 shall not apply and the relevant matters shall be regulated by the Prospectus.

15.1 Submission of Subscription Undertakings upon a Private Placement

15.1.1 To submit a Subscription Undertaking, an investor must have a securities account opened with the Register in the investor's name. Alternatively, the investor may submit a Subscription Undertaking through (and/or request the Notes issued to that investor to be transferred to) a nominee account opened in the name of a nominee account holder (hereinafter a "nominee", who shall hold such Notes in its own name but for and on behalf of the investor), provided, however, that such investor authorizes the holder of the nominee account to disclose the investor's identity and other details enabling to identify the investor to the Issuer and/or the Registrar in writing. The Issuer shall be entitled not to accept Subscription Undertaking(s) submitted through nominee accounts if the holder of the nominee account has not actually disclosed the identity of the investor to the Issuer and/or the Registrar in writing. A Subscription Undertaking may be either submitted by an investor personally or by a representative whom the investor has authorized (in the form required by law) to submit the Subscription Undertaking.

15.1.2 The Subscription Undertakings shall be prepared in writing or, if the Register so requires, in another format reproducible in writing and suitable to the Register and must contain the following information, unless otherwise stated in the Final Terms:

- a) the Noteholder's or the nominee's name, personal identification code or register code and contact data (name of a contact person, address, telephone and e-mail addresses);
- b) the securities account and current account numbers of the Noteholder or its nominee;
- c) the date of submission of the Subscription Undertaking;
- d) the number of the Notes to be subscribed by the Noteholder;
- e) the aggregate Nominal Value of the Notes to be subscribed by the Noteholder; and
- f) the Noteholder's or the nominee's signature.

15.1.3 The terms of the Subscription Undertaking shall be binding on each and every acquirer of the Notes (including subsequent acquirers who purchase the Notes from other Noteholders).

15.2 Acceptance and Rejection of Subscription Undertakings upon a Private Placement

15.2.1 A Subscription Undertaking shall be considered valid, if submitted during the relevant Subscription Period, if drawn up substantially in the required form and substance, and if the Noteholder pays the amount indicated in the Confirmation by the term set forth in the Confirmation. The Issuer may, at its sole discretion, treat as valid also Subscription

Undertakings submitted after the relevant Subscription Period, but before the relevant Issue Date.

- 15.2.2 After expiry of the relevant Subscription Period, the Issuer shall determine the Qualifying Subscription Undertakings and the amount in which the Subscription Undertakings will be accepted. If an investor submits a Subscription Undertaking after the expiry of the Subscription Period, the Issuer may determine additional Qualifying Subscription Undertakings.
- 15.2.3 The Issuer shall submit the Confirmation to each investor who has duly submitted a Subscription Undertaking indicating whether or such Subscription Undertaking was fully or partially accepted or rejected by the Issue, at the latest by 16:30 on the last Banking Day before the relevant Payment Date. If the Issuer has treated as valid also Subscription Undertakings submitted by investors after the relevant Subscription Period, the Issuer shall submit the Confirmation of acceptance or rejection of such Subscription Undertakings to the relevant investors no later than by 16:30 on the last Banking Day before the relevant Issue Date.
- 15.2.4 The Issuer may reject any of the Subscription Undertakings for whichever reason with no obligation to notify the investor of such reason.
- 15.2.5 Upon full or partial acceptance of the Subscription Undertaking, the Issuer shall indicate the following information in the Confirmation, unless otherwise stated in the Final Terms:
- a) the number of the Notes to be sold to the Noteholder;
 - b) the Issue Date;
 - c) the Issue Price;
 - d) the Payment Date;
 - e) the current account number to which the Issue Price shall be paid;
 - f) sum of the Issue Prices of the Notes to be sold to the Noteholder, i.e. the aggregate amount to be paid by the Noteholder for the Notes allocated to it.

15.3 Payment of the Issue Price upon a Private Placement

- 15.3.1 Investors whose Subscription Undertakings were fully or partially accepted are obliged to transfer the Issue Price indicated in the Confirmation as payable for the Notes, to the current account which has been designated for payment of the Issue Price in the Confirmation at the latest by 11:00 on the relevant Payment Date or other date specified in the Confirmation.
- 15.3.2 The Notes shall be registered on the relevant Issue Date in the Register in accordance with Section 2.1.4 of these Terms.

16 AMENDMENT OF THE TERMS

- 16.1.1 The Issuer may apply for the consent of the Noteholders to amend these Terms (waiver).
- 16.1.2 The grant of a waiver for the amendment of these Terms shall be decided by the Noteholders in accordance with Section 12 above.
- 16.1.3 A decision on changing the Maturity Date, amending the rate of Interest, altering the quorum or majority required to pass any decision or to grant any consent or amending the provisions for Extraordinary Early Redemption of the Notes (i.e. the provisions of Section 8 of these Terms) or modifying this Section 16.1.3, is adopted if so decided by Majority Noteholders. Any other amendment to these Terms is adopted in case

Noteholders holding in aggregate Notes with the Nominal Value representing more than 50% of the aggregate Nominal Value of all Notes held by Noteholders present at the relevant meeting of Noteholders, where such amendment is decided, vote in favour of such decision.

- 16.1.4 All amendments and supplements to these Terms shall enter into force as of the moment of signing the amendments by the Issuer and the Collateral Agent, which shall be entered into after issuing the waivers by the Noteholders concerning such amendments and supplements. For the avoidance of doubt, all amendments and supplements to these Terms which affect the Collateral and/or rights and/or obligations of the Collateral Agent shall be subject to the prior written approval of the Collateral Agent, however, such approval shall not be unreasonably withheld by the Collateral Agent.
- 16.1.5 Sections 16.1.1-16.1.4 of the Terms above shall not apply to any change in the contact details or in the business name of the Issuer, the Collateral Provider and the Collateral Agent. This information may be amended by making a respective notification to the Issuer.
- 16.1.6 Sections 16.1.1-16.1.4 of the Terms above shall not apply to any changes to the Collateral Agent Agreement, which may be amended with written agreement of the Issuer and the Collateral Agent. The Issuer and the Collateral Agent undertake not to amend the Collateral Agent Agreement without the consent of the Majority Noteholders, if such amendment would change the scope of rights and obligations of the Collateral Agent arising to it from the Terms.
- 16.1.7 The Issuer is entitled to amend these Terms accordingly and shall inform the Noteholders of any changes immediately after any such change has become effective or, in case of Section 16.1.5, immediately after the Collateral Agent or the Collateral Provider has notified the Issuer thereof.

17 DEFINITIONS

For the purposes of these Terms, Final Terms and Note Documents, the following definitions have the following meanings, if explicitly not set out otherwise in the respective documents:

- 17.1.1 **Additional Issue Date** shall mean any Issue Date after the First Issue Date and before or on the Maturity Date;
- 17.1.2 **Additional Subscription Period** shall mean a period of time for Subscription after the First Subscription Period, determined by the Issuer, but in any case not starting before the First Issue Date and not ending after the Maturity Date;
- 17.1.3 **Banking Day** shall mean a business day, i.e. any day, except Saturday, Sunday, a national or a public holiday of the Republic of Estonia;
- 17.1.4 **Call Premium** shall mean the premium payable for the redemption of the Notes on an Early Redemption Date, determined in accordance with the formula set forth in the Final Terms;
- 17.1.5 **Collateral** shall mean the security interests listed in Sections 4.2.1 and 4.2.2, which are to be established in accordance with these Terms in favour of the Collateral Agent as the pledgee acting in the interests of the Noteholders in accordance with these Terms and the Collateral Agent Agreement.
- 17.1.6 **Collateral Agent** shall mean PRF Collateral Agent OÜ (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 14880068), or, if applicable, the person to whom the Collateral Agent has transferred its rights and obligations in accordance with these Terms;

- 17.1.7 **Collateral Agreement** shall mean the agreements to be concluded between the Collateral Agent, the Issuer and the relevant Collateral Provider for the establishment of the Collateral (substantially on the terms and conditions of the draft Collateral Agreements as attached to these Terms but with any technical amendments as may be necessary), as well as any agreements for the amendment of the agreements for the establishment of the Collateral and any and all other documents made or to be made in relation such agreements;
- 17.1.8 **Collateral Agent Agreement** shall mean the agreement between the Issuer and the Collateral Agent that stipulates the fees and remuneration payable to the Collateral Agent for the performance of its duties under the Terms and the Collateral Agreements. The Collateral Agent Agreement has been annexed to these Terms and constitutes an inseparable part of these Terms;
- 17.1.9 **Collateral Provider** shall mean:
- a) with respect to the Collateral described in subsections d) and e) of Section 4.2.1 and subsection a) of Section 4.2.2, Saaremere Kala;
 - b) with respect to the Collateral described in subsections b) and f) of Section 4.2.1, Heimon Kala Oy; and
 - c) respect to the Collateral described in subsections a) and c) of Section 4.2.1 Osäuhing Vettel;
- 17.1.10 **Confirmation** shall mean a document, which is sent by the Issuer to an investor via e-mail, or if sent via the Register, electronic data sent in another form as set forth by the Registrar, and in which the Issuer informs the Noteholder of the partial or full acceptance or the rejection of the Subscription Undertaking submitted by such Noteholder;
- 17.1.11 **Early Redemption Date** shall mean date(s) set forth in the Final Terms on which the Issuer has the right to redeem all or part of the Notes before the Maturity Date in accordance with these Terms;
- 17.1.12 **Extraordinary Early Redemption Application** shall mean an application for extraordinary early redemption of the Notes submitted by a Noteholder to the Issuer in accordance with these Terms;
- 17.1.13 **Extraordinary Early Redemption Date** shall mean the Banking Day on which the Issuer has an obligation to redeem all outstanding Notes of a Noteholder pursuant to the Terms after the occurrence of an Extraordinary Early Redemption Event;
- 17.1.14 **Extraordinary Early Redemption Event** shall mean an event set forth in Section 8.1 of these Terms;
- 17.1.15 **Final Terms** shall mean a document stipulating specific terms and conditions (including but not limited to the Subscription Period, the Issue Date, the Maturity Date, the Maximum Aggregate Nominal Value of the Notes, the Nominal Value of a Note, the Issue Price of a Note, the Early Redemption Date, applicable Interest rate and other amounts payable on a Note, Register, Registrar, Collateral Agent) of each tranche of Notes and each respective Subscription Period. The Final Terms entered into in relation to Notes issued during a Subscription Period shall constitute an inseparable part of these Terms with respect to such tranche of Notes;
- 17.1.16 **First Issue Date** shall mean the Banking Day determined as the first Issue Date in the Final Terms;
- 17.1.17 **First Subscription Period** shall mean the first period of time after the date of these Terms for subscription for the Notes as set out in the Final Terms;

- 17.1.18 **Higher Ranking Security Interests** shall mean pledges, mortgages and other securities interests (i) granted in favour of the Priority Ranking Lender to secure obligations of the Issuer's group arising from the Priority Ranking Financing and (ii) granted in favour of the Finnish Tax Administration over the immovable owned by Heimon Kala Oy referred to in subsection b) of Section 4.2.1, which are of higher rankings than the Collateral to be established in favour of the Collateral Agent under these Terms;
- 17.1.19 **Interest** shall mean the interest on the Notes, which shall be calculated and which shall accrue on the Nominal Value of the Notes in accordance with Section 3 of these Terms.
- 17.1.20 **Interest Commencement Date** shall mean the date from which interest shall be calculated on each tranche of Notes which shall be: (i) with respect to the Notes issued on the First Issue Date, such First Issue Date and (ii) with respect to the Notes issued on any Additional Issue Date, issued on Additional Issue Date(s), the date determined by the Issuer and set out in the Final Terms;
- 17.1.21 **Interest Payment Date** shall mean, with respect to a Note, the date(s) for scheduled payments of Interest specified in the Final Terms applicable to such Note. Where applicable, this term also refers to the dates on which the Interest must be paid on the Note in connection with redemption or early redemption of that Note;
- 17.1.22 **Issue** shall mean the aggregate of the Notes issued under these Terms with the same ISIN code (including any Notes issued on Additional Issue Date(s), if any);
- 17.1.23 **Issue Date** shall mean a Banking Day specified as such in the Final Terms;
- 17.1.24 **Issue Price** shall mean the price set out in the Final Terms payable by an investor no later than on the relevant Payment Date for acquisition of a Note on the relevant Issue Date;
- 17.1.25 **Issuer** shall mean AS PRFoods, a company established under the laws of the Republic of Estonia, registry code in the Estonian Commercial Register 11560713, registered address at Pärnu mnt 141, Tallinn, 11314, Harju county, the Republic of Estonia;
- 17.1.26 **Majority Noteholders** shall mean collectively any Noteholders (excluding the Issuer and Related Parties holding any Notes) who hold in aggregate the Notes with the Nominal Value representing at least 2/3 of the aggregate Nominal Value of all outstanding Notes (excluding any Notes held by the Issuer and the Related Parties);
- 17.1.27 **Maturity Date** shall mean a Banking Day specified as such in the Final Terms, on which the Issuer must redeem the outstanding Notes;
- 17.1.28 **Maximum Aggregate Nominal Value of the Notes** shall mean the maximum aggregate Nominal Value of the Notes that may be issued under these Terms with the same ISIN code as set out in the Final Terms;
- 17.1.29 **Nominal Value** shall mean the original stated value of a Note as specified in the Final Terms and, following any partial repayment of principal of the Notes, the principal value of the Note outstanding after such partial repayment;
- 17.1.30 **Note** shall mean a debt security that is issued by the Issuer in accordance with these Terms and the Final Terms and representing the debt obligations of the Issuer which shall be secured by the Collateral;
- 17.1.31 **Noteholder** shall mean the owner of a Note registered as such in the Register (where applicable, at the specific date set out in the Terms);
- 17.1.32 **Parallel Debt** shall mean a payment undertaking and the obligations and liabilities resulting from it by the Issuer to the Collateral Agent set forth in Section 4.3 of these Terms;

- 17.1.33 **Payment Date** shall mean a Banking Day on or before the relevant Issue Date designated in the Final Terms as the latest date on which the payment of the Issue Price must be received by the Issuer;
- 17.1.34 **Primary Distribution** shall mean the subscription to the Notes by investors and the issue or sale of the Notes by the Issuer to investors in accordance with these Terms during the First Subscription Period and the Additional Subscription Period(s), if any;
- 17.1.35 **Priority Ranking Financing** shall mean loan facilities made available to the Issuer's group companies under (i) an investment loan made available to the Saaremere Kala by AS SEB Pank in accordance with loan agreement no 2017015988 between AS SEB Pank and Saaremere Kala AS dated 19 July 2017, its respective annexes and amendments and the documents related thereto and (ii) an overdraft loan made available to the Saaremere Kala by AS SEB Pank in accordance with loan agreement no. 2016016341 between AS SEB Pank and Saaremere Kala AS dated 6 September 2016, its respective annexes and amendments and the documents related thereto and/or (iii) any other loan or credit agreement entered into with a Priority Ranking Lender to refinance any part of the loan facilities referred to above (other than as refinanced for the account of the proceeds from the Notes).
- 17.1.36 **Priority Ranking Lender** shall mean AS SEB Pank or any other credit institution that makes available the Priority Ranking Financing to the Issuer's group companies;
- 17.1.37 **Private Placement** shall mean an offer of Notes for which prospectus is not required to be published in accordance with the Prospectus Regulation;
- 17.1.38 **Prospectus** shall mean the Prospectus to be drawn up, registered and published in relation to the listing and admitting the Notes to trading on Nasdaq Tallinn Stock Exchange and/or for a Public Offering;
- 17.1.39 **Prospectus Regulation** shall mean Regulation No 2017/1129/EU of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC;
- 17.1.40 **Public Offering** shall mean an offer of Notes for which prospectus is required to be published in accordance with the Prospectus Regulation;
- 17.1.41 **Redemption Price** shall mean the amount payable by the Issuer to the Noteholders upon the ordinary redemption of the Notes (i.e. redemption on the Maturity Date) or early redemption of the Notes (i.e. redemption on the Early Redemption Date or on the Extraordinary Early Redemption Date), calculated in accordance with these Terms;
- 17.1.42 **Register** shall mean the register in which the Notes shall be registered as set out in the Final Terms;
- 17.1.43 **Registrar** shall mean the person operating the Register, as set out in the Final Terms;
- 17.1.44 **Related Parties** shall mean the legal entities of which the Issuer is a majority shareholder or which are under the Issuer's control;
- 17.1.45 **Saaremere Kala** shall mean Saaremere Kala AS, a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 11310040, which is a Subsidiary of the Issuer;
- 17.1.46 **Secured Obligations** shall mean any and all present and future payment obligations and liabilities (whether actual or contingent or whether owed jointly and severally or in any other capacity) owed by the Issuer to the Noteholders or any of them or to the Collateral Agent from time to time under these Terms, the Final Terms, the Collateral Agreements and the Collateral Agent Agreement, including but not limited to the obligations arising

from the Notes and the Parallel Debt;

17.1.47 **Subscription Period** shall mean the First Subscription Period and any Additional Subscription Period(s);

17.1.48 **Subsidiary** shall mean, with respect to any entity, any other entity at least 50% of whose capital is owned, directly or indirectly, by such entity or which is otherwise effectively controlled by such entity;

17.1.49 **Subscription Undertaking** shall mean a document, which is submitted by an investor to the Issuer substantially in the form set out in annex 1 to the Final Terms, or if the Subscription Undertaking is submitted via the Register, in another form as set forth by the Registrar, and in which the investor expresses a wish to acquire, through Primary Distribution, a certain amount of the Notes and undertakes to pay the Issue Price for the number of Notes indicated in the Subscription Undertaking;

17.1.50 **Qualifying Subscription Undertakings** shall mean the Subscription Undertakings which have been submitted according to these Terms and which are decided by the Issuer to be accepted either wholly or partially in accordance with these Terms.

18 FINAL PROVISIONS

18.1 These Terms, the Final Terms, rights and obligations arising from the Notes shall be governed by Estonian law.

18.2 The disputes related to these Terms, the Final Terms or the Notes shall be resolved through negotiations. If the parties fail to reach an agreement, the claim for resolving the dispute shall be submitted to Harju County Court (in Estonian: *Harju maakohus*).

18.3 In the event of inconsistency between the provisions of the Final Terms and the provisions of these Terms, the Final Terms shall prevail.

18.4 If a provision of these Terms or Final Terms is invalidated or deemed inapplicable by the court, it does not influence or change the validity, legitimacy or applicability of other provisions.

LIST OF ANNEXES:

1. Collateral Agent Agreement
2. Drafts of Collateral Agreements



COLLATERAL AGENT AGREEMENT

This Collateral Agent Agreement (the “**Agreement**”) has been entered into on 14 January 2020 by and between:

- (1) **AS PRFoods**, registry code 11560713, address Pärnu mnt 141, Tallinn 11314, Estonia (the “**Issuer**”), represented by member of the management board Indrek Kasela; and
 - (2) **PRF Collateral Agent OÜ**, registry code 14880068, registered address at F. R. Faehlmanni tn 5, 10125 Tallinn, Estonia (the “**Collateral Agent**”), represented by member of the management board Peeter Viirsalu,
- (hereinafter referred to collectively as the „**Parties**“ and individually as a „**Party**“).

WHEREAS:

- (i) The Issuer intends to issue secured notes (the “**Notes**”) in accordance with the terms and conditions of the AS PRFoods Terms and Conditions of Secured Note Issue, dated 14 January 2020 (the “**Terms**”), and the Final Terms (as defined in the Terms);
- (ii) In order to provide additional protection to the rights of the Noteholders (as defined in the Terms) arising from the Notes, the Issuer has agreed to establish the Collateral (as defined in the Terms) as security for the due and punctual fulfilment of the Issuer’s obligations arising from the Notes and the Terms;
- (iii) Considering that there will be multiple Noteholders and the fact that the Noteholders may change in time, it is necessary to establish the Collateral for the benefit of one single person and it has been agreed that this person shall be the Collateral Agent and the Issuer wishes to instruct the Collateral Agent to hold the Collateral and arrange the realisation of the Collateral in the interests of the Noteholders in accordance with the Terms.

The Collateral Agent has agreed to perform the tasks and obligations of the Collateral Agent as set out in the Terms and the Final Terms, and the Parties hereby wish to agree upon their rights and obligations in relation to the foregoing.

NOW THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

1. DEFINITIONS

1.1 Definitions

Terms and expressions defined in the Terms or the Final Terms, whether directly or by reference, shall have the same meaning in this Agreement except as otherwise defined herein.

2. OBJECT OF THE AGREEMENT

2.1 Object of the Agreement

The Issuer hereby instructs the Collateral Agent to perform the tasks of the Collateral Agent set out in the Terms and to exercise the rights of the Collateral Agent set out in the Terms, subject to the terms and conditions of the Collateral Agreements. In consideration for the above the Issuer undertakes to pay the Collateral Agent the fees and other payments set out in this Agreement.

ESTONIA
Ahtri 6a
101151 Tallinn
Phone +372 626 4300
estonia@tgsbaltic.com

ESTONIA
Kaluri 2
51004 Tartu
Phone +372 730 1610
estonia@tgsbaltic.com

LATVIA
Elizabetes 63-11
LV-1050 Riga
Phone +371 6788 9999
latvia@tgsbaltic.com

LITHUANIA
Konstitucijos Ave. 21A
LT-08130 Vilnius
Phone +370 5251 4444
lithuania@tgsbaltic.com

2.2 Irrevocable Instructions

The instructions which are hereby given by the Issuer to the Collateral Agent are irrevocable, and the Issuer shall have no right to unilaterally amend, revoke or withdraw any such instructions on any grounds, unless the Terms or this Agreement explicitly provide otherwise. If this Agreement is terminated in accordance with the Terms and/or the provisions of Section 6 of this Agreement, the instructions given by the Issuer to the Collateral Agent to perform the tasks of the Collateral Agent be deemed to be withdrawn as of the date of the termination of this Agreement. Where the Collateral Agent is to be replaced in accordance with the Terms or this Agreement, the instructions given by the Issuer shall cease to apply to the Collateral Agent being replaced and shall thereafter apply to the successor collateral agent appointed in accordance with the Terms or this Agreement.

3. CONDITIONS PRECEDENT

3.1 Conditions Precedent to validity of the Collateral Agent's obligations in relation to the Collateral

The Collateral Agent shall perform the obligations set forth herein, including perform the tasks set out in the Terms and exercise the rights set out in the Terms, in respect of holding, maintaining and enforcing of the Collateral (other than the obligation to enter into the Collateral Agreements), only if the Collateral Agreements have been entered into by the relevant parties thereto. For the avoidance of doubt, the previous sentence shall not affect or limit the validity of other obligations of the Collateral Agent that apply under the Terms and this Agreement. In connection with establishing the Collateral set forth in subsections (b), (d), (e) and (f) of Section 4.2.1 of the Terms and in Section 4.2.2 of the Terms, the Issuer shall deliver to the Collateral Agent no later than at the time of establishing of each relevant Collateral enforcement opinions issued and signed by the foreign legal advisors appointed by the Issuer regarding the respective Collateral (whereas the drafts of the relevant enforcement opinions shall be delivered to the Collateral Agent at its request prior to the signing of the Collateral Agreements).

4. FUNCTIONS AND OBLIGATIONS OF THE COLLATERAL AGENT

4.1 Functions and obligations of the Collateral Agent

The scope of functions and obligations of the Collateral Agent is specified in the Terms. Upon performance of its duties, the Collateral Agent undertakes to comply with all requirements, limitations and restrictions arising from applicable legal acts.

4.2 Legal Relations of the Parties

Upon the performance of the tasks and exercising the rights set out in the Terms, the Collateral Agent performs the obligations assumed under this Agreement and the Terms only. The Collateral Agent is not a party to the legal relationship to be established between the Issuer and the Noteholders and is under no circumstances liable for the performance of the obligations of the Issuer.

4.3 Performance of Tasks

Upon the performance of its obligations and exercising its rights the Collateral Agent shall act in accordance with the Terms in the interests and on the account of the Noteholders without having any independent interests of its own and without any obligation to consider any interests or rights of the Issuer and without any right of the Issuer to give any instructions to the Collateral Agent. Provided that all preconditions for the enforcement of the Collateral as set forth in Section 10.1 of the Terms have been fulfilled, the Collateral Agent shall be entitled to enforce the Collateral in the manner and the sequence of enforcement determined by the resolution of the Majority Noteholders adopted in accordance with the Terms and the Collateral Agreements, and in carrying out the relevant enforcement the Collateral Agent shall act in the interests of the Noteholders and with the view of maximising the proceeds from the enforcement. In the absence of specific instructions from the Majority Noteholders as to the manner and sequence of enforcement of the Collateral, the Collateral Agent shall refrain from taking actions to enforce the Collateral. The Issuer hereby confirms that the performance of the aforementioned actions in the aforementioned manner constitutes the essence of the instructions given by the Issuer to the Collateral Agent and therefore, the performance of the aforementioned actions does not and will not constitute a conflict of interest with regard to the Issuer. Considering the foregoing, the Issuer hereby irrevocably and unconditionally waives all claims against the Collateral Agent in relation

to the activities of the Collateral Agent in the course of performance of the tasks and exercising the rights set out in the Terms and represents, warrants and ensures that it shall not raise any claims against the Collateral Agent in relation to the aforementioned activities of the latter, other than claims arising from breach of the obligations of the Collateral Agent arising from the Terms, this Agreement or other Note Documents. The Collateral Agent shall not be liable for any damage caused to the Issuer by the aforementioned activities, other than damages caused by the Collateral Agent to the Issuer due to gross negligence or intentionally.

4.4 Third Parties

The Collateral Agent shall have the right to use the services of third parties and appoint third party representatives in the course of performance of its tasks and acts, at its own cost and no cost to the Issuer.

4.5 Cooperation obligation of the Issuer at the time of enforcement of Collateral

Provided that all preconditions for the enforcement of the Collateral as set forth in Section 10.1 of the Terms have been fulfilled, the Issuer shall render full cooperation as may be required from the Issuer in connection with the enforcement of the Collateral and will issue relevant document, information or explanations required in connection with the enforcement of the Collateral within 5 Business Days or, in case copies of documents or excerpts from registries administrated by public authorities of foreign jurisdictions (i.e. outside of Estonia) are requested from the Issuer, as soon as practicably possible after receipt of such request.

4.6 Ownership and Management of the Collateral Agent

The Collateral Agent hereby guarantees and shall procure that as long as this Agreement is valid, 100% of its shares continue to be owned (directly or indirectly) by Advokaadibüroo TGS Baltic AS (registry code 10288628) and at least one of the management board members of the Collateral Agent is an attorney working at Advokaadibüroo TGS Baltic AS.

5. FEES AND OTHER PAYMENTS

5.1 Fees

For the performance of the functions of the Collateral Agent, the Issuer shall pay to the Collateral Agent the fees in the following amounts:

- a. One-off fee for the appointment of the Collateral Agent to act as a collateral agent under the Terms and Note Documents, for reviewing and negotiating all documentation in order to take the position of the Collateral Agent (incl general revision of the Terms, Final Terms and any other Note Documents), for entering into the Collateral Agreements and for taking all actions as may be required to establish the Collateral) – based on blended hourly rate (150 EUR per hour) with a fee cap EUR 7,700 (excl VAT). The relevant one-off fee shall be invoiced within 30 days as of the date of this Agreement.
- b. Monthly fee of EUR 450 (excl VAT) to be paid by the Issuer before the occurrence of an Extraordinary Early Redemption Event and the receipt of an Extraordinary Early Redemption Application described in Section 8.3 of the Terms. The relevant fees shall be invoiced once in a quarter, except that the monthly fees for the first six month shall be invoiced by the Collateral Agent upon signing of this Agreement and paid by the Issuer in accordance with the relevant invoice as an advance payment for the relevant period .
- c. Monthly fee of EUR 2,500 (excl VAT) to be paid by the Issuer (instead of the monthly fee set out in subsection b above) after the occurrence of an Extraordinary Early Redemption Event and the receipt of an Extraordinary Early Redemption Application described in Section 8.3 of the Terms. The fees shall be invoiced monthly.
- d. No other fees shall be payable to the Collateral Agent by the Issuer in connection with the performance of its duties under the Note Documents, except that the above fees do not include participation by the Collateral Agent in:
 - i. Any legal disputes (incl instigation of any legal dispute or litigation) required to be held for the purpose of enforcing the Collateral in accordance with the Terms;

- ii. the process of making modifications at the Issuer's request to any Collateral or obtaining of any waivers in relation to the Issuer's obligations under the Terms and other Note Documents. In the latter case an hourly fee of EUR 150 (excl VAT) shall be applied and the relevant fees shall be invoiced within 30 days as of the date when each relevant process of making a modification or obtaining a waiver have been completed.

5.2 Compensation of costs and damages

In addition to fees set out in this Sections 5.1. the Collateral Agent shall be entitled to request from the Issuer compensation of such costs, expenses and damages that the Issuer is obliged to compensate to the Collateral Agent in accordance with the Terms. Such costs, expenses and damages shall be compensated by the Issuer to the Collateral Agent based on invoices submitted by the latter within 30 days as of the date when the relevant costs, expenses and damages have been incurred by the Collateral Agent.

5.3 Value Added Tax

VAT shall be added to all fees and payments set out in the Agreement if applicable as provided by law.

5.4 Payment of Fees and Satisfaction of Claims of the Collateral Agent

The Issuer shall pay the invoices submitted by the Collateral Agent in accordance with this Agreement within twenty one (21) Banking Days following the date of receipt of the invoices. The Collateral Agent has the right to deduct all fees, damages and other payments referred to in this Section 5 from the proceeds of the realisation of the Collateral in accordance with and up to the cap stipulated in Section 11.1 of the Terms. It is hereby agreed that the fees, costs, damages and payments set out in this Agreement shall be deducted up to the cap stipulated in Section 11.1 of the Terms from the proceeds of the realisation of the Collateral. To the extent these proceeds are not, according to the reasonable assessment of the Collateral Agent, sufficient to make such deductions, all aforementioned fees, costs, damages and other payments shall be paid and/or compensated to the Collateral Agent by the Issuer upon request of the Collateral Agent based on invoices submitted by the latter.

6. TERMINATION

6.1 Termination by the Collateral Agent

The Collateral Agent has the right to terminate the Agreement inter alia in case (a) no Collateral Agreement required to be entered into by the Issuer in accordance with the Terms has been entered into by the Issuer within 60 Business Days from the date of issue of the Notes and/or (b) the Collateral Agent terminates performance of the tasks set out in the Terms on grounds set out in the Terms. Fees and payments already paid to the Collateral Agent shall not be refunded in the event of termination of the Agreement. In case the Collateral Agent exercises its right to terminate the Agreement, the Collateral Agent must transfer the Collateral, all Collateral Agreements and the Parallel Debt as well as other rights and obligations of the Collateral Agent under the Note Documents to a third person nominated in accordance with this Agreement and the Terms (the "**Successor Collateral Agent**"). The Issuer must nominate the Successor Collateral Agent within 2 months from receipt of a notice from the Collateral Agent terminating the Agreement. If the Issuer has not nominated a Successor Collateral Agent within the above period, the Collateral Agent has the right to request that the Majority Noteholders nominate a Successor Collateral Agent by sending a respective notice to the Noteholders. If the Majority Noteholders have not nominated a Successor Collateral Agent within 2 months from the receipt of the notice from the Collateral Agent, the Collateral Agent is released from any liability for the non-performance of its duties and obligations under this Agreement (except for liability for non-fulfilment of its obligation to transfer the Collateral, all Collateral Agreements and the Parallel Debt, should the Issuer or Majority Noteholders nominate a Successor Collateral Agent). For avoidance of doubt, during the period while the retiring Collateral Agent is released from liability in accordance with the previous sentence and until the Successor Collateral Agent has been nominated and the Collateral, all Collateral Agreements and the Parallel Debt as well as other rights and obligations of the Collateral Agent under the Note Documents have been transferred to such Successor Collateral Agent, the retiring Collateral Agent may not however perform any activities that would release the Collateral or render the Collateral invalid.

The termination by the Collateral Agent of this Agreement shall take effect upon (a) the Successor Collateral Agent accepting its appointment as the Collateral Agent, and (b) the execution of all agreements and documents and making all other actions necessary for the valid and enforceable transfer of the Collateral and the Parallel Debt as well as for the transfer of all other rights and obligations of the Collateral Agent under the Note Documents to the Successor Collateral Agent. The Issuer shall, and shall procure that the Collateral Provider, execute such agreements and perform such action as the retiring Collateral Agent or Successor Collateral Agent require in order to effect the appointment of the Successor Collateral Agent for all purposes under the Terms or the Collateral Agreement.

6.2 Termination by the Issuer

The Issuer has the right to terminate the Agreement in case the Issuer decides not to proceed with the Issue (as defined in the Terms).

6.3 Replacement of the Collateral Agent by the Issuer or Majority Noteholders

The Collateral Agent may be replaced by the Issuer or by a resolution of the Majority Noteholders in accordance with Section 9.3 of the Terms.

7. NOTICES AND COMMUNICATION

7.1 Making and delivery

All notices and other communication which are required to be made in writing to or upon the respective Party hereto, shall be deemed to have been duly given or made when delivered in accordance with Section 13 of the Terms.

7.2 Addresses and contacts

The addresses and contacts of the Parties are as follows:

Issuer:

AS PRFOODS

Pärnu mnt 141
Tallinn, 11314,
Estonia
Tel.: +372 452 1470
E-mail: investor@prfoods.ee
Attn: Chief Financial Officer

Collateral Agent:

PRF COLLATERAL AGENT OÜ

F.R. Faehlmanni 5
Tallinn, 10125,
Estonia

Tel.: +372 626 4300
E-mail: cas@tgsbaltic.com
Attn.: Peeter Viirsalu

7.3 Amendments

Each Party may amend or change its address or other contacts provided in Section 7.2 by making a respective written notice to another Party.

8. FINAL PROVISIONS

8.1 Should any of the provisions contained in this Agreement prove to be inconsistent with law or invalid the Parties shall make their best efforts to replace such invalid provision with a valid one closest in the meaning to the original provision.

8.2 The Agreement may be changed, amended or modified only by the written agreement of the Parties.

8.3 This Agreement shall be governed by the laws of Estonia. Any disputes arising from this Agreement shall be settled in Harju County Court (in Estonian: *Harju Maakohus*).

8.4 This Agreement has been made and signed in two (2) counterparts, one counterpart to each Party.

IN WITNESS THEREOF the Parties have signed this Agreement on the date hereof.

<p>Issuer:</p> <p>/digitally signed/</p> <hr/> <p>Indrek Kasela Management board member of AS PRFoods</p>	<p>Collateral Agent:</p> <p>/digitally signed/</p> <hr/> <p>Peeter Viirsalu Management board member of PRF Collateral Agent OÜ</p>
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MERLE SAAR-JOHANSON, NOTARY IN AND FOR TALLINN

NOTARY'S OFFICIAL PROCEDURES BOOK
REGISTRY NUMBER

CONTRACT FOR ESTABLISHING A MORTGAGE

AND

REAL RIGHT CONTRACT

This notarial act has been prepared and attested by Merle Saar-Johanson, notary in and for Tallinn, in the notary's office located at Rävåla Ave. 3 / Kuke St. 2, Tallinn on the _____ in the year of two thousand and twenty (_____.2020) and the participants to this notarial act are:

Osaühing Vettel, registry code 10377013, address Kärssa, Suure-Rootsi village, Saaremaa rural municipality, Saaremaa county, e-mail address vettel@vettel.ee, hereinafter the **Owner**, represented by a member of management board entered on the registry card **Indrek Kasela**, personal identification code 37112100291, who is personally known to the attester of the notarial act, and who confirms that his powers as a member of management board are valid, he has not been recalled and his term of office has not expired, or it has been properly renewed,

PRF Collateral Agent OÜ, registry code 14880068, address F. R. Faehlmanni tn 5, 10125 Tallinn, the Republic of Estonia, e-mail address _____, hereinafter **the Mortgagee**, represented under a Power of Attorney by _____, personal identification code _____, whose identity has been ascertained on the basis of the Police and Border Guard Board electronic database, and who confirms that his/her powers to enter into this contract on behalf of the principal are sufficient and valid, they have not been withdrawn or cancelled,

the attester of the notarial act informed the participants that since the notarial act is not in their native language the participants have the right to request a written translation of the notarial act but the participants waived exercise of this right,

who enter into the following contract (hereinafter the "Contract"):

1. OBJECT OF THE CONTRACT

1.1. The object of this Contract is a registered immovable named KÄRSA located at Kärssa, Suure-Rootsi village, Saaremaa rural municipality, Saaremaa county, along with its essential parts and accessories (hereinafter the "Object of the Contract").

1.2. The Object of the Contract has been entered under register part No. 1586334 in the land

register of the Land Registry Department of Tartu County Court.

- 1.2.1.** According to the data entered into the first division of the land register part, cadastral reference of the land is 59201:005:0023, total area of 3,64 ha, address Kärša, Suure-Rootsi village, Saaremaa rural municipality, Saaremaa county, intended purpose of the land: production land (100%).
- 1.2.2.** In the second division Osaühing Vettel (registry code 10377013, Saare mk, Pihla v) has been entered as the owner.
- 1.2.3.** The following entries have been made in the third division:
 - 1) Personal right of use for a fee and a term for 50 (fifty) years, pursuant to clause 3 of the contract for the benefit of Osaühing HARINGTON (registry code 10929889, Paikuse rural municipality, Pärnumaa). Entered on 18.03.2004 on the basis of a real right contract dated 08.03.2004. Assistant judge, P. Tang.
 - 2) Personal right of use for the management of a power network for the benefit of Osaühingu Jaotusvõrk (registry code 11050857, Tallinn). The personal right of use established for the management of a power network in the extent of the power network protection zone according to clauses 2, 3, 4 and 5 of the contract and Annex 2 of the contract. The personal right of use has been established without a term and a fee until 01.01.2009 and for a fee commencing on 01.01.2009. Entered on 12.10.2004 on the basis of a real right contract dated 28.09.2004. Assistant judge, P. Tang.
- 1.2.4.** The following mortgage entries have been entered in the fourth division:
 - 2) Mortgage in the amount of 12,000,000.00 Estonian kroons with collateral claims in the amount of 1,400,000.00 Estonian kroons and interest rate of 18 per cent for the benefit of AS SEB Pank (registry code 10004252) with the obligation of each actual owner to be subject to immediate compulsory enforcement for satisfaction of claims secured by the mortgage. Entered on 24.05.2002. Amended on 24.09.2012 on the basis of a real right contract dated 17.09.2012. Assistant judge, Pille Zäär.
 - 3) Mortgage in the amount of 8,000,000.00 Estonian kroons for the benefit of AS SEB Pank (registry code 10004252) with the obligation of each actual owner to be subject to immediate compulsory enforcement for satisfaction of claims secured by the mortgage. Entered on 3.08.2004. Amended on 24.09.2012 on the basis of a real right contract dated 17.09.2012. Assistant judge, Pille Zäär.
 - 4) Mortgage in the amount of 15,000,000.00 Estonian kroons for the benefit of AS SEB Pank (registry code 10004252) with the obligation of each actual owner to be subject to immediate compulsory enforcement for satisfaction of claims secured by the mortgage. Entered on 15.02.2006. Amended on 24.09.2012 on the basis of a real right contract dated 17.09.2012. Assistant judge, Pille Zäär.
 - 5) Mortgage in the amount of 15,000,000.00 Estonian kroons for the benefit of AS SEB Pank (registry code 10004252) with the obligation of each actual owner to be subject to immediate compulsory enforcement for satisfaction of claims secured by the mortgage. Entered on 5.03.2007. Amended on 24.09.2012 on the basis of a real right contract dated 17.09.2012. Assistant judge, Pille Zäär.
 - 6) Mortgage in the amount of 30,000,000.00 Estonian kroons for the benefit of AS SEB Pank (registry code 10004252) with the obligation of each actual owner to be subject to immediate compulsory enforcement for satisfaction of claims secured by the mortgage. Entered on 6.09.2007. Amended on 24.09.2012 on the basis of a real right contract dated 17.09.2012. Assistant judge, Pille Zäär.
 - 7) Mortgage in the amount of 5,000,000.00 Euros for the benefit of AS SEB Pank (registry code 10004252) with the obligation of each actual owner to be subject to immediate compulsory enforcement for satisfaction of claims secured by the mortgage. Entered on 24.09.2012. Amended on 19.11.2014 on the basis of a consent

dated 31.10.2014 and an application dated 31.10.2014. Assistant judge, Mare Tomingas.

- 1.3. The data of the Object the Contract in this clause 1 is verified by the person attesting the notarial act under the aforementioned electronic databases on __.__.2020 via information system e-notar.

2. REPRESENTATIONS AND WARRANTIES OF THE PARTICIPANTS

2.1. The Owner represents and warrants as at the date of this Contract that:

- 2.1.1. The Object of the Contract is in the ownership of the Owner, it is not seized, to the knowledge of the Owner, there are no disputes regarding the Object of the Contract, it is not encumbered by any rights of any third parties not mentioned in this Contract, including the rights of third parties that are not subject to entry in the land register such as lease, rent or other contracts for use.
- 2.1.2. No registration applications not mentioned in this Contract have been submitted to the Land Registry Department with regard to the Object of the Contract.
- 2.1.3. The Owner has not been declared bankrupt and no court-supervised reorganisation proceedings (in Estonian: *saneerimismenetlus*) or liquidation proceedings have been initiated in respect of the Owner.

3. ESTABLISHMENT OF MORTGAGE AND OBLIGATIONS TOWARDS THE MORTGAGEE

- 3.1. The Owner shall establish a mortgage (hereinafter the “**Mortgage**”) on the Object of the Contract **on the first available ranking** in the amount of **twelve million three hundred and fifty thousand (12,350,000) Euros** for the benefit of the Mortgagee with the obligation of each and every actual owner of the Object of the Contract to be subject to immediate compulsory enforcement for the satisfaction of the obligations secured by the Mortgage. For the avoidance of doubt, any immediate compulsory enforcement for the satisfaction of the obligations secured by the Mortgage can only be initiated by the Mortgagee upon satisfaction of the preconditions for the enforcement of the Mortgage as set out in clause 4.1 of this Contract.
- 3.2. The Owner and the Mortgagee have agreed that the Mortgage shall secure any and all present and future payment obligations and liabilities (whether actual or contingent or whether owed jointly and severally or in any other capacity) owed by **AS PRFoods** (registry code 11560713, registered address Pärnu Rd. 141, Tallinn 11314, Estonia; hereinafter the “**Issuer**”) to the holders of the notes (hereinafter the “**Notes**”) issued or to be issued in accordance with the AS PRFoods Terms and Conditions of Secured Note Issue dated _____ (hereinafter the “**Terms**”) and to the Mortgagee (in its capacity as a collateral agent acting in the interests of the holders of the Notes under the Terms) from time to time under the Terms and any possible amendments and appendices thereto, as well as under the final terms, the collateral agreements and the collateral agent agreement entered into in accordance with the Terms, including but not limited to the obligations arising from the Notes and the parallel debt undertaking set out in Section 4.3 of the Terms.
- 3.3. The Owner shall be entitled to freely possess and use the Object of the Contract, to conduct its business activities on the Object of the Contract and to exercise all rights as the owner of the Object of the Contract without the need for consent of the Mortgagee or any holders of the Notes, except where such consent is expressly required in accordance with the Terms.

- 3.4.** The Owner undertakes to insure the Object of the Contract to the extent required under, and in accordance with the terms and conditions stipulated in, the Terms.
- 3.5.** The obligations of the Owner to provide information to the Mortgagee concerning the Object of the Contract shall be limited to the obligations set forth in the Terms.

4. ENFORCEMENT OF THE MORTGAGE AND APPLICATION OF PROCEEDS

- 4.1.** The Mortgagee shall be entitled to enforce the Mortgage upon satisfaction of all conditions set out in Section [10.1.] (*Enforcement of the Collateral*) of the Terms. The enforcement of the Mortgage shall be carried out by the Mortgagee by way of compulsory auction in accordance with the procedures provided in the Code of Enforcement Procedure and in compliance with the requirements of other applicable laws.
- 4.2.** The proceeds from the enforcement of the Mortgage shall be applied in accordance with Section [11.1] (*Application of Proceeds*) of the Terms.
The attester of the notarial act has advised the parties to include in the Contract the conditions and obligations referred to in clauses 3.3, 3.4, 3.5 and 4.2 of the Contract and stipulated in the Terms. The attester of the notarial act has not been able to consult the parties regarding the aforesaid obligations, nevertheless the parties wish to enter into the Contract on the terms and conditions as stipulated herein.

5. REAL RIGHT CONTRACT AND REGISTRATION APPLICATION

- 5.1. The Owner and the Mortgagee have agreed to establish a mortgage on the Object of the Contract. The Owner allows and the Mortgagee requests to enter into the fourth division of register part No. 1586334 of the Land Register of the Land Registry Department of the Tartu County Court on the first available ranking the mortgage with the mortgage amount of twelve million three hundred and fifty thousand (12,350,000) Euros, with the obligation of each and every actual owner to be subject to immediate compulsory enforcement, in favour of _____, registry code _____, address _____.**

6. ISSUANCE OF TRANSCRIPTS

- 6.1.** This notarial act is drawn up and signed in one original that is preserved in the notary's office.
- 6.2.** The copies of the notarial act shall be issued to the participants either on paper or digitally as chosen by the participant.
- 6.3.** The participants request the notary to submit a notarised and translated extract of this Contract to the land registry department within three (3) banking days. The notary will submit a digital translated extract of the notarial act to the land registry department via information system e-notar within three (3) banking days.

7. COSTS RELATED TO THE CONCLUSION OF THE CONTRACT

7.1. Notary fees:

The Owner will pay the notary fee for attestation of the contract for establishing a mortgage and real right contract 10,735.92 Euros (value of the transaction 6,390,000.00 Euros: Notary Fees Act § 3, 9 (1), 22, 23 p 2).

Value added tax 20% will be added to the aforementioned amount. Notary fee without VAT in total 10,735.92 Euros, VAT 2,147.18 Euros, notary fee included VAT 12,883.10 Euros.

7.2. State fees:

The Owner will pay the state fee for establishing a mortgage 8,233,333.33 Euros (value of the transaction 2,560.00 Euros: State Fees Act § 77 (1)).

7.3. The Owner shall pay the notary fee for the transcripts of the Contract. Notary fee for transcripts to the Land Registry Department shall be paid by the Owner. Fees for transcripts of the notarial act (VAT included) are as follows:

a transcript on paper to the party	0.23 EUR / page
a digital transcript to the party by e-mail	0.23 EUR / page
a digital transcript to the Land Registry Department	15.30 EUR + 0.23 EUR / page
a digital transcript via eesti.ee portal	free of charge

This document has 8 pages that are bound with a string and embossed with a seal impression.

7.4. In accordance with the division provided above the participant shall pay the notary fee at the notary's office in cash or by bank card or within three (3) banking days by bank transfer to the notary's bank account. The notary has the right to withhold the notarised transcripts of the notarial act until the fee is paid. Pursuant to the Notary Fees Act § 38 (2), the participants are solidarily liable to the notary for the payment of the notary fee for the notarial act.

7.5. In accordance with the division provided above the participant shall pay the state fee within three (3) banking days to the Ministry of Finance's bank account. In the event of a failure to pay the state fee, the beneficiary of the state fee is entitled to deny the registration application.

This notarial act has been read out to the participants proficient in English at the presence of the attester, it has been given for her review before approval and thereafter approved and signed by hand by the participants in the presence of the attester of the notarial act. The participants proficient in English waived the reading of the documents attached to the notarial act, the attached documents were given to the participants for review; these were approved by the participants and signed by hand in the presence of the attester of the act. The notarial act and the documents appended thereto have been interpreted to the participants not proficient in English from English into Estonian by the attester of the notarial act, the notarial act and the documents were handed to the participants for review before their approval, then approved by the participants and signed in own hand in the presence of the attester of the notarial act. The notarial act is prepared in English at the request of the participants. The notarial act is prepared in English at the request of the participants.

Given name and surname *in cursive*

signature

Given name and surname in cursive

signature

Signature and seal of the notary

Appendix number 1 to the notarial act

8. Explanation provided to the participants by the attester of the notarial act

- 8.1. Creation and termination of mortgage.** Mortgage is created by making the entry in the land register, not by entry into the present contract and the mortgage will extinguish upon deletion of the mortgage from the land register and not by termination of the claim secured by mortgage. If a claim secured by a mortgage is satisfied the actual owner of the encumbered immovable may demand entry of the mortgage in the name of the owner or its deletion, unless otherwise agreed. If a claim secured by a mortgage is partially satisfied, the actual owner of the encumbered immovable may demand entry of a partial mortgage in the land register for the owner's benefit to the extent the claim was satisfied, or deletion of the mortgage. (Law of Property Act § 349).
- 8.2. Transactions with property encumbered with mortgage.** The owner of an immovable encumbered with a mortgage has the right to possess, use and dispose of the encumbered immovable if thereby the owner does not decrease the value of the encumbered immovable or damage the rights of the mortgagee in any other manner (Law of Property Act § 333).
- 8.3. The extent of the agreement determining which claim is secured by a mortgage.** The security agreement can be concluded in the manner that the mortgage secures also the claims arising from future agreements.
- 8.4. Property insurance.** The insurer who insured a structure shall be immediately notified of any encumbrance of the registered immovable under the structure with a mortgage (Law of Obligations Act § 499).
- 8.5. The meaning of the agreement concerning subjection to immediate compulsory execution.** If the claims secured by a mortgage are not complied with (the loan is not repaid as required) the mortgagee is not obliged to recourse to the court for enforcement of a loan and for execution of sale of the property encumbered with a mortgage. The mortgagee can submit the agreement directly to the bailiff for performance of compulsory auction pursuant to the mortgage entry containing the agreement concerning subjection to immediate compulsory enforcement (Code of Enforcement Procedure § 2 (1) p 19).
- 8.6. Prohibited loans.** According to § 159 of the Commercial Code, (1) A private limited company shall not grant a loan: 1) to one of its shareholders whose share represents more than 5 per cent of the share capital; 2) to a shareholder or member of its parent undertaking, whose share represents more than 5 per cent of the share capital of the parent undertaking; 3) to a person to acquire a share of the private limited company; 4) to a member of its management board or supervisory board or its procurator. (2) A subsidiary may grant a loan to its parent undertaking or a parent undertaking to a shareholder or a member who forms the same group as the subsidiary if this does not harm the financial status of the private limited company or the interests of creditors. A subsidiary shall not grant a loan for acquiring a share of the private limited company to the persons specified in the first sentence of this subsection. (3) A private limited company shall also not guarantee a loan taken by the persons specified in subsection (1) of this section. The prohibition does not apply to guaranteeing a loan taken by the parent undertaking or guaranteeing a loan taken by a shareholder or member of the parent undertaking that forms the same group as the subsidiary if this does not harm the financial status of the private limited company or the interests of creditors. A private limited company shall not guarantee a loan taken for acquisition of a share of the private limited company. (4) Transactions in violation of the provisions of subsections (1) and (2) of this section are void. Violation of the provisions of subsection (3) of this section

does not result in the nullity of the transaction but the person whose loan was secured must compensate for the damage caused to the private limited company by the provision of the security. (5) The provisions of subsections (1)–(4) of this section correspondingly apply to credit agreements and other economically equivalent transactions.

8.7. Since the collateral provider itself is not the recipient of loan, the attester of the notarial act has explained to the collateral provider that if the claims secured with the mortgage are not fulfilled (the recipient of the loan does not return the loan duly), the property belonging to the collateral provider and encumbered with the mortgage could be sold at compulsory auction. The costs of execution proceeding shall be borne on account of money received from the sale and the loan, interests, fines for delay and other collateral claims shall be redeemed to the mortgagee. In that case the claim belonging to the mortgagee against the recipient of loan descends to the collateral provider (§ 173 of the Law of Obligations Act, § 349 (3) of the Law of Property Act).

Security Agreement

relating to
Mortgage Notes

____ January 2020

between

HEIMON KALA OY
as Pledgor

and

PRF COLLATERAL AGENT OÜ
as Collateral Agent

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Schedules

Schedule 1 Properties and Mortgage Notes

Schedule 2 Form of Notice and Acknowledgement – Existing Mortgage Notes

Schedule 3 Form of Power of Attorney – Existing Mortgage Notes

This Agreement (the “**Agreement**”) is entered into on [date] January 2020 by and between:

- (1) **HEIMON KALA OY**, a limited liability company existing under the laws of Finland with business identity code 0426956-8 (the “**Pledgor**”); and
- (2) **PRF COLLATERAL AGENT OÜ**, a company existing under the laws of Estonia with registry code 14880068, on its own behalf and in its capacity as Collateral Agent (as defined below) acting for the benefit and in the interests of the Noteholders (as defined below).

The Parties enter into this Agreement in connection with the issue by the Issuer of the EUR 9,500,000 secured notes, which is dated on or about the date of this Agreement.

IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In addition to the terms defined elsewhere in this Agreement, the following terms shall have the following meanings in this Agreement:

“**Business Day**” means a day, other than a Saturday or a Sunday, on which the banks are open for general business in Helsinki and Tallinn.

“**Collateral Agent**” means PRF Collateral Agent OÜ in its capacity as collateral agent acting for the benefit and in the interests of the Noteholders in accordance with the Terms, and shall include any successors and assignees in such capacity and all references to the Collateral Agent are construed as references to the same acting in such capacity for the benefit and in the interests of the Noteholders.

“**Enforcement Event**” means the event when all conditions set out in Section 10.1 (*Enforcement of the Collateral*) of the Terms have been satisfied (i.e. the Collateral Agent has become obliged to enforce the Security pursuant to the Terms).

“**Existing Mortgage Notes**” means the existing mortgage notes registered on the Property as specified in the third column of Schedule 1 with details specified in Schedule 1.

“**First Ranking Lenders**” means the Priority Ranking Lender(s) and Finnish Customs.

“**First Ranking Security**” means the security created in favour of the First Ranking Lenders over the Existing Mortgage Notes.

“**Issuer**” means AS PRFoods, a public limited liability company established and existing under the laws of Estonia with registry code 11560713.

“**Legal Reservations**” means the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, and other laws generally affecting the rights of creditors, defences of set-off or counterclaim and similar principles, the time barring of claims and further qualifications as to matters of law.

“**Mortgage Notes**” means the Existing Mortgage Notes and the New Mortgage Note with duly registered mortgages established or to be established on the Property as specified in Schedule 1 and in accordance with Clause 3 of this Agreement.

“**New Mortgage Note**” means the new mortgage note to be registered on the Property as specified in the fourth column of Schedule 1 with details specified in Schedule 1.

“**NLS**” means the National Land Survey of Finland (Fin: *maanmittauslaitos*).

“**Note**” shall have the meaning ascribed to this term in the Terms.

“**Noteholder**” shall have the meaning ascribed to this term in the Terms.

“**Note Documents**” shall have the meaning ascribed to this term in the Terms.

“**Parent**” means the Pledgor’s parent company AS Saaremere Kala, a limited liability company existing under the laws of Estonia with a business identity code 11310040.

“**Party**” means a party to this Agreement.

“**Priority Ranking Financing**” means loan facilities made available to the Issuer’s group companies under (i) an investment loan agreement by and between the Parent as borrower and AS SEB Pank as lender dated 19 July 2017, its respective annexes, amendments and documents related thereto and (ii) an overdraft loan agreement by and between the Parent as borrower and AS SEB Pank as lender dated 6 September 2016, its respective annexes, amendments and documents related thereto and/or (iii) any other loan or credit agreement entered into with any credit institution (a “**Refinancing Lender**”) to refinance any part of the loan facilities referred to above (other than as refinanced for the account of the proceeds from the Notes) (“**Permitted Refinancing**”).

“**Priority Ranking Lender(s)**” means AS SEB Pank or any other credit institution that makes available the Priority Ranking Financing to the Issuer’s group companies.

“**Property**” means the property as specified in Schedule 1 and, where the context so requires, includes the buildings and constructions as well as furnishings, fixtures, fittings, and appurtenances (Fin: *ainesosat ja tarpeisto*) on the Property.

“**Secured Obligations**” means any and all present and future payment obligations and liabilities (whether actual or contingent or whether owed jointly and severally or in any other capacity) owed by the Issuer to the Noteholders or any of them or to the Collateral Agent from time to time under the Terms, as well as under the final terms of the Notes, this Agreement and other collateral agreements and the collateral agent agreement entered into in accordance with the Terms, including but not limited to the obligations arising from the Notes and the parallel debt undertaking set out in Section 4.3 of the Terms.

“**Security**” means the security interest created pursuant to this Agreement.

“**Security Assets**” means the Mortgage Notes together with all statutory rights and interest in and relating to the Property and in each case, unless otherwise expressly stated in this Agreement, include, (without limitation) any yield deriving from any part of the Security Assets, the exclusive right to demand and receive all moneys whatsoever payable to or for the Pledgor’s benefit under or arising from any part of the Security Assets as well as any other assets of the Pledgor, which either as substitute (Fin: *surrogaatti*) or otherwise are, from time to time, the subject of the Security.

“**Security Period**” means the period beginning on the date of this Agreement and ending on the date upon which all the Secured Obligations have been unconditionally and irrevocably paid and discharged in full (subject to Clause 6.5).

“**Senior Secured Obligations**” means the obligations and liabilities owing to the Priority Ranking Lender(s) by the Pledgor and/or Issuer’s group companies under the Priority Ranking Financing as well as the obligations and liabilities owing to Finnish Customs by the Pledgor and/or Issuer’s group companies that are secured by the First Ranking Security.

“**Terms**” means the AS PRFoods Terms and Conditions of Secured Note Issue dated [●].

1.2 Construction

In this Agreement, unless contrary intention appears, references to:

- (a) a law or a provision thereof is a reference to the same as extended, applied, amended or re-enacted from time to time and includes any subordinate legislation;
- (b) words denoting the singular number shall include the plural and vice versa;
- (c) a person includes its successors, transferees, and assignees;
- (d) any document, agreement, or other instrument is a reference to that document, agreement, or other instrument as, from time to time, amended, varied, restated, replaced, or supplemented, including without limitation, (i) any increase or reduction in any amount made available thereunder or any alteration of or addition to the purposes for which any such amount, or increased amount, may be used, (ii) any facility provided in substitution of or in addition to the facilities originally made available thereunder, (iii) any rescheduling of the indebtedness incurred thereunder, whether in isolation or in connection with any of the foregoing, and (iv) any combination of any of the foregoing;
- (e) headings are inserted for convenience only and are to be ignored in construing this Agreement and, unless otherwise specified, all references to Clauses are to the clauses of this Agreement and all references to Schedules are references to the schedules of this Agreement;
- (f) references to the Security Assets include, where the context so requires, references to all or any of the constituent parts thereof; and
- (g) references to such terms as “this Agreement”, “hereunder”, “herein” and “hereby” shall, where the context so requires, be construed as including references to any supplemental agreement.

Capitalised terms defined in the Terms have the same meanings when used in this Agreement unless otherwise defined in this Agreement.

This Agreement is entered into subject to, and with the benefit of, the Terms. Notwithstanding anything to the contrary in this Agreement, to the extent permitted by law, the Terms will prevail if there is a conflict between the terms of this Agreement and the Terms.

2 PLEDGE AND GRANT OF SECURITY

2.1 The Pledgor, as security for the timely and complete payment, performance and discharge by the Issuer of the Secured Obligations, hereby irrevocably and unconditionally on the terms and conditions set out herein pledges (i) with first priority ranking (Fin: *ensipantti*) to the Collateral Agent acting for the benefit and in the interests of the Noteholders absolutely all rights, title, benefit and interest, present and future, in and relating to the New Mortgage Note; and (ii) with second ranking priority (Fin: *jälkipantti*), i.e. ranking immediately behind the First Ranking Security (Fin: *ensipantti*) created in favour of the First Ranking Lenders, to the Collateral Agent acting for the benefit and in the interests of the Noteholders absolutely all rights, title, benefit and interest, present and future, in and relating to the Existing Mortgage Notes.

2.2 The Collateral Agent shall represent the Noteholders in all matters in relation to this Agreement and the Security granted to the Collateral Agent acting for the benefit and in the interests of the Noteholders hereunder. In accordance with the Terms, the Collateral Agent shall be entitled to enforce the Noteholders’ rights, to give and receive notices on behalf of the

Noteholders and to receive payments on behalf of the Noteholders, and the Pledgor shall only be obliged to communicate with the Collateral Agent.

- 2.3 To the extent expressly permitted under the Terms, the Collateral Agent may (a) delegate to third person(s) its rights, powers and discretions under this Agreement and (b) employ agents, advisers and others for the purposes set out in this Agreement, provided that in each such case it does so in accordance with the Terms and collateral agent agreement entered into with the Issuer in connection with the Terms and uses reasonable care in selecting such delegate.
- 2.4 Notwithstanding the foregoing and any other provisions of this Agreement to the contrary, the obligations of the Pledgor shall not extend to any liability to the extent that this would (i) constitute unlawful financial assistance within the meaning of Section 10 of Chapter 13 of the Companies Act (Fin: *osakeyhtiölaki*, statute 624/2006, as amended), (ii) constitute unlawful distribution within the meaning of Section 1 of Chapter 13 of the Companies Act or (iii) otherwise constitute a violation of applicable mandatory provisions of Finnish corporate law.
- 2.5 Notwithstanding anything to the contrary in this Agreement, the Collateral Agent confirms to the Pledgor and approves that the Existing Mortgage Notes pledged with the first priority ranking in favour of AS SEB Pank in its capacity as Priority Ranking Lender as at the date of this Agreement (the “**Existing Priority Ranking Lender**”) may be pledged ranking before of the Security to a Refinancing Lender in connection with the Permitted Refinancing, and the Collateral Agent undertakes to instruct such an Existing Priority Ranking Lender to register such a Refinancing Lender as the registered recipient of the relevant Existing Mortgage Note instead of itself.

3 PERFECTION OF SECURITY

It is understood by the Parties that the perfection of the pledges contemplated in Clause 2 in order to create a legally valid, binding and enforceable security interest over the Security Assets requires the fulfilment and performance of further acts or conditions. The Pledgor undertakes to execute and deliver or procure the execution and delivery of all such documents, powers of attorney, instruments, applications, notifications and confirmations, and do or procure the doing of all such acts and things and to cause the execution of such acts in connection with the Security Assets or any part thereof as further stipulated below herein and as the Collateral Agent may reasonably require for perfecting the Security constituted by this Agreement, to secure the Noteholders’ full benefit of the Security Assets in accordance with this Agreement, or to enable the Collateral Agent to exercise all the rights and powers conferred hereby or by law.

3.1 Perfection measures

The Pledgor shall take all action required to assist in the registration of the Collateral Agent to be the registered recipient (Fin: *sähköisen panttikirjan saaja*) of each security instrument created hereunder in the Title and Mortgage Register (Fin: *lainhuuto- ja kiinnitysrekisteri*). For such purpose,

- (a) the Pledgor shall notify the First Ranking Lenders (as at the date of this Agreement) of the pledge of the Existing Mortgage Notes created under this Agreement substantially in the form attached hereto in Schedule 2 promptly after the execution of this Agreement. If the Existing Priority Ranking Lender is replaced by a transferee or, if the Existing Priority Ranking Lender or its transferee is replaced by a Refinancing Lender

- (a “**Lender Replacement Event**”), the Pledgor shall procure the delivery of a notice substantially in the form attached hereto in Schedule 2 to such new Priority Ranking Lender(s) promptly after such a Lender Replacement Event. The Pledgor shall no later than 5 Business Days after the date of this Agreement or a Lender Replacement Event, as applicable, submit to the Collateral Agent an evidence of dispatching of such notices to the First Ranking Lenders (including, for the avoidances of doubt, any new Priority Ranking Lender(s)). The Pledgor shall use reasonable endeavours to obtain from the First Ranking Lenders (including, for the avoidances of doubt, any new Priority Ranking Lender(s)) an acknowledgement of the receipt of the above-referred notices and upon receipt thereof shall submit a copy of such acknowledgement to the Collateral Agent; however, in no event shall the Pledgor be liable for any delay or failure by the First Ranking Lenders (including, for the avoidances of doubt, any new Priority Ranking Lender(s)) to issue the relevant acknowledgements;
- (b) the Pledgor shall cause that each registered recipient authorises substantially in the form as set out in Schedule 3 an attorney appointed by the Collateral Agent to file any application for such registration to the NLS immediately after the relevant Existing Mortgage Note having being released of the First Ranking Security, and the Pledgor further undertakes to provide all such documents in its possession and to do any actions that it is reasonably able to do as are needed to complete the registrations; and
- (c) The Pledgor shall take all actions required to apply for the registration of the New Mortgage Note with the Collateral Agent as the registered recipient and to authorise an attorney appointed by the Collateral Agent to file an application to such effect with the NLS and comply with all other provisions relating to such application promptly after the execution of this Agreement.

3.2 Mortgage Notes

- 3.3 Subject to the relevant Existing Mortgage Note having being released of the First Ranking Security and subject only to the sole discretion of the Collateral Agent thereafter, the Collateral Agent may, at the cost of the Pledgor, combine any Mortgage Note with another Mortgage Note encumbering the same Property in order to reduce the overall unit amount of the Mortgage Notes. The Pledgor further undertakes to provide all such documents and to do any actions needed to complete any such conversions and combinations.
- 3.4 The Pledgor hereby, to the fullest extent permitted by Finnish law and for the benefit of the Collateral Agent, waives its rights under Section 8 of Chapter 17 of the Land Code (Fin: *maakaari*, statute 540/1995, as amended) with respect to, among other things, insurance payments, and to the extent such section of law is expressed to be non-mandatory it does not apply to this Agreement and the Security.
- 3.5 The Pledgor shall, within 10 Business Days after (i) the execution of this Agreement or (ii) the First Ranking Security having been released, as applicable, deliver to the Collateral Agent an insurance certificate in substance satisfactory to the Collateral Agent and evidencing, inter alia, that the relevant insurance company has been notified that the Collateral Agent is the holder of the relevant Mortgage Note and therefore entitled to relevant insurance proceeds in accordance with the Land Code (Fin: *maakaari*, statute 540/1995, as amended).

4 REPRESENTATIONS AND WARRANTIES

4.1 The Pledgor represents and warrants as at the date of this Agreement and throughout the Security Period to the Collateral Agent acting for the benefit and in the interests of the Noteholders that:

- (a) this Agreement constitutes legally binding and valid obligations of the Pledgor enforceable in accordance with its terms;
- (b) it has the power to enter into and perform and has taken all necessary action to authorise the entry into and performance of this Agreement and the transactions contemplated by this Agreement;
- (c) it is the sole holder and legal and beneficial owner of the Security Assets and has full title thereto;
- (d) subject to the Legal Reservations, the execution of this Agreement by the Parties together with the perfection in accordance with Clause 3 will create (i) a first ranking security interest over the New Mortgage Note and (ii) a second ranking security interest over the Existing Mortgage Notes, in each case enforceable in accordance with the terms of this Agreement against the Pledgor, the bankruptcy estate of the Pledgor, and third party beneficiaries of the Pledgor; and
- (e) the Security Assets are free from any encumbrance, attachment, or precautionary measure other than (i) the First Ranking Security and as created under or pursuant to this Agreement or (ii) not prohibited by the Terms, or (iii) easements and similar encumbrances created solely by operation of law, or (iv) as set forth in the extracts from the Title and Mortgage Register (Fin: *lainhuuto- ja kiinnitysrekisteri*) and the Land Register (Fin: *kiinteistörekisteri*) supplied to the Collateral Agent;

5 UNDERTAKINGS

The Pledgor undertakes to the Collateral Agent and the Noteholders throughout the Security Period without the prior written consent of the Collateral Agent who shall act on instructions of the Noteholders obtained in accordance with the Terms (except as provided for in or permitted by this Agreement or the Note Documents) not to do or cause or permit to be done anything that would adversely affect, depreciate, jeopardise or otherwise prejudice the validity, enforceability or ranking of the security interest created or intended to be created by this Agreement.

6 CONTINUING SECURITY

6.1 The security interest constituted by this Agreement will be a continuing security, continue in full force and effect during the Security Period, be in addition to and not adversely affect or be adversely affected by any other Note Document, and continue in force notwithstanding any intermediate payment or discharge in whole or in part of the Secured Obligations.

6.2 This Security is in addition to and independent of and is not in any way prejudiced by any present or future guarantee, or other security held by the Collateral Agent for the benefit and in the interests of the Noteholders.

6.3 The Noteholders' rights hereunder are in addition to and not exclusive of those provided by law.

- 6.4 Until all Secured Obligations have been discharged unconditionally and irrevocably in full and unless the Collateral Agent otherwise directs, the Pledgor irrevocably waives the right to exercise, in competition with the Noteholders or the Collateral Agent, any claim against the Issuer arising by way of subrogation (Fin: *takautumisoikeus*) as a result of the enforcement of the Security.
- 6.5 If the Collateral Agent (acting on instructions of the Majority Noteholders (as defined in the Terms) considers that in respect of an amount paid by the Issuer to any Noteholder under the Note Documents there is a reasonable risk that such payment will be avoided or otherwise set aside on the liquidation, restructuring, or bankruptcy of the Issuer or otherwise, then that amount will not be considered to have been irrevocably paid for the purposes of this Agreement. Notwithstanding this, any payment will be considered irrevocable unless such insolvency or execution proceedings are initiated within three (3) months after full payment of the Secured Obligations, and the Security Assets will be released accordingly. Notwithstanding the aforesaid and any release of the Security under Clause 15, the Security will be effective, if the Secured Obligations are reinstated in whole or in part by operation of the Finnish Act on Recovery to Bankruptcy Estates (Fin: *laki takaisinsaannista konkurssipesään*, statute 758/1991, as amended), the Finnish Act on Corporate Restructuring (Fin: *laki yrityksen saneerauksesta*, statute 47/1993, as amended), the Enforcement Code (Fin: *ulosottoaari*, statute 705/2007, as amended) or by any other applicable law.

7 ENFORCEMENT

- 7.1 Subject to the Terms, upon the occurrence of an Enforcement Event, the Collateral Agent may on behalf of the Noteholders to the fullest extent permitted under Finnish law enforce the Security and realise the Security Assets and for such purpose (without limitation) (i) collect and receive any sum payable to the Pledgor under or in relation to the Security Assets and/or (ii) cause the sale, realisation, disposal, or transfer of the Security Assets or any part thereof in accordance with the resolution adopted by at least the Majority Noteholders (as defined in the Notes), and in each case apply any proceeds of such enforcement towards the discharge of the Secured Obligations in accordance with Clause 11.1 (*Application of Proceeds*) of the Terms.
- 7.2 If reasonably practicable before and in any event promptly after the exercise of any right under Clause 7.1(i), the Collateral Agent will give notice of such intended or actual action to the Pledgor. The Collateral Agent shall give at least 15 Business Days advance notice before the exercise of any right under Clause 7.1(ii).
- 7.3 The Parties recognise that under Finnish law, the enforcement of real estate mortgage (Fin: *kiinteistökiinnitys*) outside bankruptcy requires an enforceable enforcement order for execution.
- 7.4 After the enforcement of the Security or any part thereof, the Collateral Agent shall provide the Pledgor with information on the application of the enforcement proceeds so received. All moneys received by the Collateral Agent acting for the benefit and in the interests of the Noteholders hereunder will, subject to the payment of any claims having priority to the pledge created hereunder, be applied by the Collateral Agent in or towards the payment of the Secured Obligations in accordance with Clause 11.1 (*Application of Proceeds*) of the Terms. Subject to the full and final discharge of the Secured Obligations, the surplus, if any, will be paid to the Pledgor to an account designated by the Pledgor.

8 WAIVER OF DEFENCES

The Security shall not be affected in any way by any variation, extension, waiver, compromise or partial release of the Secured Obligations, the Note Documents or any guarantee or other security from time to time given or granted in respect thereof, or by any change in the laws, rules or regulations of any jurisdiction or by any present or future action of any governmental authority or court amending, varying, reducing or otherwise affecting, or purporting to amend, vary, reduce or otherwise affect, any of the Secured Obligations or the Note Documents.

9 POWER OF ATTORNEY

9.1 For the benefit of the Noteholders, the Pledgor hereby irrevocably appoints the Collateral Agent with full right of substitution to be its attorney and on its behalf and in its name or otherwise (as the attorney may decide) to sign, execute, seal, deliver, acknowledge, file, register and perfect any and all such agreements (including any agreements to which the Noteholders themselves are parties) and other documents and to do any and all such acts and things as the Pledgor (as the case may be) itself could (or ought to) do in relation to the Security Assets or in relation to any matters dealt with in this Agreement or as, in the opinion of the Collateral Agent or any substitute acting reasonably, may be necessary or desirable to give full effect to the purposes of this Agreement and the Pledgor will ratify and confirm whatever the attorney or any substitute will do or cause to do in the pursuance of the powers conferred to it hereby.

9.2 The Collateral Agent will not have any obligation whatsoever to exercise any of the powers conferred upon it by Clause 9.1. No action taken by or omitted to be taken by the attorney or any substitute in good faith shall give rise to any defence, counterclaim or set-off against the Noteholders or otherwise adversely affect any of the Secured Obligations.

9.3 Prior to the occurrence of an Enforcement Event, the Collateral Agent will only be entitled to exercise the powers conferred upon it by Clause 9.1 in order to take the action that the Pledgor has failed to take pursuant to this Agreement.

10 ASSIGNMENT

10.1 The Collateral Agent may assign or transfer any of its rights and/or obligations under this Agreement in the cases expressly set out in the Terms.

10.2 The Pledgor may not assign any of its rights and/or obligations under this Agreement.

11 INVALIDITY

Should any provision of this Agreement be or become invalid, void, or unenforceable, all remaining provisions and terms hereof will remain in full force and effect and will in no way be invalidated, impaired, or affected thereby. The Parties hereto agree that they will negotiate in good faith and will replace the invalid, void, or unenforceable provision with a valid and enforceable provision which reflects as much as possible the intention of the Parties as referred in the provision thus replaced.

12 AMENDMENTS AND WAIVERS

12.1 This Agreement may not be amended unless made by an instrument in writing and signed by or on behalf of the Pledgor and the Collateral Agent always subject to the provisions of the Terms.

13 FORCE MAJEURE

- 13.1 A Party may not be held liable for any damage resulting from a Finnish or foreign legislative enactment, actions of Finnish or foreign authorities, war, power failure, fire, water damage, riots, strike, blockade, lockout and boycott, or any other similar circumstances outside its control. This reservation applies even if the Party itself is the object of the strike, blockade, boycott or lockout in question, or it adopts such hostile measures.

14 NOTICES

Any notice or other communication to be given by one Party to another under this Agreement must be given to that other Party in accordance with Clause 13 (*Notices*) of the Terms.

15 RELEASE OF SECURITY

- 15.1 Upon the expiry of the Security Period, the Collateral Agent shall, at the request of the Pledgor, promptly release to the Pledgor all rights, title, and interest of the Collateral Agent and the Noteholders in or to the Security Assets and give such instructions and directions as the Pledgor may require in order to perfect such release.
- 15.2 Notwithstanding the above, subject to the provisions in the Note Documents, the Collateral Agent may, at its discretion and at the request and cost and expense of the Pledgor, reassign, release, or otherwise discharge the Security Assets in accordance with the instructions of the Pledgor.

16 COUNTERPARTS

This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

17 GOVERNING LAW, JURISDICTION

- 17.1 This Agreement is governed by and construed in accordance with Finnish law. Notwithstanding such choice of law, the Pledgor hereby to the fullest extent permitted by Finnish law waives its rights under the Finnish Act on Guarantees and Third Party Pledges (Fin: *laki takauksesta ja vierasvelkapanttauksesta*, statute 361/1999, as amended).
- 17.2 Subject to Clause 20 (c) below, the courts of Finland will have exclusive jurisdiction over matters arising of or in connection with this Agreement. The District Court of Helsinki (Fin: *Helsingin käräjäoikeus*) will be the court of first instance.
- 17.3 The submission to the jurisdiction of courts of Finland will not limit the right of any Noteholder to take proceedings against the Pledgor in any court which may otherwise exercise jurisdiction over the Pledgor or any of its assets.

(Signature pages follow)

This Agreement has been entered into on the date stated at the beginning of this Agreement.

The Pledgor
HEIMON KALA OY

By: _____
Name:
Title:

By: _____
Name:
Title:

The Collateral Agent
PRF COLLATERAL AGENT OÜ

By: _____
Name:
Title:

By: _____
Name:
Title:

Schedule 1
Properties and Mortgage Notes

Property (real estate registration number)	Ownership share held by the Pledgor	Existing Mortgage Notes (aggregate amount, EUR)	New Mortgage Note (aggregate amount, EUR)	Mortgage Notes (aggregate amount, EUR)
109-573-14-1	100 %	2,084,000	10,266,000	12,350,000

Details of Existing Mortgage Notes

Property 109-573-14-1

Order of Priority	Mortgage Note Nos.	Form on the date of the Agreement	Amount EUR / Mortgage Note
1.	708/31.12.2007/3578	electronic	176,597
2.	708/13.11.2007/3188	electronic	16,800
3.	708/13.11.2007/3189	electronic	16,800
4.	708/13.11.2007/3190	electronic	16,800
5.	708/14.11.2007/3207	electronic	33,600
6.	708/14.11.2007/3208	electronic	33,600
7.	708/14.11.2007/3209	electronic	33,600
8.	708/14.11.2007/3210	electronic	33,600
9.	708/14.11.2007/3217	electronic	33,637
10.	708/14.11.2007/3218	electronic	33,637
11.	708/31.12.2007/3579	electronic	33,637
12.	708/31.12.2007/3580	electronic	33,637
13.	708/31.12.2007/3581	electronic	33,637

14.	708/14.11.2007/3206	electronic	16,800
15.	708/14.11.2007/3211	electronic	84,000
16.	708/14.11.2007/3212	electronic	84,000
17.	708/14.11.2007/3213	electronic	84,000
18.	708/14.11.2007/3214	electronic	33,600
19.	708/14.11.2007/3215	electronic	33,600
20.	708/14.11.2007/3216	electronic	33,600
21.	14.9.2017 / 470285	electronic	1,184,818

TOTAL EUR 2,084,000

Details of New Mortgage Note (to be registered in electronic form)

Property 109-573-14-1

Order of Priority	Mortgage Note Nos.	Amount EUR / Mortgage Note
22.	N/A	10,266,000

TOTAL EUR 10,266,000

Schedule 2
Form of Notice and Acknowledgement – Existing Mortgage Notes

PLEDGE NOTICE / PANTTAUSILMOITUS

To: [AS SEB Pank / Finnish Tax and Customs]

Attn: [●]

Dear Sirs,

This is to notify you that by way of the security agreement dated on or about the date of this notice (the “**Security Agreement**”) between Heimon Kala Oy (the “**Pledgor**”) and PRF Collateral Agent OÜ (acting on behalf of itself and the other secured creditors (the “**Collateral Agent**”)), we have irrevocably and unconditionally pledged with second ranking priority (Fin: *jälkipantti*), i.e. ranking immediately behind the first ranking security interests (Fin: *ensipantti*) created in your favour (the “**Priority Ranking Security**”), to the secured creditors represented by the Collateral Agent all our rights, title and interest in and to a real property specified below encumbered with the below specified electronic mortgages notes registered to your name (the “**Mortgage Notes**”):

Property (real estate registration number)	Order of Priority	Mortgage Note Nos.	Amount EUR / Mortgage Note

Therefore, upon release of your security interest over the property referred to above, we consent to and hereby instruct you to immediately do any actions required by the Collateral Agent in order to apply for registration of the Collateral Agent, or any other person as may be instructed by the Collateral Agent, as the registered recipient (Fin: *sähköisen panttikirjan saaja*) of the Mortgage Notes in the Title and Mortgage Register (Fin: *lainhuuto- ja kiinnitysrekisteri*) instead of yourselves. Before such registration shall be fully completed by the National Land Survey of Finland (Fin: *maanmittauslaitos*), you shall regard in all respect holders of first priority security interest over the property referred above in accordance with the section 17:2.3 of the Land Code (Fin: *maakaari*, statute 540/1995, as amended).

Also, we confirm that the second ranking pledge created over the Mortgage Notes in favour of the Collateral Agent does not harm your position as the holder of the Priority Ranking Security or your rights arising thereunder.

Please also note that this notice is not to be revoked or amended without a prior written consent of the Collateral Agent.

We kindly request that you confirm your receipt and acknowledgement of the above by returning a signed copy of this notification to the Collateral Agent and ourselves by delivering confirmation by mail or e-mail to the following addresses:

HEIMON KALA OY

Address: [●]

Attention: [●]

E-mail: [●]

PRF COLLATERAL AGENT OÜ

Address: [●]

Attention: [●]

E-mail: [●]

In each case with a copy to:

Address: c/o Hannes Snellman Attorneys Ltd P.O. Box 333, FI-00131 Helsinki, Finland

Attention: Sami Niemi

E-mail: sami.niemi@hannessnellman.com

Please contact us if you have any queries.

Yours faithfully,

Date: _____ 2020

HEIMON KALA OY

By:

Title:

CONFIRMATION OF RECEIPT OF NOTICE

We hereby confirm our receipt and acknowledgement of the above notice and further confirm that:

1. we are the registered recipients of the electronic Mortgage Notes;
2. prior to the date of this Agreement, we have not been notified of any pledge or other security interest over any of the Mortgage Notes (other than the security interest created in our favour);
3. upon release of the security interest created in our favour, we shall procure the registration of the Collateral Agent, or any other person as may be instructed by the Collateral Agent, as the registered recipient (Fin: *sähköisen panttikirjan saaja*) of the Mortgage Notes in the Title and Mortgage Register (Fin: *lainhuuto- ja kiinnitysrekisteri*) instead of ourselves; and
4. we will act in accordance with the above notice and we undertake to observe its terms.

Date: ____ 2020

[AS SEB PANK / FINNISH TAX AND CUSTOMS]

By:

Title:

Schedule 3
Form of Power of Attorney – Existing Mortgage Notes

VALTAKIRJA / POWER OF ATTORNEY

Allekirjoittanut valtuuttaa asianajajat [●] ja [●] Hannes Snellman Asianajotoimisto Oy:stä tai määräämänsä, kukin yksin, hakemaan puolestamme uuden sähköisen panttikirjan saajan kirjausta sijastamme [●] nimiin koskien kaikkia alla listattuja sähköisiä panttikirjoja.

Kohde (kiinteistörekisterinumero) / Property (real estate registration number)	Etusija /Order of Priority	Panttikirjanumero/ Mortgage Note Nos.	Kiinnityksen euromäärä / Amount EUR / Mortgage Note

The undersigned hereby authorises attorney at laws [●] and [●] of Hannes Snellman Attorneys Ltd or his order, each alone, to apply on our behalf for [●] to be the new registered recipient (Fin: sähköisen panttikirjan saaja) instead of us as regards all of the above listed mortgage notes issued in electronic form.

Tähän valtakirjaan sovelletaan Suomen lakia ja se on voimassa kunnes kirjaus on tehty.

This power of attorney is governed by Finnish law and shall be valid until the registration shall be completed.

Aika / Date: _____ 20_____

[AS SEB PANK / FINNISH CUSTOMS]

By: _____
Allekirjoitus / Signed by:
Asema / Title:

By: _____
Allekirjoitus / Signed by:
Asema / Title:



MERLE SAAR-JOHANSON, NOTARY IN AND FOR TALLINN

NOTARY'S OFFICIAL PROCEDURES BOOK
REGISTRY NUMBER

CONTRACT FOR ESTABLISHING A COMMERCIAL PLEDGE

AND

APPLICATION FOR REGISTRATION OF COMMERCIAL PLEDGE

This notarial act has been prepared and attested by Merle Saar-Johanson, notary in and for Tallinn, in the notary's office located at Rävala Av. 3 / Kuke St. 2, Tallinn on the _____ two thousand and twenty (_____2020) and the participants in this notarial act are:

Osaühing Vettel, registry code 10377013, address Kärssa, Suure-Rootsi village, Saaremaa rural municipality, Saaremaa county, e-mail address vettel@vettel.ee, hereinafter the **Pledgor**, represented by a member of the management board entered on the registry card **Indrek Kasela**, personal identification code 37112100291, who is personally known to the attester of the notarial act, and who confirms that his powers as a member of management board are valid, he has not been recalled and his term of office has not expired, or it has been properly renewed,

PRF Collateral Agent OÜ, registry code 14880068, address _____, e-mail address F. R. Faehlmanni tn 5, 10125 Tallinn, the Republic of Estonia, hereinafter the **Pledgee**, represented under a Power of Attorney by _____, personal identification code _____, whose identity has been ascertained on the basis of the Police and Border Guard Board electronic database, and who confirms that his/her powers to enter into this contract on behalf of the principal are sufficient and valid, they have not been withdrawn or cancelled,

the attester of the notarial act informed the participants that since the notarial act is not in their native language the participants have the right to request a written translation of the notarial act but the participants waived exercise of this right,

the Pledgor and the Pledgee are hereinafter together referred to as the **Parties** or each as a **Party**, who enter into the following contract (hereinafter the "**Contract**"):

1. OBJECT OF THE PLEDGE

1.1. The object of the pledge is the entire movable property of the Pledgor, which the Pledgor

owns at the time of making the pledge entry or which the Pledgor acquires after making the pledge entry, except for the property specified in subsection 2 (3) of the Commercial Pledge Act (hereinafter the “**Object of the Pledge**”).

1.2. The following commercial pledges encumber the property constituting the Object of the Pledge:

1.2.1. first (1) ranking commercial pledge with the pledge amount of 10,000,000.00 Estonian kroons, for the benefit of the AS SEB Pank, registry code 10004252;

1.2.2. second (2) ranking commercial pledge with the pledge amount of 3,361,000.00 Euros, for the benefit of the AS SEB Pank, registry code 10004252.

2. REPRESENTATIONS AND WARRANTIES OF THE PARTICIPANTS

2.1. The Pledgor represents and warrants as at the date of this Contract that:

2.1.1. The Object of the Pledge is not seized and, to the knowledge of the Pledgor, there are no disputes regarding the Object of the Pledge, it is not encumbered by any rights of any third parties, including the rights of third parties that are not subject to entry in the land register such as lease, rent or other contracts for use.

2.1.2. The Object of the Pledge is not subject to any commercial pledge of an earlier date, other than those mentioned in this Contract, and the Pledgor has not entered into any agreement for establishment of a commercial pledge not mentioned in this Contract in favour of third parties.

2.1.3. The Pledgor has not been declared bankrupt and no court-supervised reorganisation proceedings (in Estonian: *saneerimismenetlus*) or liquidation proceedings have been initiated in respect of the Pledgor.

3. ESTABLISHMENT OF COMMERCIAL PLEDGE AND OBLIGATIONS OF THE PLEDGOR

3.1. With the present Contract the Pledgor shall establish a commercial pledge on the Object of the Pledge referred to in clause 1.1 of the Contract **on the first available ranking** in the amount of **twelve million three hundred and fifty thousand (12,350,000) Euros** for the benefit of the Pledgee (hereinafter the “**Pledge**”).

3.2. The Pledgor and Pledgee have agreed that the Pledge established under the present Contract shall secure any and all present and future payment obligations and liabilities (whether actual or contingent or whether owed jointly and severally or in any other capacity) owed by **AS PRFoods** (registry code 11560713, registered address Pärnu Rd. 141, Tallinn 11314, Estonia; hereinafter the “**Issuer**”) to the holders of the notes (hereinafter the “**Notes**”) issued or to be issued in accordance with the AS PRFoods Terms and Conditions of Secured Note Issue dated _____ (hereinafter the “**Terms**”) and to the Pledgee (in its capacity as a collateral agent acting in the interests of the holders of the Notes under the Terms) from time to time under the Terms and any possible amendments and appendices thereto, as well as under the final terms, the collateral agreements and the collateral agent agreement entered into in accordance with the Terms, including but not limited to the obligations arising from the Notes and the parallel debt undertaking set out in Section 4.3 of the Terms.

3.3. The Pledgor shall be entitled to freely possess and use the Object of the Pledge, to conduct its business activities using the Object of the Pledge and to exercise all rights as the owner of the Object of the Pledge without the need for consent of the Pledgee or any holders of the Notes, except where such consent is expressly required in accordance with the Terms.

3.4. The Owner undertakes to insure the Object of the Pledge to the extent required under, and

in accordance with the terms and conditions stipulated in, the Terms.

- 3.5.** The obligations of the Pledgor to provide information to the Pledgee concerning the Object of the Pledge shall be limited to the obligations set forth in the Terms.

4. ENFORCEMENT OF THE PLEDGE AND APPLICATION OF PROCEEDS

- 4.1.** The Pledgee shall be entitled to enforce the Pledge upon satisfaction of all conditions set out in Section [10.1.] (*Enforcement of the Collateral*) of the Terms. The enforcement of the Pledge shall be carried out in accordance with the procedures provided in the applicable laws. After the Pledgor becomes entitled to enforce the Pledge in accordance with this clause, the Pledgor undertakes to deliver to the Pledgee upon the latter's relevant request the documentation regarding the Object of the Pledge and its acquisition, as is necessary to enforce the Pledge.
- 4.2.** The proceeds from the enforcement of the Pledge shall be applied in accordance with Section [11.1] (*Application of Proceeds*) of the Terms and Conditions of Secured Note Issue.

The attester of the notarial act has advised the parties to include in the Contract the conditions and obligations referred to in clauses 3.3, 3.4, 3.5 and 4.2 of the Contract and stipulated in the Terms. The attester of the notarial act has not been able to consult the parties regarding the aforesaid obligations, nevertheless the parties wish to enter into the Contract on the terms and conditions as stipulated herein.

5. APPLICATION FOR REGISTRATION OF COMMERCIAL PLEDGE

- 5.1.** The Pledgor and the Pledgee hereby request the registration in the Commercial Pledge Register of a first available ranking commercial pledge in the amount of twelve million three hundred and fifty thousand (12,350,000) Euros encumbering the assets of Osäühing Vettel, registry code 10377013, address Kärssa, Suure-Rootsi village, Saaremaa rural municipality, Saaremaa county for the benefit of _____, registry code _____, address _____, the _____.

6. ISSUANCE OF TRANSCRIPTS

- 6.1.** This notarial act is drawn up and signed in one original that is preserved in the notary's office.
- 6.2.** At the date of this notarial act, to the participants shall be issued the transcripts of the present contract on paper or digitally, at the choice of each participant. The digital transcript is also available to the participant at the government Internet portal www.eesti.ee.
- 6.3.** The participants request the notary to submit a notarised and translated transcript of this Contract to the register of commercial pledges. The notary shall submit the transcript to the register of commercial pledges within three (3) business days after the participants have submitted to the notary a translated transcript of this Contract.

7. COSTS RELATED TO THE CONCLUSION OF THE CONTRACT

- 7.1.** All costs related to the conclusion of the Contract shall be paid by the Pledgor.
- 7.2.** The participant shall pay the notary fee at the notary office in cash or by payment card or within three (3) workdays from signing of this Contract by bank transfer to the notary's bank account. The notary has the right to withhold the copies of the notarial act until the

fee is paid. Pursuant to the Notary Fees Act § 38 (2), the participants are solidarily liable before the notary for the payment of the notary fee for the notarial act.

7.3. The participant shall pay the state fee within three (3) workdays from signing of this Contract to the account of the Ministry of Finance. If the state fee is not paid the recipient of the state fee has the right not to consider the registration application.

For calculating the notary fee the value of the transaction is 2/3 of the pledge amount.

Notary fee: For attestation of the contract for establishing a commercial pledge 10,735.92 Euros (transaction value 6,390,000.00 Euros) Notary Fees Act § 3, 5, 6, 9 (1), 22, 23 (2)).

Total notary fee	EUR 10,735.92
Value Added Tax	EUR 2,147.18
Total	EUR 12,883.10

The state fee for entry of commercial pledge (0.2% of the pledge amount, but no less than 32 Euros and not more than 2,560 Euros) 2,560.00 Euros (transaction value 12,350,000.00 Euros: State Fee Act § 70 (1)).

A fee for transcripts of the notarial act (subject to VAT):

a transcript on paper to the party	EUR 0.19 / page
a digital transcript to the party	EUR 0.19 / page
a digital transcript to an institution	EUR 12.75 + EUR 0.19 / page

This document has ___ pages that are bound with a string and embossed with a seal impression.

The notarial act and the documents appended thereto have been interpreted to the participants not proficient in English from English into Estonian by the attester of the notarial act, the notarial act and the documents were handed to the participants for review before their approval, then approved by the participants and signed in own hand in the presence of the attester of the notarial act. The notarial act is prepared in English at the request of the participants.

Given name(s) and surname in cursive

signature

Given name(s) and surname in cursive

signature

Signature and seal of the notary

Appendix number 1 to the notarial act

8. Explanation provided to the participants by the attester of the notarial act

- 8.1.** Pursuant to § 2 (3) of the Commercial Pledges Act, a commercial pledge does not extend to money in a cash register or credit institution; shares, stocks, investment fund shares, contributions in co-operatives or participation of Pledgor in other companies belonging to an undertaking; promissory notes or other loan documents of Pledgor accepted in common usage; or other securities of Pledgor, as well as property on which another class of registered security over movables or the building pledge may be established, property to which a mortgage established on the immovable before or after establishment of the commercial pledge extends or property on which a possessory pledge is established, as well as property which, pursuant to law, cannot be subject to a claim for payment.
- 8.2.** A commercial pledge is created after a corresponding entry is made in the commercial pledge register and extinguishes upon deletion thereof from the register.
- 8.3.** The pledgor may use and dispose of property encumbered with a commercial pledge in the ordinary course of business and if the pledgor transfers a thing which forms part of the property encumbered with a commercial pledge in the ordinary course of business, the commercial pledge on the thing extinguishes. Upon the transfer of property which is encumbered with a commercial pledge and which constitutes an enterprise or installation, the commercial pledge is preserved.
- 8.4.** An undertaking on whose property a commercial pledge is established is required to notify promptly the pledgee of suspension of operations of the enterprise, division, transfer or delivery in any other manner of the enterprise, decrease in property if the value of the security declines significantly, and of the destruction of the property or a majority thereof. At the request of the pledgee, a pledgor must also give the pledgee other information concerning encumbered property necessary to determine the value of the security (§ 12 of the Commercial Pledges Act).
- 8.5.** A private limited company shall not grant a loan: 1) to one of its shareholders whose share represents more than 5 per cent of the share capital; 2) to a shareholder or member of its parent undertaking, whose share represents more than 5 per cent of the share capital of the parent undertaking; 3) to a person to acquire a share of the private limited company; 4) to a member of its management board or supervisory board or its procurator. A subsidiary may grant a loan to its parent undertaking or a parent undertaking to a shareholder or a member who forms the same group as the subsidiary if this does not harm the financial status of the private limited company or the interests of creditors. A subsidiary shall not grant a loan for acquiring a share of the private limited company to the persons specified in the first sentence of this subsection. A private limited company shall also not guarantee a loan taken by the persons specified in subsection (1) of § 159 of Commercial Code. The prohibition does not apply to guaranteeing a loan taken by the parent undertaking or guaranteeing a loan taken by a shareholder or member of the parent undertaking that forms the same group as the subsidiary if this does not harm the financial status of the private limited company or the interests of creditors. A private limited company shall not guarantee a loan taken for acquisition of a share of the private limited company. Transactions in violation of the provisions of subsections (1) and (2) of § 159 of Commercial Code are void. Violation of the provisions of subsection (3) of § 159 of Commercial Code does not result in the nullity of the transaction but the person whose loan was secured must compensate for the damage caused to the private limited company by the provision of the security. The provisions of subsections (1)–(4) of § 159 of Commercial Code correspondingly apply to credit agreements and other

economically equivalent transactions (Commercial Code § 159).

Second Ranking Security Agreement

relating to
Shares in Heimon Kala Oy¹

____ January 2020

between

AS SAAREMERE KALA
as Pledgor

and

PRF COLLATERAL AGENT OÜ
as Collateral Agent

HANNES SNELLMAN

¹ In case the shares of Oy Trio Trading Ab (a company incorporated under the laws of Finland, registered in the Finnish Business Register with business ID 1559086-7) are to be pledged in accordance with the Terms, the relevant share pledge agreement shall be made substantially on the terms of this Agreement.

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Schedules

Schedule 1	Subsidiary and Shares
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This Agreement (the “**Agreement**”) is entered into on [date] January 2020 by and between:

- (1) **AS SAAREMERE KALA**, a company existing under the laws of Estonia with business identity code 11310040 (the “**Pledgor**”); and
- (2) **PRF COLLATERAL AGENT OÜ**, a company existing under the laws of Estonia with registry code 14880068, on its own behalf and in its capacity as Collateral Agent (as defined below) acting for the benefit and in the interests of the Noteholders (as defined below).

The Parties enter into this Agreement in connection with the issue by the Issuer of the EUR 9,500,000 secured notes, which is dated on or about the date of this Agreement.

IT IS AGREED as follows:

1 DEFINITIONS AND INTERPRETATION

1.1 Definitions

In addition to the terms defined elsewhere in this Agreement, the following terms shall have the following meanings in this Agreement:

“**Business Day**” means a day, other than a Saturday or a Sunday, on which the banks are open for general business in Helsinki and Tallinn.

“**Collateral Agent**” means PRF Collateral Agent OÜ in its capacity as collateral agent acting for the benefit and in the interests of the Noteholders in accordance with the Terms, and shall include any successors and assignees in such capacity and all references to the Collateral Agent are construed as references to the same acting in such capacity for the benefit and in the interests of the Noteholders.

“**Dividends**” means any dividends or interest or other income paid or payable or distributed on or in respect of any Shares after the date of this Agreement.

“**Enforcement Event**” means the event when all conditions set out in Section 10.1 (*Enforcement of the Collateral*) of the Terms have been satisfied (i.e. the Collateral Agent has become obliged to enforce the Security pursuant to the Terms).

“**Issuer**” means AS PRFoods, a public limited liability company established and existing under the laws of Estonia with registry code 11560713.

“**Legal Reservations**” means the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, and other laws generally affecting the rights of creditors, defences of set-off or counterclaim and similar principles, the time barring of claims and further qualifications as to matters of law.

“**Note**” shall have the meaning ascribed to this term in the Terms.

“**Noteholder**” shall have the meaning ascribed to this term in the Terms.

“**Note Documents**” shall have the meaning ascribed to this term in the Terms.

“**Party**” means a party to this Agreement.

“**Priority Ranking Financing**” means loan facilities made available to the Issuer’s group companies under (i) an investment loan agreement by and between the Pledgor as borrower and AS SEB Pank as lender dated 19 July 2017, its respective annexes, amendments and documents related thereto and (ii) an overdraft loan agreement by and between the Pledgor as borrower and AS SEB Pank as lender dated 6 September 2016, its respective annexes, amendments and documents related thereto and/or (iii) any other loan or credit agreement entered into with any credit institution (a “**Refinancing Lender**”) to refinance any part of the loan facilities referred

to above (other than as refinanced for the account of the proceeds from the Notes) (“**Permitted Refinancing**”).

“**Priority Ranking Lender(s)**” means AS SEB Pank or any other credit institution that makes available the Priority Ranking Financing to the Issuer’s group companies.

“**Priority Ranking Security**” means the security created in favour of the Priority Ranking Lender(s).

“**Related Rights**” means any Dividends and any other rights, moneys or property accruing or offered at any time in relation to any Shares by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise (Fin: *varallisuuspitoisia oikeuksia*), as well as any and all other ancillary rights conferred by Finnish law upon the holders of shares to the fullest extent such rights are permitted to be pledged under Finnish law.

“**Secured Obligations**” means any and all present and future payment obligations and liabilities (whether actual or contingent or whether owed jointly and severally or in any other capacity) owed by the Issuer to the Noteholders or any of them or to the Collateral Agent from time to time under the Terms, as well as under the final terms of the Notes, this Agreement and other collateral agreements and the collateral agent agreement entered into in accordance with the Terms, including but not limited to the obligations arising from the Notes and the parallel debt undertaking set out in Section 4.3 of the Terms.

“**Security**” means the security interest created pursuant to this Agreement.

“**Security Assets**” means the Shares and the Related Rights pertaining thereto and in each case, unless otherwise expressly stated in this Agreement, include, (without limitation) any yield deriving from any part of the Security Assets, the exclusive right to demand and receive all moneys whatsoever payable to or for the Pledgor’s benefit under or arising from any part of the Security Assets as well as any other assets of the Pledgor, which either as substitute (Fin: *surrogaatti*) or otherwise are, from time to time, the subject of the Security.

“**Security Period**” means the period beginning on the date of this Agreement and ending on the date upon which all the Secured Obligations have been unconditionally and irrevocably paid and discharged in full (subject to Clause 6.5).

“**Senior Secured Obligations**” means the obligations and liabilities owing to the Priority Ranking Lender(s) by the Pledgor and/or Issuer’s group companies under the Priority Ranking Financing that are secured by the Priority Ranking Security.

“**Shares**” means the shares the Subsidiary as listed in Schedule 1 as well as all other shares issued, from time to time, by the Subsidiary (whether by way of a new issue of shares or bonus issue of shares, conversion, redemption or otherwise) and all convertible debt instruments, option rights or other rights to subscribe for new shares or other securities issued by the Subsidiary and owned by the Pledgor.

“**Subsidiary**” means Heimon Kala Oy, a limited liability company existing under the laws of Finland with business identity code 0426956-8.

“**Terms**” means the AS PRFoods Terms and Conditions of Secured Note Issue dated [●].

1.2 Construction

In this Agreement, unless contrary intention appears, references to:

- (a) a law or a provision thereof is a reference to the same as extended, applied, amended or re-enacted from time to time and includes any subordinate legislation;
- (b) words denoting the singular number shall include the plural and vice versa;
- (c) a person includes its successors, transferees, and assignees;

- (d) any document, agreement, or other instrument is a reference to that document, agreement, or other instrument as, from time to time, amended, varied, restated, replaced, or supplemented, including without limitation, (i) any increase or reduction in any amount made available thereunder or any alteration of or addition to the purposes for which any such amount, or increased amount, may be used, (ii) any facility provided in substitution of or in addition to the facilities originally made available thereunder, (iii) any rescheduling of the indebtedness incurred thereunder, whether in isolation or in connection with any of the foregoing, and (iv) any combination of any of the foregoing;
- (e) headings are inserted for convenience only and are to be ignored in construing this Agreement and, unless otherwise specified, all references to Clauses are to the clauses of this Agreement and all references to Schedules are references to the schedules of this Agreement;
- (f) references to the Security Assets include, where the context so requires, references to all or any of the constituent parts thereof; and
- (g) references to such terms as “this Agreement”, “hereunder”, “herein” and “hereby” shall, where the context so requires, be construed as including references to any supplemental agreement.

Capitalised terms defined in the Terms have the same meanings when used in this Agreement unless otherwise defined in this Agreement.

This Agreement is entered into subject to, and with the benefit of, the Terms. Notwithstanding anything to the contrary in this Agreement, to the extent permitted by law, the Terms will prevail if there is a conflict between the terms of this Agreement and the Terms.

2 PLEDGE AND GRANT OF SECURITY

- 2.1 The Pledgor, as security for the timely and complete payment, performance and discharge by the Issuer of the Secured Obligations, hereby irrevocably and unconditionally on the terms and conditions set out herein pledges with second ranking priority (Fin: *jälkipantti*), i.e. ranking immediately behind the Priority Ranking Security (Fin: *ensipantti*) created in favour of the Priority Ranking Lender(s), to the Collateral Agent acting for the benefit and in the interests of the Noteholders absolutely all rights, title, benefit and interest, present and future, in and relating to the Security Assets.
- 2.2 The Collateral Agent shall represent the Noteholders in all matters in relation to this Agreement and the Security granted to the Collateral Agent acting for the benefit and in the interests of the Noteholders hereunder. In accordance with the Terms, the Collateral Agent shall be entitled to enforce the Noteholders’ rights, to give and receive notices on behalf of the Noteholders and to receive payments on behalf of the Noteholders, and the Pledgor shall only be obliged to communicate with the Collateral Agent.
- 2.3 To the extent expressly permitted under the Terms, the Collateral Agent may (a) delegate to third person(s) its rights, powers and discretions under this Agreement and (b) employ agents, advisers and others for the purposes set out in this Agreement, provided that in each such case it does so in accordance with the Terms and collateral agent agreement entered into with the Issuer in connection with the Terms and uses reasonable care in selecting such delegate.

- 2.4 Notwithstanding the foregoing and any other provisions of this Agreement to the contrary, the obligations of the Pledgor shall not extend to any liability to the extent that this would (i) constitute unlawful financial assistance within the meaning of Section 10 of Chapter 13 of the Companies Act (Fin: *osakeyhtiölaki*, statute 624/2006, as amended), (ii) constitute unlawful distribution within the meaning of Section 1 of Chapter 13 of the Companies Act or (iii) otherwise constitute a violation of applicable mandatory provisions of Finnish corporate law.
- 2.5 Notwithstanding anything to the contrary in this Agreement, the Collateral Agent confirms to the Pledgor and approves that the Security Assets pledged with the first priority ranking in favour of AS SEB Pank in its capacity as Priority Ranking Lender as at the date of this Agreement (the “**Existing Priority Ranking Lender**”) may be pledged ranking before of the Security to a Refinancing Lender in connection with the Permitted Refinancing, and the Collateral Agent undertakes to instruct such an Existing Priority Ranking Lender to deliver share certificates or interim share certificates or other instruments relating to the Shares (if any) to such a Refinancing Lender instead of itself.

3 **PERFECTION OF SECURITY**

It is understood by the Parties that the perfection of the pledges contemplated in Clause 2 in order to create a legally valid, binding and enforceable security interest over the Security Assets requires the fulfilment and performance of further acts or conditions. The Pledgor undertakes to execute and deliver or procure the execution and delivery of all such documents, powers of attorney, instruments, applications, notifications and confirmations, and do or procure the doing of all such acts and things and to cause the execution of such acts in connection with the Security Assets or any part thereof as further stipulated below herein and as the Collateral Agent may reasonably require for perfecting the Security constituted by this Agreement, to secure the Noteholders’ full benefit of the Security Assets in accordance with this Agreement, or to enable the Collateral Agent to exercise all the rights and powers conferred hereby or by law.

3.1 **Perfection measures**

The Pledgor shall:

- (a) promptly after the execution of this Agreement, notify the Existing Priority Ranking Lender of the pledge of the Shares and Related Rights and agreed limitations related to the Shares substantially in the form attached hereto in Schedule 2. If the Existing Priority Ranking Lender is replaced by a transferee or, if the Existing Priority Ranking Lender or its transferee is replaced by a Refinancing Lender (a “**Lender Replacement Event**”), the Pledgor shall procure the delivery of a notice substantially in the form attached hereto in Schedule 2 to such new Priority Ranking Lender(s) promptly after such a Lender Replacement Event. The Pledgor shall no later than 5 Business Days after the date of this Agreement or a Lender Replacement Event, as applicable, submit to the Collateral Agent an evidence of dispatching of such notices to the Priority Ranking Lender(s). The Pledgor shall use reasonable endeavours to obtain from the Priority Ranking Lender(s) an acknowledgement of the receipt of the above-referred notices and upon receipt thereof shall submit a copy of such acknowledgement to the Collateral Agent; however, in no event shall the Pledgor be liable for any delay or failure by the Priority Ranking Lender(s) to issue the relevant acknowledgements;

- (b) promptly and in any event within 5 Business Days after the execution of this Agreement, notify the Subsidiary of the pledge of the Shares and Related Rights and agreed limitations related to the Shares by procuring that the Subsidiary acknowledges the notice set out on the execution page of this Agreement;
- (c) promptly and in any event within 5 Business Days after the execution of this Agreement, cause the Subsidiary to enter the Security into their shareholder registers (Fin: *osaksluettelo*) and promptly provide to the Collateral Agent a copy of such registers evidencing the entry of the Security into such registers in a form satisfactory to the Collateral Agent; and
- (d) in the event that the Senior Secured Obligations have been unconditionally and irrevocably paid and discharged in full, take any reasonably possible actions to ensure that interim certificates (Fin: *väliaikaistodistus*) and share certificates (Fin: *osakekirja*) in respect of the Shares, duly endorsed in blank, together with any other document of ownership in relation to the Shares or the Related Rights (if any) are delivered to the Collateral Agent or any person authorised to accept the delivery on its behalf.

3.2 Shares

Prior to the occurrence of an Enforcement Event, the Pledgor will be entitled:

- (a) to receive, retain, and utilise all Dividends in cash; and
- (b) exercise or direct the exercise of voting rights and other rights attached to the Shares, in any manner not inconsistent with or in breach of any provision of the Terms or this Agreement.

The Pledgor shall not, without the prior written consent of the Collateral Agent who shall act on instructions of the Noteholders obtained in accordance with the Terms, exercise the voting rights pertaining to the Shares in favour of resolutions having the effect of a violation or breach of the restrictions set out in the Terms or this Agreement, unless such resolution(s) is/are required by mandatory Finnish law.

Upon the Collateral Agent giving notice to the Pledgor following the occurrence of an Enforcement Event, the Collateral Agent will forthwith become entitled to, but not obliged to, subject to, for the avoidances of doubt, the corresponding priority ranking rights of the Priority Ranking Lender(s), (a) receive and retain all Dividends and promptly apply the proceeds thereof as provided in this Agreement and the Terms and (b) exercise the voting rights pertaining to the Shares, but strictly for the purpose of preserving and enforcing the Security created under this Agreement in accordance with its terms.

After the Senior Secured Obligations having being unconditionally and irrevocably paid and discharged in full, the Pledgor shall within 5 Business Days following the relevant request of the Collateral Agent issue to the Collateral Agent separate powers of attorney, in the form of Schedule 3, giving the Collateral Agent the right to participate and vote for the Shares at meetings of the shareholders of the Subsidiary. The exercise by the Collateral Agent of the power of attorney in a shareholders meeting will exclude the Pledgor from exercising its voting rights pertaining to the Shares in that meeting.

4 REPRESENTATIONS AND WARRANTIES

4.1 The Pledgor represents and warrants as at the date of this Agreement and throughout the Security Period to the Collateral Agent acting for the benefit and in the interests of the Noteholders that:

- (a) this Agreement constitutes legally binding and valid obligations of the Pledgor enforceable in accordance with its terms;
- (b) it has the power to enter into and perform and has taken all necessary action to authorise the entry into and performance of this Agreement and the transactions contemplated by this Agreement;
- (c) it is the sole holder and legal and beneficial owner of the Security Assets and has full title thereto;
- (d) subject to the Legal Reservations, the execution of this Agreement by the Parties together with the perfection in accordance with Clause 3 will create a second ranking security interest over the Security Assets enforceable in accordance with the terms of this Agreement against the Pledgor, the bankruptcy estate of the Pledgor, and third party beneficiaries of the Pledgor;
- (e) the Security Assets are free from any encumbrance, attachment, or precautionary measure other than (i) the Priority Ranking Security and as created under or pursuant to this Agreement or (ii) not prohibited by the Terms, or (iii) easements and similar encumbrances created solely by operation of law;
- (f) the Shares are duly authorised and validly issued, are fully paid up, and in each case represent the percentage of the share capital of the Subsidiary set out in Schedule 1 as at the date of this Agreement; and
- (g) other than as issued pursuant to Clause 5.1(b), no share certificates, interim certificates or any other physical documents of ownership have been issued evidencing the Shares or the Related Rights.

5 UNDERTAKINGS

The Pledgor undertakes to the Collateral Agent and the Noteholders throughout the Security Period without the prior written consent of the Collateral Agent who shall act on instructions of the Noteholders obtained in accordance with the Terms (except as provided for in or permitted by this Agreement or the Note Documents) not to do or cause or permit to be done anything that would adversely affect, depreciate, jeopardise or otherwise prejudice the validity, enforceability or ranking of the security interest created or intended to be created by this Agreement. In addition, the Pledgor hereby undertakes to the Noteholders throughout the Security Period:

- (a) for the benefit of the Noteholders, subject the Senior Secured Obligations having being unconditionally and irrevocably paid and discharged in full, to deposit share certificates, interim certificates or any other documents of title or evidence of ownership (other than the shareholder register) or other rights in relation to the Shares (each such document duly endorsed in blank), if any, with the Collateral Agent, or as the Collateral Agent may direct, to be held by the Collateral Agent or its nominees on behalf of the Noteholders;

- (b) subject to the Senior Secured Obligations having being unconditionally and irrevocably paid and discharged in full, to upon the request by the Collateral Agent require that the Subsidiary issues interim certificates or share certificates or any other documents of title or evidence of ownership or other rights in relation to the Shares to the extent such certificates have not been issued; and
- (c) if, at any time, any certificate or any other physical document representing any of the Security Assets cannot be located or have been mutilated, defaced, lost, stolen or destroyed, the Pledgor undertakes to without delay nullify such certificate or other physical document as provided in the Finnish Document Nullification Act (Fin: *laki asiakirjain kuolettamisesta*, statute 34A/1901, as amended).

6 CONTINUING SECURITY

- 6.1 The security interest constituted by this Agreement will be a continuing security, continue in full force and effect during the Security Period, be in addition to and not adversely affect or be adversely affected by any other Note Document, and continue in force notwithstanding any intermediate payment or discharge in whole or in part of the Secured Obligations.
- 6.2 This Security is in addition to and independent of and is not in any way prejudiced by any present or future guarantee, or other security held by the Collateral Agent for the benefit and in the interests of the Noteholders.
- 6.3 The Noteholders' rights hereunder are in addition to and not exclusive of those provided by law.
- 6.4 Until all Secured Obligations have been discharged unconditionally and irrevocably in full and unless the Collateral Agent otherwise directs, the Pledgor irrevocably waives the right to exercise, in competition with the Noteholders or the Collateral Agent, any claim against the Issuer arising by way of subrogation (Fin: *takautumisoikeus*) as a result of the enforcement of the Security.
- 6.5 If the Collateral Agent (acting on instructions of the Majority Noteholders (as defined in the Terms) considers that in respect of an amount paid by the Issuer to any Noteholder under the Note Documents there is a reasonable risk that such payment will be avoided or otherwise set aside on the liquidation, restructuring, or bankruptcy of the Issuer or otherwise, then that amount will not be considered to have been irrevocably paid for the purposes of this Agreement. Notwithstanding this, any payment will be considered irrevocable unless such insolvency or execution proceedings are initiated within three (3) months after full payment of the Secured Obligations, and the Security Assets will be released accordingly. Notwithstanding the aforesaid and any release of the Security under Clause 15, the Security will be effective, if the Secured Obligations are reinstated in whole or in part by operation of the Finnish Act on Recovery to Bankruptcy Estates (Fin: *laki takaisinsaannista konkurssipesään*, statute 758/1991, as amended), the Finnish Act on Corporate Restructuring (Fin: *laki yrityksen saneerauksesta*, statute 47/1993, as amended), the Enforcement Code (Fin: *ulosottokaari*, statute 705/2007, as amended) or by any other applicable law.

7 ENFORCEMENT

- 7.1 Subject to the Terms, upon the occurrence of an Enforcement Event, the Collateral Agent may on behalf of the Noteholders to the fullest extent permitted under Finnish law enforce the

Security and realise the Security Assets and for such purpose (without limitation) (i) collect and receive any sum payable to the Pledgor under or in relation to the Security Assets and/or (ii) cause the sale, realisation, disposal, or transfer of the Security Assets or any part thereof in accordance with the resolution adopted by at least the Majority Noteholders (as defined in the Notes), and in each case apply any proceeds of such enforcement towards the discharge of the Secured Obligations in accordance with Clause 11.1 (*Application of Proceeds*) of the Terms.

- 7.2 Section 2 of Chapter 10 of the Finnish Commercial Code (Fin: *kauppakaari*, statute 3/1734, as amended) will not be applicable to this Agreement and enforcement hereunder and the rights and remedies herein provided will operate as an extension of the statutory power of sale under such section of law and any other rights or remedies provided by law. Notwithstanding the aforesaid, the Noteholders may always enforce their rights by the remedies and procedures available under applicable law with the assistance of competent authorities.
- 7.3 If reasonably practicable before and in any event promptly after the exercise of any right under Clause 7.1(i), the Collateral Agent will give notice of such intended or actual action to the Pledgor. The Collateral Agent shall give at least 15 Business Days advance notice before the exercise of any right under Clause 7.1(ii). Upon enforcement of the Security, the Collateral Agent shall act in good faith and shall give the Pledgor and/or any third persons nominated by the Pledgor opportunity to submit offers for purchasing the Security Assets along with other potential buyers and shall evaluate the relevant offers according to the same procedure as applied to other potential buyers. In such a case, if the Collateral Agent accepts the offer made by a third party buyer, it shall promptly notify the Pledgor of the name of the relevant buyer and the price of its relevant offer together with the written confirmation that the relevant offer was, considering all aspects and circumstances, the highest of all eligible offers. The Pledgor undertakes to keep the information regarding the name of the buyer and the price of its offer confidential.
- 7.4 After the enforcement of the Security or any part thereof, the Collateral Agent shall provide the Pledgor with information on the application of the enforcement proceeds so received. All moneys received by the Collateral Agent acting for the benefit and in the interests of the Noteholders hereunder will, subject to the payment of any claims having priority to the pledge created hereunder, be applied by the Collateral Agent in or towards the payment of the Secured Obligations in accordance with Clause 11.1 (*Application of Proceeds*) of the Terms. Subject to the full and final discharge of the Secured Obligations, the surplus, if any, will be paid to the Pledgor to an account designated by the Pledgor.

8 WAIVER OF DEFENCES

The Security shall not be affected in any way by any variation, extension, waiver, compromise or partial release of the Secured Obligations, the Note Documents or any guarantee or other security from time to time given or granted in respect thereof, or by any change in the laws, rules or regulations of any jurisdiction or by any present or future action of any governmental authority or court amending, varying, reducing or otherwise affecting, or purporting to amend, vary, reduce or otherwise affect, any of the Secured Obligations or the Note Documents.

9 POWER OF ATTORNEY

- 9.1 For the benefit of the Noteholders, the Pledgor hereby irrevocably appoints the Collateral Agent with full right of substitution to be its attorney and on its behalf and in its name or

otherwise (as the attorney may decide) to sign, execute, seal, deliver, acknowledge, file, register and perfect any and all such agreements (including any agreements to which the Noteholders themselves are parties) and other documents and to do any and all such acts and things as the Pledgor (as the case may be) itself could (or ought to) do in relation to the Security Assets or in relation to any matters dealt with in this Agreement or as, in the opinion of the Collateral Agent or any substitute acting reasonably, may be necessary or desirable to give full effect to the purposes of this Agreement and the Pledgor will ratify and confirm whatever the attorney or any substitute will do or cause to do in the pursuance of the powers conferred to it hereby.

- 9.2 The Collateral Agent will not have any obligation whatsoever to exercise any of the powers conferred upon it by Clause 9.1. No action taken by or omitted to be taken by the attorney or any substitute in good faith shall give rise to any defence, counterclaim or set-off against the Noteholders or otherwise adversely affect any of the Secured Obligations.
- 9.3 Prior to the occurrence of an Enforcement Event, the Collateral Agent will only be entitled to exercise the powers conferred upon it by Clause 9.1 in order to take the action that the Pledgor has failed to take pursuant to this Agreement.

10 ASSIGNMENT

- 10.1 The Collateral Agent may assign or transfer any of its rights and/or obligations under this Agreement in the cases expressly set out in the Terms.
- 10.2 The Pledgor may not assign any of its rights and/or obligations under this Agreement.

11 INVALIDITY

Should any provision of this Agreement be or become invalid, void, or unenforceable, all remaining provisions and terms hereof will remain in full force and effect and will in no way be invalidated, impaired, or affected thereby. The Parties hereto agree that they will negotiate in good faith and will replace the invalid, void, or unenforceable provision with a valid and enforceable provision which reflects as much as possible the intention of the Parties as referred in the provision thus replaced.

12 AMENDMENTS AND WAIVERS

- 12.1 This Agreement may not be amended unless made by an instrument in writing and signed by or on behalf of the Pledgor and the Collateral Agent always subject to the provisions of the Terms.

13 FORCE MAJEURE

- 13.1 A Party may not be held liable for any damage resulting from a Finnish or foreign legislative enactment, actions of Finnish or foreign authorities, war, power failure, fire, water damage, riots, strike, blockade, lockout and boycott, or any other similar circumstances outside its control. This reservation applies even if the Party itself is the object of the strike, blockade, boycott or lockout in question, or it adopts such hostile measures.

14 NOTICES

Any notice or other communication to be given by one Party to another under this Agreement must be given to that other Party in accordance with Clause 13 (*Notices*) of the Terms.

15 RELEASE OF SECURITY

- 15.1 Upon the expiry of the Security Period, the Collateral Agent shall, at the request of the Pledgor, promptly release to the Pledgor all rights, title, and interest of the Collateral Agent and the Noteholders in or to the Security Assets and give such instructions and directions as the Pledgor may require in order to perfect such release.
- 15.2 Notwithstanding the above, subject to the provisions in the Note Documents, the Collateral Agent may, at its discretion and at the request and cost and expense of the Pledgor, reassign, release, or otherwise discharge the Security Assets in accordance with the instructions of the Pledgor.

16 COUNTERPARTS

This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

17 GOVERNING LAW, JURISDICTION

- 17.1 This Agreement is governed by and construed in accordance with Finnish law. Notwithstanding such choice of law, the Pledgor hereby to the fullest extent permitted by Finnish law waives its rights under the Finnish Act on Guarantees and Third Party Pledges (Fin: *laki takauksesta ja vierasvelkapanttauksesta*, statute 361/1999, as amended).
- 17.2 Subject to Clause 20 (c) below, the courts of Finland will have exclusive jurisdiction over matters arising of or in connection with this Agreement. The District Court of Helsinki (Fin: *Helsingin käräjäoikeus*) will be the court of first instance.
- 17.3 The submission to the jurisdiction of courts of Finland will not limit the right of any Noteholder to take proceedings against the Pledgor in any court which may otherwise exercise jurisdiction over the Pledgor or any of its assets.

(Signature pages follow)

This Agreement has been entered into on the date stated at the beginning of this Agreement.

**The Pledgor
AS SAAREMERE KALA**

By: _____
Name:
Title:

By: _____
Name:
Title:

**The Collateral Agent
PRF COLLATERAL AGENT OÜ**

By: _____
Name:
Title:

By: _____
Name:
Title:

ACKNOWLEDGEMENT AND CONFIRMATION OF THE SUBSIDIARY OF THE PLEDGE OF THE SHARES

We hereby confirm our acknowledgement of the above created second ranking security in the Shares and the Related Rights and agreed limitations related to the Shares, and further confirm that:

- 1. we have not as of the date hereof been notified of any pledge or charge relating to the Shares or the Related Rights other than the Priority Ranking Security;
- 2. we have entered the pledge over the Shares into our shareholder register; and
- 3. we will act in accordance with the above and we undertake to observe the terms of the Agreement.

Date as above: ____ January 2020

HEIMON KALA OY

By: _____
Name:
Title:

By: _____
Name:
Title:

Schedule 1
Subsidiary and Shares

Name of Subsidiary	Business identity code	Shares	Physical share or interim share certificates	Ownership percentage (%)
Heimon Kala Oy	0426956-8	60 (1-60)	NO	100

Schedule 2

Form of Notice and Acknowledgement – Shares

PLEDGE NOTICE / *PANTTAUSILMOITUS*

To: AS SEB Pank
Attn: [●]

Dear Sirs,

This is to notify you that by way of the security agreement dated on or about the date of this notice (the “**Security Agreement**”) between AS Saaremere Kala (the “**Pledgor**”) and PRF Collateral Agent OÜ (acting on behalf of itself and the other secured creditors (the “**Collateral Agent**”)), we have irrevocably and unconditionally pledged with second ranking priority (Fin: *jälkipantti*), i.e. ranking immediately behind the first ranking security interests (Fin: *ensipantti*) created in your favour (the “**Priority Ranking Security**”), to the secured creditors represented by the Collateral Agent all our rights, title, all subscription and option rights and other interest in and to all shares in Heimon Kala Oy owned by ourselves from time to time (the “**Shares**”).

Under the Security Agreement, we have undertaken to procure that immediately after the release of the security interests over the Shares created in your favour, share certificates or interim share certificates or other instruments relating to the Shares (if any) held by you by virtue of your security interest shall be delivered directly by you to the Collateral Agent, or any other person as may be instructed by the Collateral Agent.

Also, we confirm that the second ranking pledge over the Shares created in favour of the Collateral Agent does not harm your position as the holder of the Priority Ranking Security or your rights arising thereunder.

Please also note that this notice is not to be revoked or amended without a prior written consent of the Collateral Agent.

We kindly request that you confirm your receipt and acknowledgement of the above by returning a signed copy of this notification to the Collateral Agent and ourselves by delivering confirmation by mail or e-mail to the following addresses:

AS SAAREMERE KALA

Address: [●]
Attention: [●]
E-mail: [●]

PRF COLLATERAL AGENT OÜ

Address: [●]
Attention: [●]
E-mail: [●]

In each case with a copy to:

Address: c/o Hannes Snellman Attorneys Ltd P.O. Box 333, FI-00131 Helsinki, Finland
Attention: Sami Niemi

E-mail: sami.niemi@hannessnellman.com

Please contact us if you have any queries.

Yours faithfully,

Date: _____ 2020

AS SAAREMERE KALA

By:

Title:

CONFIRMATION OF RECEIPT OF NOTICE

We hereby confirm our receipt and acknowledgement of the above notice and further confirm that:

- 1. we have not as of the date hereof been notified of any pledge or charge relating to the Shares (other than the pledge created in our favour), which pledge or charge would be valid on the date hereof;
- 2. upon release of the security interest created in our favour, we shall deliver all share certificates or interim share certificates or other instruments relating to the Shares so held by us (if any) to the Collateral Agent, or any other person as may be instructed by the Collateral Agent; and
- 3. we will act in accordance with the above notice and we undertake to observe its terms.

Date: _____ 2020

AS SEB PANK

By:
Title:

Schedule 3

Form of Power of Attorney

This power of attorney is issued pursuant to a pledge agreement dated [date] (the “**Pledge Agreement**”) between AS Saaremere Kala as pledgor (the “**Pledgor**”) and PRF Collateral Agent OÜ as the agent of the secured finance parties (the “**Collateral Agent**”).

The Pledgor hereby empowers any person duly appointed by the Collateral Agent (i) to attend all general meetings of the shareholders of Heimon Kala Oy (the “**Company**”) as the Pledgor’s representative and to vote at such general meetings for all shares in the Company owned by the Pledgor and (ii) to exercise on behalf of the Pledgor any other rights pertaining to the shares of the Company held by the Pledgor, but strictly for the purpose of preserving and enforcing the security created under the Pledge Agreement in accordance with its terms.

The exercise of this power of attorney at a general meeting of the shareholders in the Company will exclude the Pledgor from exercising the voting rights at that general meeting of shareholders in the Company.

This power of attorney is in all respects governed by and construed in accordance with the laws of Finland.

This power of attorney becomes effective on the date it is signed by the Pledgor.

Date: [date]

AS SAAREMERE KALA

Name:

SHARE PLEDGE AGREEMENT

dated [**] 2020

between

HEIMON KALA OY

as Pledgor

and

THE SECURED PARTIES

(as defined herein)

represented by

PRF Collateral Agent OÜ

as Collateral Agent

(acting on behalf of each of the Secured Parties)

relating to the shares in Överumans Fisk AB

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THIS SHARE PLEDGE AGREEMENT (the "**Agreement**") is dated [**] 2020 and made between:

- (1) HEIMON KALA OY, a company limited by shares incorporated in Finland under registration number [**], as pledgor (the "**Pledgor**"); and
- (2) THE SECURED PARTIES (as defined below), represented by PRF Collateral Agent OÜ, a company established under the laws of Estonia under registry code 14880068 as collateral agent (acting on behalf of each of the Secured Parties) (the "**Collateral Agent**").

WHEREAS

- (A) Pursuant to (i) a term loan facility agreement dated 19 July 2017 (the "**Term Loan Facility Agreement**") between Saaremere Kala AS and AS SEB Pank and (ii) an overdraft facility agreement dated 7 September 2016 between, among others, Saaremere Kala AS, Osaühing Vettel and AS SEB Pank (the "**Overdraft Facility Agreement**" or, together with the Term Loan Facility Agreement, the "**Loan Agreements**") AS SEB Pank has agreed to make available certain facilities subject to the terms and conditions of the Loan Agreements.
- (B) Pursuant to a share pledge agreement dated 22 September 2017, the Pledgor and AS SEB Pank as lender have entered into a share pledge agreement regarding the shares in the Company (as defined below) and related rights pertaining to the shares in the Company to provide first ranking security interest to the Senior Obligations (as defined below).
- (C) Pursuant to the AS PRFoods Terms and Conditions of Secured Note Issue dated [**] (the "**Terms**") AS PRFoods, the parent company of the Pledgor, has issued and/or will issue after the date of this Agreement notes with ISIN [**].
- (D) Pursuant to the Terms, the obligations arising from the Notes are to be secured, among other, with a second ranking pledge over the shares in the Company (as defined below) and accordingly, the Pledgor is entering into this Agreement for the purpose of creating the relevant second ranking pledge securing the Secured Obligations (as defined below).
- (E) The board of directors of the Pledgor is satisfied that the Pledgor is entering into this Agreement for the purposes of its business and that doing so benefits the Pledgor.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement, a capitalised term used but not defined herein shall have the meaning given to it in the Terms and:

"**Collateral Agent**" means PRF Collateral Agent OÜ (registry code 14880068) in its capacity as collateral agent acting for the benefit and in the interests of the Noteholders in accordance with the Terms, and shall include any successors and assignees in such capacity and all references to the Collateral Agent are construed as references to the same acting in such capacity for the benefit and in the interests of the Noteholders.

"**Company**" means Överumans Fisk AB, a company limited by shares incorporated in Sweden under registration number 556527-2977.

“Enforcement Event” means the events set out in Section [10.1.] (*Enforcement of the Collateral*) of the Terms have occurred and the Collateral Agent has become obliged to enforce the Pledge pursuant to the Terms.

“First Ranking Lender” means AS SEB Pank or, if the Senior Obligations owed to AS SEB Pank have been transferred to or refinanced by any other credit institution, the relevant credit institution to which the Issuer’s group companies owe the Senior Obligations following such transfer or refinancing.

“First Ranking Pledge” means the security created over the shares in the Company and related rights pertaining to the shares in the Company in favour of the First Ranking Lender.

“First Ranking Pledge Agreement” means the agreement referred to in Recital (B) or any other agreement replacing or substituting that agreement or any other document pursuant to which the First Ranking Pledge is created.

“Issuer” means AS PRFoods, a company established under the laws of the Republic of Estonia, registry code in the Estonian Commercial Register 11560713, registered address at Pärnu mnt 141, Tallinn, 11314, Harju county, the Republic of Estonia.

“Legal Reservations” means the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, and other laws generally affecting the rights of creditors, defences of set-off or counterclaim and similar principles, the time barring of claims and further qualifications as to matters of law.

“Note” shall have the meaning ascribed to this term in the Terms.

“Note Document” shall have the meaning ascribed to this term in the Terms.

“Noteholder” shall have the meaning ascribed to this term in the Terms.

“Notice of Pledge” means a notice substantially in the form set out in Schedule 1 (*Form of Notice of Pledge*) duly executed by the Pledgor and addressed to the First Ranking Lender.

“Party” means a party to this Agreement.

“Pledge” means the security interest created or expressed to be created over the Security Assets in favour of the Secured Parties by or pursuant to this Agreement.

“Related Rights” means, in relation to the Shares, all property deriving from the Shares and all other rights and benefits of any kind accruing or otherwise deriving from the Shares, including, but not limited to, dividends (whether in cash or in kind), distributions and any other sum paid or payable with respect to any of the Shares, the right to participate in new issues or bonus issues of shares in the Company and the right to participate in issues of convertible debt instruments, warrants, options or other rights to subscribe for, purchase or otherwise acquire new shares or other securities in the Company.

“Secured Obligations” means any and all present and future payment obligations and liabilities (whether actual or contingent or whether owed jointly and severally or in any other capacity) owed by the Issuer to the Secured Parties or any of them from time to time under the Terms, as well as under the final terms, the collateral agreements and the collateral agent agreement entered into in accordance with the Terms, including but not limited to the

obligations arising from the Notes and the parallel debt undertaking set out in Section 4.3 of the Terms.

“**Secured Parties**” means the Noteholders and the Collateral Agent.

“**Security Assets**” means the Shares and the Related Rights, from time to time subject, or expressed to be subject, to the Pledge or any part of those assets.

“**Security Period**” means the period beginning on the date of this Agreement and ending on the date when all Secured Obligations have been unconditionally and irrevocably paid and discharged in full.

“**Senior Obligations**” means all present and future money, debts and liabilities (whether actual or contingent) due, owing or incurred by the Senior Obligors to the First Ranking Lender under or in connection with the Loan Agreements.

“**Senior Obligors**” means each of the parties defined as “Obligors” in the First Ranking Pledge Agreement.

“**Share Certificate**” means the share certificate representing the Shares and any other share certificates or provisional certificates (*Sw. interimsbevis*) for any Shares issued after the date of this Agreement, and any other certificates or documents of title evidencing Shares or Related Rights.¹

“**Shares**” means:

- (a) all 20,000 shares (numbered [1] – [20,000])² in the Company, representing one hundred (100) per cent of the issued share capital and votes in the Company on the date of this Agreement; and
- (b) any other shares in the Company from time to time owned by the Pledgor and resulting from, for example, a new issue of shares, a change in the quotient value (*Sw. kvotvärde*) or an issue of convertible debt instruments, warrants, options or other rights to subscribe for, purchase or otherwise acquire new shares in the Company.

1.2 Construction

- (a) Unless a contrary indication appears, a reference in this Agreement to:
 - (i) any agreement, instrument or other document is a reference to that agreement, instrument or document as amended, restated, supplemented, replaced or otherwise modified from time to time;
 - (ii) a party shall be construed so as to include its successors in title, permitted assigns and permitted transferees; and
 - (iii) a provision of law is a reference to that provision as amended or re-enacted.

¹ The number of share certificates issued to be confirmed at the time of signing of the agreement.

² TBC

- (b) In the event of any inconsistency between the terms of this Agreement and any other Note Document, the terms of this Agreement shall prevail.

2. PLEDGE OF SECURITY ASSETS

2.1 Pledge

- (a) The Pledgor hereby, on the terms and conditions set out herein, pledges to the Secured Parties, represented by the Collateral Agent, as a second ranking pledge (Sw. *andrahands pant*) after the First Ranking Pledge, all its rights, title and interest in and to the Security Assets for the purpose of constituting security for the due and punctual payment, discharge and performance by the Issuer of the Secured Obligations.
- (b) The Pledge created under this Agreement shall be second ranking only to the First Ranking Pledge. Consequently, the security interest created under this Agreement shall advance to the extent that the First Ranking Pledge created pursuant to the First Ranking Pledge Agreement is discharged in accordance with the terms and provisions of the First Ranking Pledge Agreement.

2.2 Perfection

- (a) The Pledgor shall on the date of this Agreement and upon the issue of any Shares or Related Rights acquired by it after the date of this Agreement:
 - (i) ensure that a Notice of Pledge is given to the First Ranking Lender and shall use reasonable endeavours to obtain from the First Ranking Lender an acknowledgement of receipt of such notice by its signature (by an authorised signatory of the First Ranking Lender) where indicated in such notice and upon receipt thereof shall deliver a copy of such acknowledgement to the Collateral Agent;
 - (ii) notify the Company of the Pledge and procure that the Company acknowledges receipt of such notice by its signature (by an authorised signatory of the Company) where indicated for this purpose on the signature page of this Agreement; and
 - (iii) ensure that the Pledge is duly registered in the Company's share register and that the Collateral Agent receives a copy of such share register.
- (b) The Pledgor shall, promptly following the unconditional and irrevocable release in full of the security under the First Ranking Pledge, procure that the First Ranking Lender delivers the Share Certificates duly endorsed in blank by the Pledgor to the Collateral Agent in original and procure that the Company ensures that the release is reflected in the Company's share register and that the Collateral Agent receives a copy of such share register.
- (c) Subject to the First Ranking Pledge Agreement and, where applicable, subject to the unconditional and irrevocable release in full of the security under the First Ranking Pledge Agreement, the Pledgor shall upon the issue of any Shares or Related Rights after the date of this Agreement procure that the Collateral Agent is provided with any share certificates, provisional certificates (Sw. *interimsbevis*) or other certificates or documents of title evidencing such Shares or Related Rights duly endorsed in blank by the Pledgor together with such other documents as the Collateral Agent considers appropriate.

3. LIMITATIONS

Notwithstanding the foregoing and any other provisions of this Agreement to the contrary, the obligations of the Pledgor shall not extend to any liability to the extent that this would (i) constitute unlawful financial assistance within the meaning of Section 10 of Chapter 13 of the Companies Act (Fin: *osakeyhtiölaki*, statute 624/2006, as amended), (ii) constitute unlawful distribution within the meaning of Section 1 of Chapter 13 of the Companies Act or (iii) otherwise constitute a violation of applicable mandatory provisions of Finnish corporate law.

4. DIVIDENDS AND VOTING

4.1 Dividends

- (a) Subject to paragraph (b) below, all dividends declared on or in respect of the Shares and all other payments with respect to the Shares shall be paid or made to the Pledgor.
- (b) Upon the occurrence of an Enforcement Event which is continuing and after the Collateral Agent has issued a notice to the Pledgor stating that an Enforcement Event has occurred, all dividends declared on or in respect of the Shares and all other payments with respect to the Shares shall, subject to the First Ranking Pledge Agreement and subject to the provisions of the Terms (i) be paid or made directly to and retained by the Collateral Agent and (ii) become part of the Pledge and may be received by the Collateral Agent and promptly applied towards prepayment of the Secured Obligations in accordance with Clause 8 (*Application of proceeds*).

4.2 Voting

- (a) Subject to paragraph (b) below, the Pledgor shall be entitled to exercise the voting rights attached to the Shares as it sees fit where the exercise of or failure to exercise those rights would not have an adverse effect on the validity or enforceability of the Pledge, save that it shall not vote in favour of:
 - (i) any resolution authorising an issue of new shares, convertible debt instruments or other securities in respect of the Company, unless, in respect of an issue of new shares in the Company, the Collateral Agent has given its prior written consent thereto and such shares are issued in favour of the Pledgor and (if not already effected by this Agreement) the Pledgor simultaneously pledges such shares to the Secured Parties, represented by the Collateral Agent, on the same terms as this Agreement;
 - (ii) any resolution for a merger or de-merger of the Company or for the winding-up (Sw. *likvidation*) or for the commencement of bankruptcy (Sw. *konkurs*), company reorganisation (Sw. *företagsrekonstruktion*) or other similar proceedings with respect to the Company, unless liquidation of the Company is required by mandatory legislation; or
 - (iii) any resolution for the amendment or change of the articles of association of the Company to incorporate provisions regarding any rights of pre-emption (Sw. *hembudsförbehåll*) or rights of first refusal (Sw. *förköpsrätt*) in relation to the Shares.

- (b) After the First Ranking Pledge has been released, the Pledgor shall following the request from the Collateral Agent upon the occurrence of an Enforcement Event issue in favour of and deliver to the Collateral Agent a separate power of attorney in the form set out in Schedule 2 (*Form of Power of Attorney*), giving the Secured Parties, represented by the Collateral Agent, the right to convene, attend and vote for the Shares at general meetings of the shareholders in the Company. Thereafter the Pledgor shall annually, for as long as any Enforcement Event is continuing, issue in favour of and deliver to the Collateral Agent a renewed power of attorney, in the form set out in Schedule 2 (*Form of Power of Attorney*), prior to the expiry of any power of attorney issued pursuant to this paragraph (b).
- (c) Following the issuance of the power of attorney issued pursuant to paragraph (b) above, upon and at any time after the occurrence of an Enforcement Event, the Collateral Agent may, but strictly for the purpose of preserving and enforcing the Pledge created under this Agreement in accordance with its terms, and to the exclusion of the Pledgor, exercise all voting powers under any power of attorney issued pursuant to paragraph (b) above.

5. REPRESENTATIONS AND WARRANTIES

The Pledgor makes the following representations and warranties to the Collateral Agent and each of the Secured Parties throughout the Security Period:

- (a) The Pledgor is a limited liability company, duly incorporated or registered and validly existing under the laws of Finland and has the power to enter into, perform and deliver, and has taken all action necessary to authorise its entry into, performance and delivery of, this Agreement, its obligations hereunder and the transactions contemplated by this Agreement.
- (b) Subject to the Legal Reservations and the rights of the First Ranking Lender, this Agreement constitutes a legally valid, binding and (subject to Clause 2.2) perfected second ranking pledge (Sw. *andrahands pant*) of the Security Assets, and the obligations expressed to be assumed by the Pledgor in this Agreement are legal, valid and binding obligations of the Pledgor, enforceable in accordance with its terms.
- (c) There are no restrictions preventing the Pledgor from pledging the Security Assets as a secondary share pledge.
- (d) The Pledgor is the sole owner of the Security Assets and, other than the security interest created pursuant to the First Ranking Pledge Agreement and the Pledge, no security interest is in existence over the Security Assets or any part thereof or interest therein, and there is no claim by any person in respect of the ownership of the Security Assets outstanding against the Pledgor.
- (e) The Shares are duly authorised, validly issued and freely transferable and there are no moneys or liabilities outstanding or payable in respect of any of the Shares.
- (f) The Shares constitute one hundred (100) per cent of the Company's issued share capital and, other than the Share Certificate delivered to the First Ranking Lender under or in connection with the First Ranking Pledge Agreement[, no coupons (Sw.

utdelningskuponger) or other documents or instruments pertaining to any of the Shares exist]³.

- (g) [Neither the Pledgor nor the Company has issued, granted or entered into any outstanding options, warrants, rights of pre-emption (Sw. *hembudsförbehåll*), rights of first refusal (Sw. *förköpsrätt*) or other rights of any kind, the content of which includes a right to acquire, or an obligation to issue, shares or other equity interests in the Company.]⁴
- (h) No merger (Sw. *fusion*) or de-merger (Sw. *fission*), winding-up (Sw. *likvidation*), company reorganisation (Sw. *företagsrekonstruktion*) or bankruptcy (Sw. *konkurs*) or other similar proceedings are currently pending with respect to or against the Pledgor or the Company and no liquidator, administrator or similar officer has been appointed in respect of the Pledgor or the Company or any of its respective assets, save for any liquidation required by mandatory legislation.

6. UNDERTAKINGS

6.1 General undertakings

- (a) The Pledgor shall not:
 - (i) subject to the First Ranking Pledge Agreement, sell, transfer or otherwise dispose of the Security Assets or any part thereof, or permit the same to occur;
 - (ii) create or permit to subsist any security over, or third party right in, the Security Assets or any interest therein other than the security interest created pursuant to the First Ranking Pledge Agreement and the Pledge, provided however that, if the Senior Obligations are to be refinanced by a new First Ranking Lender (a “**Refinancing Lender**”), the Collateral Agent has given its prior written consent and a Notice of Pledge has been given to such Refinancing Lender and the Collateral Agent has received a duly signed acknowledgement of such notice (signed by an authorised signatory of such Refinancing Lender where indicated therein), upon and subject to which the Collateral Agent shall instruct the First Ranking Lender to deliver share certificates or interim share certificates or other instruments relating to the Shares (if any) to such a Refinancing Lender instead of itself;
 - (iii) do, cause or permit to be done anything which would, or could reasonably be expected to, adversely affect the Pledge or the rights of the Secured Parties under this Agreement; or
 - (iv) take or permit the taking of any action whereby the rights attaching to any of the Security Assets are amended in a way detrimental to the Pledge or the rights of the Secured Parties under this Agreement or further Shares or Related Rights are issued, save that it may take or permit the taking of any action whereby further Shares are

³ Company to confirm.

⁴ Company to confirm, no such rights according to the articles of association.

issued provided that such further Shares are issued in favour of the Pledgor and (if not already effected by this Agreement) the Pledgor simultaneously pledges such further Shares to the Secured Parties, represented by the Collateral Agent, on the terms of this Agreement.

- (b) Subject to the First Ranking Pledge Agreement, if and to the extent the Pledgor receives any payment, distribution or benefit of security with respect to the Security Assets or otherwise in violation of the terms of this Agreement, the Pledgor shall (as agent for the Collateral Agent) hold any amount so received separated from its other assets, for the account of the Secured Parties, on a separate account in accordance with the provisions of the Swedish Funds Accounting Act (*Sw. Lag (1944:181) om redovisningsmedel*) and shall promptly pay or transfer the same to the Collateral Agent or as it may direct.

7. ENFORCEMENT

- (a) Subject to the First Ranking Pledge Agreement, upon the occurrence of an Enforcement Event which is continuing and acting in accordance with the resolution adopted by at least the Majority Noteholders (as defined in the Notes), the Collateral Agent shall be entitled to enforce the Pledge and sell the Security Assets, or any part thereof, as permitted by applicable laws and in accordance with the resolution adopted by at least the Majority Noteholders (as defined in the Notes) and in each case apply any proceeds of such enforcement towards the discharge of the Secured Obligations in accordance with Clause 11.1 (*Application of Proceeds*) of the Terms. The Collateral Agent shall give the Pledgor not less than 15 Business Days' prior written notice of any intended or actual enforcement action before the exercise of any rights under this paragraph (a), unless this is detrimental to the Pledge.
- (b) The provisions in Chapter 10 Section 2 of the Swedish Commercial Code (*Sw. 10 kap. 2 § handelsbalken*) shall not apply to this Agreement or any enforcement of the Pledge.
- (c) Upon enforcement of the Pledge, the Collateral Agent shall act in good faith and shall give the Pledgor and/or any third persons nominated by the Pledgor opportunity to submit offers for purchasing the Security Assets along with other potential buyers and shall evaluate the relevant offers according to the same procedure as applied to other potential buyers. If the Collateral Agent accepts the offer made by a third party buyer, it shall promptly notify the Pledgor of the name of the relevant buyer and the price of its relevant offer together with the written confirmation that the relevant offer was, considering all aspects and circumstances, the highest of all eligible offers. The Pledgor undertakes to keep the information regarding the name of the buyer and the price of its offer confidential.

8. APPLICATION OF PROCEEDS

Subject to the terms of the First Ranking Pledge Agreement and subject to the payment of any claims having priority to the pledge created hereunder, all money (or other consideration) obtained or received by the Collateral Agent or its designee by virtue of the operation of law or through the exercise of its rights, powers and remedies under this Agreement in respect of the Security Assets or any sale thereof shall be applied by the Collateral Agent towards the discharge of the Secured Obligations in accordance with Section

[11.4] (*Application of Proceeds*) of the Terms. When all the Secured Obligations have been duly and irrevocably paid and discharged in full, the surplus (if any) shall be paid to the Pledgor.

9. POWER OF ATTORNEY AND DELEGATION

- (a) Upon the occurrence of an Enforcement Event, the Pledgor (to the extent possible under Swedish law) irrevocably authorises and empowers the Collateral Agent (and any nominee or agent designated by the Collateral Agent) to act in its own name or in the name of the Pledgor and, on behalf of the Pledgor, at such time and in such manner as the attorney thinks fit, do any and all acts which the Pledgor is obliged to do by this Agreement but has failed to do, without any notice to or further consent of the Pledgor. Upon the Pledgor's request, the Collateral Agent shall disclose to the Pledgor whether this power of attorney has been exercised. The power of attorney set out in this Clause 9 is irrevocable and shall be valid until the expiry of the Security Period.
- (b) To the extent expressly permitted under the Terms the Collateral Agent may (a) delegate to third person(s) its rights, powers and discretions under this Agreement and (b) employ agents, advisers and others for the purposes set out in this Agreement, provided that in each such case it does so in accordance with the Terms and collateral agent agreement entered into with the Issuer in connection with the Terms and uses reasonable care in selecting such delegate.
- (c) The Collateral Agent shall represent the Secured Parties in all matters in relation to this Agreement and the security granted to the Secured Parties represented by the Collateral Agent. In accordance with the Terms, the Collateral Agent shall be entitled to enforce the Secured Parties' rights, to give and receive notices on behalf of the Secured Parties and to receive payments on behalf of the Secured Parties pursuant to this Agreement, and the Pledgor shall only be obliged to communicate with the Collateral Agent.

10. WAIVER OF DEFENCES

The Pledge shall not be affected in any way by any variation, extension, waiver, compromise or partial release of the Secured Obligations, the Note Documents or any guarantee or other security from time to time given or granted in respect thereof, or by any change in the laws, rules or regulations of any jurisdiction or by any present or future action of any governmental authority or court amending, varying, reducing or otherwise affecting, or purporting to amend, vary, reduce or otherwise affect, any of the Secured Obligations or the Note Documents.

11. CONTINUING SECURITY

- (a) Subject to Clause 12 (*Release of security*), the Pledge shall be continuing security and will extend to the ultimate balance of the Secured Obligations and shall continue in force, regardless of any intermediate payment or discharge in whole or in part of the Secured Obligations.
- (b) The Pledge is in addition to and is not in any way prejudiced by any other guarantee or other security now or subsequently held by any Secured Party and the rights and remedies of the

Secured Parties under this Agreement are in addition to and not exclusive of those provided by law.

12. RELEASE OF SECURITY

- (a) Subject to paragraph (c) below, the Collateral Agent shall upon the expiry of the Security Period, at the request of the Pledgor, promptly release the Pledge and all rights, title and interest of the Collateral Agent and the Secured Parties in or to the Security Assets and give such instructions and directions and deliver such documents as the Pledgor may reasonably require in order to effect such release.
- (b) Notwithstanding the above, subject to the provisions in the Note Documents, upon the expiry of the Security Period the Collateral Agent may, at the request and cost and expense of the Pledgor, reassign, release, or otherwise discharge the Security Assets in accordance with the instructions of the Pledgor.
- (c) If the Collateral Agent (acting on instructions of the Majority Noteholders (as defined in the Terms)) considers that any amount paid or credited to it or any of the Secured Parties under any Note Document is capable of being avoided or otherwise set aside as a result of insolvency or any similar event, such amount shall not be considered to have been paid for the purposes of determining whether all the Secured Obligations have been irrevocably paid and discharged in full.

13. ASSIGNMENT

- (a) The Collateral Agent and each Secured Party may assign or transfer its rights and obligations under this Agreement in cases expressly set out in the Terms. With regards to any such assignment or transfer, the Pledgor shall at the request of the Collateral Agent take all action necessary to preserve the Pledge.
- (b) The Pledgor may not assign or transfer any of its rights or obligations under this Agreement.

14. NOTICES

Any notice or other communication to be given by one Party to another under this Agreement must be given to that other Party in accordance with Clause [13 (Notices)] of the Terms.

15. FORCE MAJEURE AND LIMITATION OF LIABILITY

No Party shall be held responsible for any damage arising out of any Swedish or foreign legal enactment, or any measure undertaken by a Swedish or foreign public authority, or war, strike, lockout, boycott, blockade or any other similar circumstance. The reservation in respect of strikes, lockouts, boycotts and blockades applies even if the Party is itself subject to such measures.

16. GOVERNING LAW AND JURISDICTION

- (a) This Agreement shall be governed by and construed in accordance with Swedish law.
- (b) The courts of Sweden shall have jurisdiction over matters arising out of or in connection with this Agreement. The City Court of Stockholm (Sw. *Stockholms tingsrätt*) shall be the court of

first instance. The submission to the jurisdiction of the Swedish courts shall not limit the right of the Collateral Agent or any other Secured Party to take proceedings against the Pledgor to Estonian courts or any other court which may otherwise exercise jurisdiction over the Pledgor or any of its assets.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
FORM OF NOTICE OF PLEDGE

To: AS SEB PANK
[address]
(the “**Bank**”)

[Place and date]

Dear Sirs,

Notice of pledge

Pursuant to a share pledge agreement dated [**] 2020 (the “**Pledge Agreement**”), we have pledged to the Secured Parties represented by PRF Collateral Agent OÜ as the collateral agent (the “**Collateral Agent**”), as second ranking security, all our rights, title and interest in and to all 20,000 shares currently issued by Överumans Fisk AB, reg. no. 556527-2977, (the “**Company**”) and any and all future shares from time to time issued by the Company and owned by us (the “**Shares**”), and all property deriving from the Shares and all other rights and benefits of any kind accruing or otherwise deriving from the Shares, including, but not limited to, dividends (whether in cash or in kind), distributions and any other sum paid or payable with respect to any of the Shares, the right to participate in new issues or bonus issues of shares in the Company and the right to participate in issues of convertible debt instruments, warrants, options or other rights to subscribe for, purchase or otherwise acquire new shares or other securities in the Company.

The Pledge Agreement is secondary to the security created under a share pledge agreement dated 22 September 2017 between ourselves and AS SEB PANK as lender (the “**First Ranking Pledge**”).

As a deviation from Clause 22 of the share pledge agreement of the First Ranking Pledge (the “**First Ranking Pledge Agreement**”), we, as the Pledgor thereunder, hereby instruct you, as the Lender thereunder, to, following the release of the First Ranking Pledge, deliver the share certificate representing the Shares directly to the Collateral Agent or to any other person as directed by the Collateral Agent together with a written confirmation that your security interest over the secured assets created under the First Ranking Pledge Agreement is released.

In the event you enforce your rights pursuant to the First Ranking Pledge and as a deviation from Clause 7.2 of the First Ranking Pledge Agreement, we, as the Pledgor thereunder, hereby instruct you, as the Lender thereunder, to transfer any surplus of the proceeds from such enforcement to the Collateral Agent or to any other person as directed by the Collateral Agent.

We refer also to Clauses 3.1(m) and 3.2 of the First Ranking Pledge Agreement, under which we repeatedly represent and warrant that the Shares are free of any security, other than as created under or pursuant to the First Ranking Pledge Agreement. By returning the signed acknowledgement letter you acknowledge that the facts and circumstances in relation to the referred representation and warranty have changed as of creation of the second ranking pledge and confirm that no Event of Default (as defined in the First Ranking Pledge Agreement) will occur as a consequence of the Pledge Agreement.

The authorities and instructions given herein cannot be revoked or amended by us without the prior written consent of the Collateral Agent. Capitalised terms used but not defined herein shall have the same meaning given to them in the Pledge Agreement.

We kindly request that you acknowledge receipt of the above notice by signing and returning the enclosed acknowledgement to each of the Collateral Agent and ourselves. We deem this notice as an instrument of amendment of the First Ranking Pledge Agreement to the extent set out above, and subject to your acceptance and acknowledgement of the deviations set out above.

HEIMON KALA OY

By:

By:

Acknowledgement

To: HEIMON KALA OY, registration number [**], as pledgor (the “**Pledgor**”),
Överumans Fisk AB, reg. no. 556527-2977, (the “**Company**”) and
PRF Collateral Agent OÜ as the collateral agent (the “**Collateral Agent**”)

We, as the pledgee of the First Ranking Pledge, hereby acknowledge receipt of the above notice (a copy of which is attached) (the “**Notice**”) and acknowledge the second ranking security interest created. We further confirm that as per your instructions as set out in the Notice and as a deviation from the First Ranking Pledge Agreement, should we release the Security Assets under the First Ranking Pledge Agreement, we undertake to promptly deliver the share certificate or, if held by us, any other documents of ownership in relation to the Shares and the Related Rights directly to the Collateral Agent or to any other person as directed by the Collateral Agent and not to the Pledgor.

We acknowledge that, we will have the first priority to receive and to apply any proceeds received by us, following enforcement pursuant to the terms of the First Ranking Pledge Agreement, towards satisfaction of our claims secured by the First Ranking Pledge. Now, as per your instructions as set out in the Notice and as a deviation from the First Ranking Pledge Agreement, we undertake to, subject to the payment of any claims having statutory priority to the second ranking pledge, transfer any surplus of the relevant enforcement proceeds to the Collateral Agent or to any other person as instructed by the Collateral Agent.

[Place and date]

AS SEB PANK

By:

By:

SCHEDULE 2
FORM OF POWER OF ATTORNEY

Power of Attorney

This power of attorney is issued pursuant to the terms of a share pledge agreement dated [**] 2020 between Heimon Kala Oy as pledgor (the “**Pledgor**”) and the Secured Parties (as defined therein), represented by PRF Collateral Agent OÜ as Collateral Agent (the “**Collateral Agent**”), (the “**Pledge Agreement**”).

The Pledgor hereby empowers the Collateral Agent or any person duly appointed by the Collateral Agent to convene and attend all general meetings of the shareholders in Överumans Fisk AB, reg. no. 556527-2977, (the “**Company**”) as the Pledgor’s representative and to vote at such general meetings for all the shares in the Company owned by the Pledgor, if the Collateral Agent has confirmed that an Enforcement Event (as defined in the Pledge Agreement) has occurred.

This power of attorney is (to the extent possible under Swedish law) irrevocable and shall, if the Collateral Agent has confirmed that an Enforcement Event (as defined in the Pledge Agreement) has occurred and to the extent it is used by the Collateral Agent in accordance with the Pledge Agreement, exclude the Pledgor from exercising the voting rights at general meetings of shareholders in the Company.

This power of attorney becomes effective on the date it is signed by the Pledgor and shall remain in force for one (1) year from such date.

This power of attorney shall be governed by and constructed in accordance with Swedish law and the provisions of Clause 16 (*Governing law and jurisdiction*) of the Pledge Agreement are incorporated in this power of attorney by reference, *mutatis mutandis*.

[Place and date]

HEIMON KALA OY

By:

By:

SIGNATURE PAGE

The Pledgor

HEIMON KALA OY

By:

By:

The Collateral Agent

PRF COLLATERAL AGENT OÜ
(for itself and on behalf of each of the Secured Parties)

By:

By:

We hereby acknowledge that the Company has been notified of the Pledge and confirm that the Pledge has been noted in the Company's share register. We also confirm that, save for the Pledge and the First Ranking Pledge Agreement, we have not been notified of any pledge of the Shares or assignment of dividends. We acknowledge that after an Enforcement Event has occurred and we have received a notice thereof from the Collateral Agent we may not make any payments in respect of the Shares or Related Rights to Heimon Kala Oy for as long as the Pledge remains in full force and effect (whereby we note that the Collateral Agent will notify us in writing when the Pledge has been terminated).

ÖVERUMANS FISK AB

By:

By:

FORM OF CONSENT LETTER

To: HEIMON KALA Oy,
registration number [**]
[address]
(the “Pledgor”)

[Place and date]

Dear Sirs,

Consent Letter

We refer to a share pledge agreement dated [**] (the “**Pledge Agreement**”), whereby the Pledgor has pledged to the Secured Parties represented by PRF Collateral Agent OÜ as the collateral agent (the “**Collateral Agent**”), as second ranking security, all its rights, title and interest in and to all 20,000 shares currently issued by Överumans Fisk AB, reg. no. 556527-2977, (the “**Company**”) and any and all future shares from time to time issued by the Company and owned by us (the “**Shares**”), and all property deriving from the Shares and all other rights and benefits of any kind accruing or otherwise deriving from the Shares, including, but not limited to, dividends (whether in cash or in kind), distributions and any other sum paid or payable with respect to any of the Shares, the right to participate in new issues or bonus issues of shares in the Company and the right to participate in issues of convertible debt instruments, warrants, options or other rights to subscribe for, purchase or otherwise acquire new shares or other securities in the Company (the “**Secured Assets**”).

The Pledge Agreement is secondary to the security created under a share pledge agreement dated 22 September 2017 between the Pledgor and AS SEB PANK as lender (the “**Existing First Ranking Lender**”).

Capitalised terms used herein shall have the meaning ascribed to such terms in the Pledge Agreement.

The Collateral Agent hereby confirms to the Pledgor and approves that, if the Senior Obligations owed to AS SEB Pank as the Existing First Ranking Lender are to be refinanced by another credit institution (a “**Refinancing Lender**”) the Security Assets may be pledged by way of first ranking security in favour of the Refinancing Lender in connection with such refinancing, provided that a Notice of Pledge has been given to such Refinancing Lender and the Collateral Agent has received a duly signed acknowledgement of such notice (signed by an authorised signatory of such Refinancing Lender where indicated therein), and the Collateral Agent undertakes to instruct the Existing First Ranking Lender to deliver share certificates or interim share certificates or other instruments relating to the Shares to such a Refinancing Lender instead of the Collateral Agent.

The Collateral Agent

PRF COLLATERAL AGENT OÜ
(for itself and on behalf of each of the Secured Parties)

By: _____

By: _____



AS SAAREMERE KALA

as the Chargor

in favour of

PRF COLLATERAL AGENT OÜ

as the Collateral Agent

DEED OF PLEDGE

of shares in the capital of JRJ & PRF Limited

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DEED OF PLEDGE

by

- (1) **AS SAAREMERE KALA**, a company incorporated under the laws of Estonia with registry code 11310040 and having its registered office at Kärssa, Suure-Rootsi küla, Pihtla vald Saare maakond 94129 (the “**Chargor**”)

in favour of

- (2) **PRF COLLATERAL AGENT OÜ**, as collateral agent for each Noteholder (as defined in the Terms, as defined below) a company incorporated under the laws of Estonia with registry code 14880068 and having its registered office at F. R. Faehlmanni tn 5, 10125 Tallinn, Estonia (the “**Collateral Agent**”, which expression includes any additional or successor security trustee appointed to and in accordance with the Terms and the terms of the Collateral Agent Agreement (as defined below))

CONSIDERING THAT:

- (A) Pursuant to the AS PRFoods Terms and Conditions of Secured Note Issue dated [●] (the “**Terms**”) AS PRFoods, the parent company of the Chargor, (the “**Issuer**”) has issued and/or will issue after the date of this Deed notes with ISIN [●];
- (B) Pursuant to the Terms, the obligations arising from the Notes are to be secured, among other, with a first ranking security interest in the shares in the Company (as defined below) held by the Chargor and accordingly, the Chargor enters into this Deed to create the relevant security interest securing the obligations of the Issuer arising from the Notes (as defined below), the Terms and the Collateral Agent Agreement;
- (C) The board of directors of the Chargor is satisfied that the giving of the security contained or provided for in this Deed is in the interests of the Chargor and has passed a resolution to that effect.

NOW IT IS HEREBY AGREED AND DECLARED as follows:

1 DEFINITIONS AND INTERPRETATION

- 1.1 Terms defined in the Terms have, unless expressly defined in this Deed, the same meaning in this Deed, and this construction shall survive the termination of the Terms. In addition in this Deed:

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

“**Charge**” means the Security created or expressed to be created by or pursuant to this Deed;

“Collateral Agent Agreement” means the agreement entered into between AS PRFoods and PRF Collateral Agent OÜ dated [●];

“Company” means JRJ & PRF Limited, a company incorporated under the Companies Acts with registered number SC567615 and having its registered office at 78-84 Sinclair Road, Aberdeen, AB11 9PP;

“Enforcement Event” means the event when all conditions set out in Section 10.1 (*Enforcement of the Collateral*) of the Terms have been satisfied and the Collateral Agent has become obliged to enforce the Charge pursuant to the Terms in accordance with the instructions set out in Section 10.2 of the Terms;

“Enforcement Notice” means a notice in writing by the Collateral Agent to the Chargor specifying that (i) an Enforcement Event has occurred and is continuing and (ii) it has elected to exercise the voting rights and other rights and powers in respect of the Shares;

“Existing Shares” means the shares in the capital of the Company held by the Chargor and described in the Schedule and representing approx.. 85% of all shares in the capital of the Company as the date of this Deed;

“Further Shares” means any shares in the capital of the Company (other than the Existing Shares) at any time and from time to time held by the Chargor;

“Issuer” means AS PRFoods, a public limited liability company established and existing under the laws of Estonia with registry code 11560715;

“Note” shall have the meaning ascribed to this term in the Terms.

“Noteholder” shall have the meaning ascribed to this term in the Terms.

“Party” means a party to this Deed;

“Pensions Notice” means a contribution notice or a financial support direction issued by the Pensions Regulator under the Pensions Act 2004;

“Related Rights” means any dividend or interest paid or payable in relation to any of the Shares and any rights, money or property accruing or offered at any time in relation to any of the Shares by way of redemption, substitution, exchange, bonus or preference, under option rights or otherwise;

“Secured Assets” means the Existing Shares, the Further Shares and the Related Rights;

“Secured Obligations” means any and all present and future payment obligations and liabilities (whether actual or contingent or whether owed jointly and severally or in any other capacity) owed by the Issuer to the Noteholders or any of them or to the Collateral Agent from time to time under the Terms, as well as under the final terms, the collateral agreements and

the Collateral Agent Agreement entered into in accordance with the Terms, including but not limited to the obligations arising from the Notes and the parallel debt undertaking set out in Section 4.3 of the Terms;

“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

“**Security Financial Collateral Arrangements**” shall have the meaning given to that expression in the Financial Collateral Regulations;

“**Security Period**” means the period beginning on the date of this Deed and ending on the date when all Secured Obligations have been unconditionally and irrevocably paid and discharged in full or when the Charge is otherwise to be released in accordance with the Terms.

“**Shares**” means the Existing Shares and the Further Shares; and

the “**Winding-up**” of a person also includes the amalgamation, reconstruction, reorganisation, dissolution, administration, liquidation, merger or consolidation of that person, and any equivalent or analogous procedure under the law of any jurisdiction to which the person is subject (and references to the commencement of any of the foregoing include a reference to the presentation of a petition to a court of competent jurisdiction or the passing of a valid resolution for or with a view to any of the foregoing).

1.2 Construction

1.2.1 Unless a contrary indication appears, any reference in this Deed to:

- (a) “**Chargor**” and “**Collateral Agent**” shall be construed so as to include their respective successors in title, permitted assignees and permitted transferees;
- (b) a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality); and
- (c) “**Charge**” means any security created by this Deed.

1.2.2 Unless any provision of this Deed or the context otherwise requires, any reference in this Deed to a provision of law is a reference to that provision as amended or re-enacted.

1.2.3 In this Deed the singular includes the plural and vice versa. Clause headings are for ease of reference only and a reference to a Clause or Schedule is to be construed as a reference to a clause of or the schedule to this Deed.

1.2.4 A reference to any asset, unless the context otherwise requires, includes any present and future asset.

1.2.5 If the Collateral Agent (acting on instructions of the Majority Noteholders (as defined in the Terms)) considers that an amount paid to it is capable of being avoided or otherwise set aside on the liquidation or administration of the payer or otherwise, then that amount will not be considered to have been irrevocably paid for the purposes of this Deed. Notwithstanding this, any payment will be considered irrevocable unless such insolvency or execution proceedings are initiated within three (3) months after full payment of the Secured Obligations, and the Secured Assets will be released accordingly.

1.2.6 Unless the context otherwise requires, a reference to a Secured Asset includes the proceeds of sale of that Secured Asset.

1.3 **Third party rights**

1.3.1 This Deed does not confer on any person who is not a Party (other than any nominee specified by the Collateral Agent) any right to enforce or otherwise invoke this Deed or any part of it under the Contract (Third Party Rights) (Scotland) Act 2017.

1.3.2 The consent of any person who is not a Party is not required to rescind or vary this Deed at any time.

2 **PLEDGE**

2.1 **Security**

The Chargor, by way of continuing security for the payment and discharge of the Secured Obligations:

2.1.1 hereby pledges and charges to and in favour of the Collateral Agent (in its capacity as collateral agent acting for the benefit and in the interests of the Noteholders) the Existing Shares and any Related Rights to which it is entitled at the date of its execution of this Deed; and

2.1.2 irrevocably and unconditionally binds and obliges itself to pledge and charge to and in favour of the Collateral Agent and in accordance with the remaining provisions of this Clause 2, any Further Shares and any Related Rights to which it becomes entitled after the date of its execution of this Deed.

2.2 **Delivery of Documents**

The Chargor shall:

2.2.1 promptly, and in any event no later than within 5 (five) Business Days after execution and delivery of this Deed, deliver or cause to be delivered to the Collateral Agent, certificates and other documents of title or evidence of ownership in the name of the Collateral Agent or (if specified by the Collateral Agent) its nominee in respect of the Existing Shares and Related Rights; and

2.2.2 on each future occasion on which the Chargor becomes entitled to any Further Shares or Related Rights (whether by purchase, subscription or otherwise), deliver or cause to be delivered to the Collateral Agent no later than within 5 (five) Business Days after becoming so entitled, certificates and other documents of title or evidence of ownership in the name of the Collateral Agent or (if specified by the Collateral Agent) its nominee in respect of such Further Shares and Related Rights.

2.3 **Share Transfers**

The Chargor shall:

2.3.1 no later than within 5 (five) Business Days after execution and delivery of this Deed, deliver or cause to be delivered to the Collateral Agent evidence that (a) the board of directors of the Company has approved the transfer of the Existing Shares for registration in accordance with the Articles of Association of the Company; and (b) that the name of the Collateral Agent or (as the case may be) its nominee has been entered in the register of members of the Company and the PSC register of the Company (if applicable or required) in respect of the Existing Shares; and

2.3.2 on each future occasion on which the Chargor becomes entitled to any Further Shares, deliver or cause to be delivered to the Collateral Agent evidence that the board of directors of the Company has approved the transfer of such Further Shares for registration in accordance with the Articles of Association of the Company and that the name of the Collateral Agent or (as the case may be) its nominee has been entered in the register of members of the Company and the PSC register of the Company (if applicable or required) in respect of such Further Shares.

3 **THE SHARES**

3.1 **Voting rights**

3.1.1 Subject to Clauses 3.1.3 and 3.1.6, until an Enforcement Event has occurred and is continuing and the Collateral Agent issues an Enforcement Notice, the voting and the other rights and powers attached to the Shares shall be exercised by the Collateral Agent or its nominee (as the case may be) in such manner as the Chargor shall from time to time direct by notice in writing to the Collateral Agent and the Collateral Agent or its nominee will, subject to receiving reasonable prior notice in writing from the Chargor, procure the appointment of such proxy or corporate representative as the Chargor may require to attend general meetings of the Company and vote in accordance with the Chargor's instructions in respect of the Shares.

- 3.1.2 Subject to Clauses 3.1.4 and 3.1.5, with effect from the date of the delivery of an Enforcement Notice following the occurrence of the Enforcement Event which is continuing, the Collateral Agent may at its discretion, in the name of the Chargor or otherwise and without any further consent or authority from the Chargor, exercise (or refrain from exercising) or direct the exercise of the voting and other rights and powers attached to the Shares, but strictly for the purpose of preserving and enforcing the Charge created under this Deed in accordance with its terms.
- 3.1.3 The Chargor shall not, without the previous consent in writing of the Collateral Agent who shall act as per a resolution of the Noteholders adopted in accordance with the Terms, exercise or allow to be exercised the voting or other rights attached to any of the Shares in favour of resolutions having any of the following effects, namely:
- (a) any alteration to the Articles of Association of the Company;
 - (b) the grant of any Security by the Company in favour of any person other than the Collateral Agent;
 - (c) the Winding-up of the Company or the making of any administration order in respect of the Company;
 - (d) any reduction in the share capital of the Company or any purchase or redemption by it of its own shares;
 - (e) any authorisation under Section 550 or 551 of the Companies Act 2006 or authorisation or special resolution as is referred to in Sections 569, 570 or 571 of the Companies Act 2006;
 - (f) any other matter (without limitation) which in the opinion of the Collateral Agent might prejudice this Charge or impair the value of the Secured Assets and which opinion has been notified in writing to the Chargor.
- 3.1.4 The Collateral Agent may, in its absolute discretion and without any consent or authority from the Chargor, by notice to the Chargor (which notice shall be irrevocable) elect to give up the right to exercise (or refrain from exercising) all voting rights in respect of all or any of the Shares conferred or to be conferred on the Collateral Agent pursuant to Clause 3.1.2.
- 3.1.5 Once a notice has been issued by the Collateral Agent under Clause 3.1.4, on and from the date of such notice the Collateral Agent shall cease to have the rights to exercise or refrain from exercising voting rights in respect of the Shares conferred or to be conferred on it pursuant to Clause 3.1.2 or any other provision of this Deed and all such rights will be exercisable by the Chargor. The Chargor shall be entitled on and from the date of such notice, to exercise all voting rights in relation to the relevant Shares subject only to the provisions of Clause 3.1.3.

3.1.6 If any meeting of the holders of any of the Secured Assets is called for the purposes of passing a resolution relating to any of the matters referred to in Clause 3.1.3, the Collateral Agent may vote or procure its nominee (or any proxy or corporate representative) to vote in respect of the Secured Assets in such manner as the Collateral Agent shall consider to be in the interests of the Noteholders.

3.1.7 For the avoidance of doubt, nothing shall oblige the Collateral Agent, either before or after the occurrence of an Enforcement Event, to exercise voting rights or rights to receive dividends in respect of the Shares.

3.2 **Receipts**

Until an Enforcement Event and the delivery of an Enforcement Notice occurs, all monies (including dividends) paid in respect of the Secured Assets and received by the Collateral Agent or its nominee shall be for the account of the Chargor and the Collateral Agent or its nominee shall account to the Chargor for those monies. If the Collateral Agent or its nominee (or any person on its behalf) receives any cheque, warranty or other monetary instrument in respect of any monies for which it would on receipt be obliged to account pursuant to this Clause 3.2, it shall immediately pay those monies or procure the transfer of such instrument to the Chargor.

After the occurrence of an Enforcement Event and the delivery of an Enforcement Notice, the Collateral Agent shall promptly apply all monies (including dividends) in respect of the Secured Assets received by the Collateral Agent or its nominee as though they were proceeds of sale of the Secured Assets and if the Chargor or any person on its behalf receives or obtains the benefit of any monies paid in respect of any Secured Assets it shall account to the Collateral Agent for those monies. If the Chargor (or any person on its behalf) receives any cheque, warranty or other monetary instrument in respect of any monies for which it would on receipt be obliged to account pursuant to this Clause 3.2, it shall immediately pay those monies or procure the transfer of such instrument to the Collateral Agent.

3.3 **Other rights**

Except as otherwise provided in Clauses 3.1 and 3.2, the Chargor shall ensure that all rights from time to time attaching to or connected with any of the Secured Assets are exercised in a manner that does not prejudice the validity or enforceability of the Charge nor is inconsistent with the Terms.

3.4 **Calls etc.**

The Chargor shall perform all of the obligations attached to the Secured Assets and the Collateral Agent shall not be under any obligation or liability by reason of or arising out of this Deed, nor shall it be required to perform or fulfil any obligations of the Chargor in respect of the Secured Assets or to make any payment or to make any enquiry as to the nature or sufficiency of any payment received by it, or to present or file any claim or take any other

action to collect or enforce the payment of any amount to which it may be or may have been or is entitled under this Deed at any time or times.

In particular, if any of the Shares are at any time partly paid and a call is made by the Company for any amount unpaid in respect of such Shares, the Chargor shall pay to the Company the amount payable in respect of such Shares and shall indemnify the Collateral Agent for all and any losses it incurs or sustains in connection with any failure by the Chargor to meet such call.

4 UNDERTAKINGS, REPRESENTATIONS AND WARRANTIES

4.1 The Chargor undertakes, represents and warrants to the Collateral Agent that:

4.1.1 the Shares set out opposite its name in the Schedule are owned by it absolutely and are not subject to any Security or other third party right except pursuant to this Deed and that such Shares are fully paid up;

4.1.2 it has not sold (or agreed to sell) or otherwise disposed of (or agreed to dispose of) the Secured Assets or any interest therein and will not, while this Charge remains in force, sell, dispose of or agree to sell or dispose of any of the Secured Assets or any interest therein, without the Collateral Agent's prior written consent that is given as per a resolution of the Noteholders obtained in accordance with the Terms;

4.1.3 it and its directors have the necessary capacity and power to enter into and have taken all steps which are necessary to authorise the execution and delivery of this Deed and the creation of this Charge;

4.1.4 neither the execution, delivery or performance of this Deed by it will violate any provision of any law or regulation or of its constitutional documents or of any mortgage, debenture, contract, undertaking or any obligation of any kind to which it is a party or which is binding on it or any of its assets or result in the creation or imposition of any Security on any of its assets; and

4.1.5 if it becomes entitled to any Secured Assets after the date of its execution of this Deed, it will forthwith give notice of that fact (giving particulars of the Secured Assets in question) to the Collateral Agent.

4.2 The undertakings, representations and warranties given or made by the Chargor in Clauses 4.1.1 to 4.1.5 inclusive shall survive the execution of this Deed.

5 LIABILITY OF THE COLLATERAL AGENT

5.1 The Collateral Agent shall not in any circumstances:

5.1.1 be liable to account to the Chargor or any other person for anything except the Collateral Agent's own actual receipts which have not been distributed or paid to

the Chargor or the persons entitled or, at the time of payment, believed by the Collateral Agent, after consultation with the Chargor, to be entitled thereto; or

5.1.2 other than as provided under the Terms or the Collateral Agent Agreement, be liable to the Chargor or any other person for any costs, charges, losses, damages, liabilities or expenses arising from or connected with any realisation of the Secured Assets or from any act, default, omission or misconduct of the Collateral Agent, its officers, employees or agents in relation to the Secured Assets.

5.2 The Collateral Agent shall not by virtue of Clause 5.1 owe any duty of care or other duty to any person to which the duty would not be owed in the absence of that Clause.

5.3 The Collateral Agent may place any or all deeds and other documents certifying, representing or constituting the title to any of the Secured Assets in any safe deposit, safe or receptacle or with any banker or banking company or companies whose business includes undertaking the safe custody of documents or any solicitor or firm of solicitors. The Collateral Agent may in its absolute discretion make such arrangements as it thinks fit for allowing the Chargor or its solicitors or auditors or other advisers access to or possession of any such deeds and other documents when necessary or convenient. The Collateral Agent shall not be responsible for any loss incurred in connection with any such deposit, access or possession otherwise than in accordance with the Terms.

6 PROTECTION OF THIRD PARTIES

Without limiting the liability of the Collateral Agent under the Terms and the Collateral Agent Agreement, it is acknowledged that no purchaser or other person dealing with the Collateral Agent shall be concerned to enquire whether any Enforcement Event has occurred or is continuing, whether any consents, regulations, restrictions or directions relating to the rights of the Collateral Agent have been obtained or complied with or otherwise as to the propriety or regularity of acts purporting or intended to be in exercise of any such rights or as to the application of any money borrowed or raised.

7 ENFORCEMENT

7.1 At any time on or after the occurrence of an Enforcement Event, the Collateral Agent shall be entitled acting in accordance with the resolution adopted by at least the Majority Noteholders (as defined in the Terms), but without any consent from the Chargor or any other person:

7.1.1 Deal with Secured Assets

to sell, transfer, assign, exchange and otherwise dispose of or realise the Secured Assets by any means, for such consideration and on such terms and conditions as permitted by applicable law and in accordance with the resolution adopted by at least the Majority Noteholders (as defined in the Terms) and in each case to apply any proceeds of such enforcement towards the discharge of the Secured Obligations in accordance with Clause 11.1 (*Application of Proceeds*) of the Terms;

7.1.2 **Rights of Ownership**

to exercise and do (or permit the Chargor to exercise and do) all such rights and things as the Collateral Agent would be entitled to exercise and do if it were the absolute owner of the Secured Assets and the registered holder of the Shares;

7.1.3 **Claims**

to settle, adjust, refer to arbitration, compromise and arrange any claims, accounts, disputes, questions or demands with or by any person relating in any way to the Secured Assets;

7.1.4 **Legal Actions**

to bring, prosecute, enforce, defend and abandon actions, suits and proceedings in relation to the Secured Assets;

7.1.5 **Redemption of Security**

to redeem any Security (whether or not having priority to this Charge) over the Secured Assets and to settle the accounts of the holders of any prior security;

7.1.6 **Other Powers**

to do all such other acts and things as it may, acting bona fide in accordance with applicable laws and with the resolution adopted by at least the Majority Noteholders (as defined in the Terms), consider necessary or expedient for the realisation of the Secured Assets or incidental to the exercise of any of the rights conferred on the Collateral Agent under or by virtue of this Deed and to concur in the doing of anything which the Chargor has the right to do and to do any such thing jointly with any other person.

7.2 **Appropriation**

7.2.1 To the extent that any of the Secured Assets constitutes “financial collateral” and this Charge and the obligations of the Chargor hereunder constitute a “security financial collateral arrangement” (in each case as defined in, and for the purposes of, the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003 No. 3226) (the “**Regulations**”) the Collateral Agent shall have the right, in accordance with the resolution adopted by at least the Majority Noteholders (as defined in the Terms), to appropriate all or any part of such financial collateral in or towards discharge of the Secured Obligations and may exercise such right to appropriate upon giving written notice to the Chargor. For this purpose, the parties agree that the value of such financial collateral so appropriated shall be (a) in the case of cash, the amount standing to the credit of each of the relevant accounts, together with any accrued but unposted interest, at the time the right of appropriation is exercised; and

(b) in the case of any shares, stocks, debentures, bonds or other securities or investments, the market price of such shares, stocks, debentures, bonds or other securities or investments determined by the Collateral Agent by reference to a public index or by such other process as the Collateral Agent may select, including independent valuation. In each case, the parties agree that the method of valuation provided for in this Charge shall constitute a commercially reasonable method of valuation for the purposes of the Regulations.

7.3 The Collateral Agent shall give the Chargor not less than 15 Business Days' prior written notice of any intended or actual enforcement action before the exercise of any rights under this Clause 7.

7.4 Upon enforcement of this Charge, the Collateral Agent shall act in good faith and shall give the Chargor and/or any third persons nominated by the Chargor opportunity to submit offers for purchasing the Secured Assets along with other potential buyers and shall evaluate the relevant offers according to the same procedure as applied to other potential buyers. If the Collateral Agent accepts the offer made by a third party buyer, it shall promptly notify the Chargor of the name of the relevant buyer and the price of its relevant offer together with the written confirmation that the relevant offer was, considering all aspects and circumstances, the highest of all eligible offers. The Chargor undertakes to keep the information regarding the name of the buyer and the price of its offer confidential.

8 APPLICATION OF ENFORCEMENT PROCEEDS

8.1 All monies received by the Collateral Agent under or by virtue of this Deed following enforcement of the security hereby granted or of any security interest constituted pursuant hereto shall be promptly applied, subject to the claims of any creditors ranking in priority to or *pari passu* with the claims of the Collateral Agent under this Deed, in accordance with clause 11.1 of the Terms.

9 RELEASE OF SECURITY

9.1 Upon the expiry of the Security Period, the Collateral Agent shall, at the request of the Chargor, promptly release the Charge and all rights, title, and interest of the Collateral Agent and the Noteholders in or to the Secured Assets and give such instructions and directions and deliver such documents as the Chargor may reasonably require in order to effect such release.

10 PROTECTION OF SECURITY

10.1 This Charge shall be a continuing security notwithstanding any settlement of account or other matter or thing whatsoever and in particular (but without prejudice to the generality of the foregoing) shall not be considered satisfied by an intermediate repayment or satisfaction of part only of the Secured Obligations and shall continue in full force and effect until total and irrevocable satisfaction of all the Secured Obligations.

- 10.2 This Charge shall be in addition to and shall not in any way prejudice or be prejudiced by any collateral or other security, right or remedy which the Collateral Agent may now or at any time hereafter hold for all or any part of the Secured Obligations.
- 10.3 No failure on the part of the Collateral Agent to exercise and no delay on its part in exercising any right, remedy, power or privilege under or pursuant to this Deed or any other document relating to or securing all or any part of the Secured Obligations will operate as a waiver thereof, nor will any single or partial exercise of any right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The rights and remedies provided in this Deed and any such other document are cumulative and not exclusive of any right or remedies provided by law.
- 10.4 Each of the provisions in this Deed shall be severable and distinct from one another and if at any time any one or more of such provisions is or becomes or is declared null and void, invalid, illegal or unenforceable in any respect under any law or otherwise howsoever, the validity, legality and enforceability of the remaining provisions of this Deed shall not in any way be affected or impaired by that occurrence.
- 10.5 If the Collateral Agent receives or is deemed to be affected by notice, whether actual or constructive, of any subsequent security or other interest affecting any part of the Secured Assets and/or the proceeds of sale(s) thereof, the Collateral Agent may open a new account or accounts with the Chargor. If the Collateral Agent does not open a new account or accounts it shall nevertheless be treated as if it had done so at the time when it receives or was deemed to have received notice and as from that time all payments made to the Collateral Agent shall be credited or be treated as having been credited to the new account or accounts and shall not operate to reduce the amount for which this Deed is security.
- 10.6 Neither this Charge nor the rights, powers, discretions and remedies conferred upon the Collateral Agent by this Deed or by law shall be discharged, impaired or otherwise affected by reason of:
- 10.6.1 any present or future security, guarantee, indemnity or other right or remedy held by or available to the Collateral Agent being or becoming wholly or in part void, voidable or unenforceable on any ground whatsoever or by the Collateral Agent from time to time exchanging, varying, realising, releasing or failing to perfect or enforce any of the same; or
- 10.6.2 the Collateral Agent compounding with, discharging or releasing or varying the liability of, or granting any time, indulgence or concession to, the Chargor or any other person or renewing, determining, varying or increasing any accommodation or transaction in any manner whatsoever or concurring in accepting or varying any compromise, arrangement or settlement or omitting to claim or enforce payment from the Chargor or any other person; or
- 10.6.3 any act or omission which would not have discharged or affected the liability of the Chargor had it been a principal debtor instead of cautioner or by anything done or

omitted which but for this provision might operate to exonerate the Chargor from the Secured Obligations; or

10.6.4 any legal limitation, disability, incapacity or other similar circumstance relating to the Chargor.

10.7 The Collateral Agent shall not be obliged, before exercising any of the rights, powers or remedies conferred upon it by or pursuant to this Deed or by law except as required pursuant to the Terms or the Collateral Agent Agreement, to:

10.7.1 take any action or obtain judgement or decree in any court against the Chargor; or

10.7.2 make or file any claim to rank in a winding-up or liquidation of the Chargor; or

10.7.3 enforce or seek to enforce any other security taken, or exercise any right or plea available to the Chargor, in respect of any of the Chargor's obligations to the Collateral Agent.

11 **FURTHER ASSURANCE**

The Chargor shall execute and do all such assurances, acts and things as the Collateral Agent may require for perfecting or protecting this Charge or for facilitating the realisation of such assets and the exercise of all powers, authorities and discretions conferred on the Collateral Agent by this Deed and shall in particular (but without limitation) promptly after being requested to do so by the Collateral Agent, execute all assignments and transfers (in favour of the Collateral Agent or to such nominee as it shall direct) of the Secured Assets which come into existence after the date of the Chargor's execution of this Deed and give all notices, orders and directions which the Collateral Agent may think expedient for the purposes specified in this Clause 11.

12 **MANDATE AND ATTORNEY**

12.1 The Chargor hereby irrevocably appoints the Collateral Agent to be its mandatary and attorney for it and on its behalf and in its name or otherwise and as such to create or constitute any deed, or to make any alteration or addition or deletion in or to, any documents which are required for perfecting or protecting the title of the Collateral Agent to the Secured Assets under this Deed or for vesting any of the Secured Assets in accordance with this Deed in the Collateral Agent or its nominee or any purchaser and to re-deliver the same thereafter in connection with any sale, lease, disposition, realisation, getting in or other enforcement by the Collateral Agent of all or any of the Secured Assets pursuant to this Deed.

12.2 The Chargor hereby ratifies and confirms and agrees to ratify and confirm whatever any such mandatary or attorney shall do in accordance with this Deed in the exercise or purported exercise of all or any of the powers, authorities and discretions referred to in this Clause 12.

13 **EXPENSES AND INDEMNITY**

The Chargor must:

- 13.1 promptly on demand pay all costs and expenses incurred by the Collateral Agent under this Deed arising from (i) any actual or alleged breach by any person of any law or regulation, whether relating to the environment or otherwise and (ii) the service on the Collateral Agent of any Pensions Notice; and
- 13.2 keep the Collateral Agent indemnified against any failure or delay in paying those costs or expenses.

14 **NOTICES**

- 14.1 Any notice or other communication to be given by one Party to another under this Deed must be given to that other Party in accordance with Clause 13 (Notices) of the Terms.
- 14.2 Any notice given under or in connection with this Deed must be in English.

15 **GOVERNING LAW AND JURISDICTION**

This Deed shall be governed by, and construed in all respects in accordance with, the law of Scotland and, for the benefit of the Collateral Agent, the Chargor irrevocably submits to the non-exclusive jurisdiction of the Scottish courts but without prejudice to the ability of the Collateral Agent to proceed against the Chargor in any other appropriate jurisdiction.

16 **CONSENT TO REGISTRATION**

The Chargor hereby consents to the registration of this Deed and of any such certificate for preservation: IN WITNESS WHEREOF these presents consisting of this and the preceding [14] pages together with the schedule annexed hereto are executed in counterpart as follows and delivered on_____:

THE CHARGOR

SUBSCRIBED for and on behalf of the said **AS SAAREMERE KALA**

at

on

by

Print Full name

Member of the management board

before this witness:

Print Full Name

Witness

Address:

THE COLLATERAL AGENT

SUBSCRIBED for and on behalf of the said **PRF COLLATERAL AGENT OÜ**

at

on

by

Print Full name

Member of the management board

before this witness:

Print Full Name

Witness

Address:

This is the Schedule referred to in the foregoing deed of pledge between AS Saaremere Kala and PRF Collateral Agent OÜ dated _____.

SCHEDULE

SHARES IN THE CAPITAL OF THE COMPANY

Shareholder	Class of Share	Number of fully paid Shares of £1 each
AS Saaremere Kala	Ordinary	850
AS Saaremere Kala	Deferred	1

FINAL TERMS OF THE NOTES TO BE ISSUED ON 20 MARCH 2020
IN ACCORDANCE WITH
AS PRFOODS TERMS AND CONDITIONS OF SECURED NOTE ISSUE
DATED 14 JANUARY 2020 AND AMENDED ON 25 FEBRUARY 2020

4 MARCH 2020

1 GENERAL PROVISIONS

- 1.1** These Final Terms of the Notes (the “**Final Terms**”) constitute the specific terms and conditions of the Notes issued by the Issuer, under the AS PRFoods Terms and Conditions of Secured Note Issue, dated 14 January 2020 and amended on 25 February 2020 (the “**Terms**”). Each Note issued on the Issue Date indicated herein (the “**Issue Date**”) shall be the subject to these Final Terms, which shall complete the Terms in respect of such Notes.
- 1.2** These Final Terms constitute an inseparable part of the Terms and shall at all times be read, interpreted and applied in conjunction with the Terms. Words and expressions used herein, which are defined in the Terms, shall have the same meanings in the Final Terms. In the event of any inconsistency between the provisions of these Final Terms and provisions of the Terms, the provisions of these Final Terms shall prevail. By submitting a Subscription Undertaking, every investor confirms that he/she/it has read the Terms and these Final Terms and undertakes to adhere to the Terms and these Final Terms.
- 1.3** The Notes shall be offered by way of a public offering to retail investors in Estonia (the “**Retail Offering**”) and to institutional investors in and outside of Estonia (the “**Institutional Offering**”). Subscription of the Notes in the Retail Offering shall be regulated in the prospectus approved by the Estonian Financial Supervision Authority on 9 March 2020 under registration number 4.3-4.9/776 (the “**Prospectus**”).

2 SUBSCRIPTION OF NOTES

- 2.1** The terms for the subscription of the Notes in the Retail Offering are provided in the Prospectus. The terms for the subscription of the Notes in the Institutional Offering are provided in Section 15 of the Terms.
- 2.2** The form for the Subscription Undertaking to be submitted in the Retail Offering is provided in the Prospectus. The form for the Subscription Undertaking to be submitted in the Institutional Offering is provided in Annex 1 of these Final Terms.

TERMS OF NOTES

1. GENERAL INFORMATION

- 1.1. Issuer: AS PRFoods
- 1.2. Securities to be issued: Secured Notes
- 1.3. Aggregate Nominal Value of the tranche of Notes to be issued under these Final Terms: Up to EUR 1,890,400, which can be reduced by the Issuer in its full discretion until the Issue Date.

1.4. Maximum Aggregate Nominal Value of the Issue: Up to EUR 11,000,000 during the whole Issue (i.e. during all Subscription Periods in aggregate).

2. INFORMATION ON NOTES

2.1. Currency of denomination: EUR

2.2. Nominal Value of a Note: EUR 100.00

2.3. Subscription Period: From 10:00 (Estonian time) 10 March 2020 until 16:00 (Estonian time) on 16 March 2020
(which is an "Additional Subscription Period" for the purposes of the Terms)

2.4. Issue Date: 20 March 2020
(which is an "Additional Issue Date" for the purposes of the Terms)

2.5. Issue Price of a Note: EUR 101.00

2.6. Indication of yield-to-maturity on the Issue Date, on the basis of the Issue Price: 6.25%

2.7. Payment Date of the Issue Price: The payment of the Issue Price must be made by way of a delivery-versus-payment transaction, simultaneously against delivery of the Notes to the investor on 20 March 2020. For investors who have subscribed for the Notes in the Retail Offering, the transaction order shall be generated by the Register. For investors who have subscribed for the Notes in the Institutional Offering, the instructions and deadlines for submitting the transactions order shall be provided in the Confirmation.

2.8. Interest rate: 6.25% (30E/360)

2.9. Interest Commencement Date: 22 January 2020

2.10. Interest Payment Date(s): 22 July, and 22 January of each year, starting from 22 July 2020 (including). If an Interest Payment Date falls on a day that is not a Banking Day, interest shall be paid on the next Banking Day after the Interest Payment Date.

2.11. Maturity Date: 22 January 2025

2.12. ISIN code: EE3300001577

3. PROVISIONS ON EARLY REDEMPTION AT THE OPTION OF THE ISSUER (CALL OPTION)

3.1. Early Redemption Date(s) and provisions for Early Redemption at: The Issuer has the right to redeem all or part of the Notes for the Redemption Price determined in accordance with Section 3.2 of these Final Terms, on

- the option of the Issuer (Call Option):
- every Banking Day until the Maturity Date (each such Banking Day is hereinafter the “**Early Redemption Date**”), subject to at least 30 day’s advance notice to the Noteholders, made in accordance with Section 13 of the Terms.
- 3.2. Redemption Price upon Early Redemption at the option of the Issuer (Call Option) For each Note to be redeemed, the sum of the Nominal Value of the Note and the Call Premium for early redemption on the relevant Early Redemption Date (as set forth below), together with the unpaid Interest accrued on the Note to, but excluding, that Early Redemption Date in accordance with Section 3 of the Terms and any other monies due and payable to the Noteholder under the Terms on that Early Redemption Date.
- 3.3. Call Premium: For each Note to be redeemed, 0.003 EUR per each euro redeemed early for each interest payment period (i.e. each Interest Payment Date) that is to follow the relevant Early Redemption Date (up to the Maturity Date).
- 4. PROVISIONS ON EARLY REDEMPTION AT THE OPTION OF NOTEHOLDERS (PUT OPTION)**
- 4.1. Redemption Price upon Early Redemption at the option of Noteholders (Put Option) For each Note to be redeemed, the full outstanding principal (i.e. the Nominal Value) of the Note, together with the unpaid Interest accrued on the Note to, but excluding, the date of the relevant early redemption in accordance with Section 3 of the Terms and any other monies due and payable to the Noteholder under these Terms on that date
- 5. COLLATERAL AGENT**
- 5.1. Contact details of the Collateral Agent:
- PRF Collateral Agent OÜ**
Address: F. R. Faehlmanni 5,
10125 Tallinn,
Estonia
Tel.: +372 626 4300
E-mail: cas@tgsbaltic.com
Attn: Peeter Viirsalu
- 6. OTHER TERMS**
- 6.1. Register: Estonian Central Register of Securities
- 6.2. Registrar: Nasdaq CSD SE Estonia branch
- 6.3. Governing Law: Estonian
- 6.4. Jurisdiction and Dispute Settlement: Estonian courts

ANNEX 1 TO THE FINAL TERMS OF THE NOTES TO BE ISSUED ON 20 MARCH 2020

SUBSCRIPTION UNDERTAKING FOR THE INSTITUTIONAL OFFERING

The Issue of AS PRFoods Notes (the “**Notes**”) shall be made in accordance with and under the AS PRFoods Terms and Conditions of Secured Notes Issue, dated 14 January 2020 and amended on 25 February 2020 (the “**Terms**”) and the Final Terms dated 4 March 2020 (the “**Final Terms**”).

This Subscription Undertaking is an inseparable part of the Terms and Final Terms and will at all times be read, interpreted and applied together with the Terms and the Final Terms. Words and expressions used in this Subscription Undertaking, which are defined in the Terms or the Final Terms shall have the same meaning in this Subscription Undertaking.

PLACING OF THE SUBSCRIPTION UNDERTAKING

The Subscription Undertaking must be submitted by e-mail to the Issuer (to the address: investor@prfoods.ee; cc to: bonds@redgatecapital.eu) by 16:00 (Estonian time) on 16 March 2020 at the latest. The investor shall retain the original copy of the Subscription Undertaking. A Subscription Undertaking shall be considered valid, if submitted during the Subscription Period, if drawn up substantially in the required form and substance, and if the investor submits the transaction order in accordance with the instructions provided in on the Confirmation by the term established in the Confirmation. The Issuer may, at its sole discretion, treat as valid also Subscription Undertakings submitted after the Subscription Period, but before the Issue Date.

ALLOCATION OF THE ISSUE

The Issuer will decide on the allocation of the Notes in its sole discretion, after the expiry of the Offering Period, and no later than on 18 March 2020. The Notes will be allocated to the investors participating in the Offering in accordance with the following principles:

- (i) the division of the Notes between the Institutional Offering and the Retail Offering has not been predetermined. The Issuer will determine the exact tranche sizes of the Retail Offering and Institutional Offering (percentage wise) in its sole discretion;
- (ii) the Issuer will determine the exact allocation of the Notes among investors in its sole discretion;
- (iii) the main criteria for the determination of the levels and allocation percentages are: (a) the total demand for the Notes in the Offering and (b) the size and amount of Subscription Undertakings in the Offering;
- (iv) no tranche has been predetermined to any investors or any group of investors;
- (v) allocation of the Notes will not be determined on the basis of which firm they are made through or by;
- (vi) possible multiple Subscription Undertakings submitted by an investor in the Retail Offering or in the Institutional Offering shall be merged for the purpose of allocation. If different securities' accounts of the investor have been indicated in the Subscription Undertakings submitted by such investor respectively, subject to the amount of the Notes indicated in each such Subscription Undertaking, the Issuer shall have the full discretion to determine the number of the Notes that will be transferred to each such securities' accounts of such investor in the course of the settlement of the Offering;
- (vii) each investor subscribing via a nominee account is considered as an independent investor if the Issuer has received information on such investor's identity and the amount of Notes subscribed for by such investor; and

- (viii) each investor entitled to receive the Notes shall be allocated a whole number of Notes and, if necessary, the number of Notes to be allocated shall be rounded down to the closest whole number. Any remaining Notes which cannot be allocated using the above-described process will be allocated to investors on a random basis.

WARRANTIES AND OBLIGATIONS OF THE INVESTOR

By submitting this Subscription Undertaking the investor makes an offer to enter into the Terms, the Final Terms and the Subscription Undertaking, and to acquire the Notes indicated in the Subscription Undertaking. The investor's offer to enter into the Terms, the Final Terms and the Subscription Undertaking and to acquire the Notes indicated in the Subscription Undertaking shall be considered accepted by the Issuer, to the extent and subject to other provisions indicated in the Confirmation, as at the moment of dispatching of the Confirmation by the Issuer to the investor.

By submitting the Subscription Undertaking the investor confirms that he/she/it:

- (i) has read and understands the Terms, the Final Terms and the Subscription Undertaking;
- (ii) understands that investing in the Notes is inherently associated with investment risk and has the necessary experience and knowledge in the matters related to investments into financial instruments (including the financial instruments similar to the Notes);
- (iii) has consulted to the extent necessary with its advisors in legal, tax, finance and other relevant matters;
- (iv) agrees and commits to adhere to the Terms, the Final Terms and the Subscription Undertaking;
- (v) accepts that the number of the Notes indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of the Notes which the investor wishes to acquire (the "**Maximum Amount**") and that the investor may receive less (but not more) Notes than the Maximum Amount subscribed for;
- (vi) undertakes to acquire and pay for any number of Notes allocated to them in accordance with the Terms, up to the Maximum Amount;
- (vii) appoints PRF Collateral Agent OÜ (a company incorporated under the laws of Estonia, registered in the Estonian commercial register with registry code 14880068) (and, if applicable, the person to whom the rights and obligations of the Collateral Agent have been transferred in accordance with the Terms) to perform the obligations and exercise the rights in connection with the Collateral and the Collateral Agreements as set forth in the Terms. In connection with the above, the investor hereby acknowledges and understands that:
 - the Collateral Agent has no obligations other than those expressly set out in the Terms, the Collateral Agreements and the Collateral Agent Agreement, and the investor understands the restricted nature of the obligations of the Collateral Agent;
 - the Collateral Agent is under no circumstances guaranteeing the validity or enforceability of the Collateral to be established in accordance with the Terms and all or some of the Collateral Agreements may not be concluded by the time of subscription to the Notes;
 - the assets serving as objects of the relevant Collateral are subject to the Higher Ranking Security Interests (as defined in the Terms) that secure obligations of the Issuer's group arising from the Priority Ranking Financing and certain other existing liabilities of the Issuer's group. As a result, the rights of the Noteholders and of the Collateral Agent in respect of the Collateral shall be subject to restrictions and limitations applicable to lower ranking security holders under the laws applicable to the relevant Collateral, as further described in the Terms;
 - enforcement and establishment of the Collateral in accordance with the Terms shall depend on the co-operation of the Collateral Provider.
- (viii) **The Issuer intends to apply for the admission of the Notes to trading on the Bond List of the Nasdaq Tallinn Stock Exchange. However, the Issuer cannot ensure or guarantee that**

the Notes are admitted to trading on the Bond List of the Nasdaq Tallinn Stock Exchange or any other stock exchange. From the date when the Notes are admitted to trading on a stock exchange, the Issuer has a right to designate a credit institution or another financial institution as its payment agent. Thereafter the Noteholders may be requested and would thereafter be obliged to exercise their financial rights pertaining to the Notes through the payment agent.

An investor may submit a Subscription Undertaking through a nominee account only if such investor authorises the owner of the nominee account to disclose the investor's identity, personal ID number or registration number, and address to the Issuer and the Registrar in writing. Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation of the Notes only if the owner of the nominee account has actually disclosed the identity of the investor to the Issuer and the Registrar in writing, and Subscription Undertakings submitted through nominee accounts without the disclosure of the above information will be disregarded. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorised (in the form required by law) to submit the Subscription Undertaking.

THE INVESTOR HEREBY EXPRESSES HIS/HER/ITS WISH TO ACQUIRE, THROUGH PRIMARY DISTRIBUTION, THE BELOW STATED AMOUNT OF THE NOTES AND UNDERSTAKES TO PAY THE ISSUE PRICE FOR THE NUMBER OF THE NOTES STIPULATED IN THE SUBSCRIPTION UNDERTAKING.

SUBSCRIPTION UNDERTAKING

Number of Notes subscribed	Aggregate Nominal Value of the Notes subscribed for (EUR)

INVESTOR

Name:	Contact person:
I.D.code/Reg.code:	Address:
Phone:	
Fax:	
E-mail:	
Securities account No:	Owner of the securities account and current account:
Securities account operator:	

Current account No:	

Date:

Name and signature:

Appendix 3 to the Prospectus - Consolidated audited financial statements of the Issuer as of and for the financial year 1 July 2018 - 30 June 2019, including the comparative financial information as of and for the financial year 1 January 2017 - 30 June 2018

PRFOODS

AS PRFoods

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

30.10.2019

2018/2019
ANNUAL REPORT

PRFOODS

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

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CORPORATE PROFILE

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

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

The company's key market is Finland, where it is amongst the three largest fish production companies. Products of the Group are sold as leading brands in their respective operating market and the primary focus is on higher value-added premium products, which in turn would increase the profitability of the company.

Since the acquisition of John Ross Jr. and Coln Valley Smokery in the summer of 2017, the Group has sales experience to 37 countries in Europe, North and South America, and Asia. The best-known trademarks of AS PRFoods are "Heimon Gourmet" and "Saaristomeren". The Group's other trademarks include "Gurmé" and "Polar Fish", which are marketed in the Baltic States. Other notable brands of the recently acquired companies are „John Ross Aberdeen“, „Coln Valley Smokery“ and "Fishk".

Our main products are salmon and rainbow trout products. Approximately 2/3 of the raw fish used in the Group's rainbow trout production comes from the Group's own fish farms in Swedish lakes, Turku Archipelago area in Finland and in coastal waters of Saaremaa in Estonia, assuring the highest quality and reliable deliveries. In addition to procuring the main raw material – raw fish – a notable volume of red caviar is made from fish harvested in the Group's own fish farms. The rest of raw fish is purchased mainly from Norway and Denmark.

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

In addition, the product portfolio includes:

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



The Group is actively involved in developing new products for expanding also to new export markets. As introducing the Group's own brands is in its early stage in Scandinavia and elsewhere in the world, the management expects the Group's growth period is yet to come.

John Ross Jr. (Aberdeen) Ltd.
TRULY TRADITIONAL SCOTTISH SMOKED SALMON

COLN VALLEY

Fishk

Heimon
GOURMET

 OVERUMANS FISK

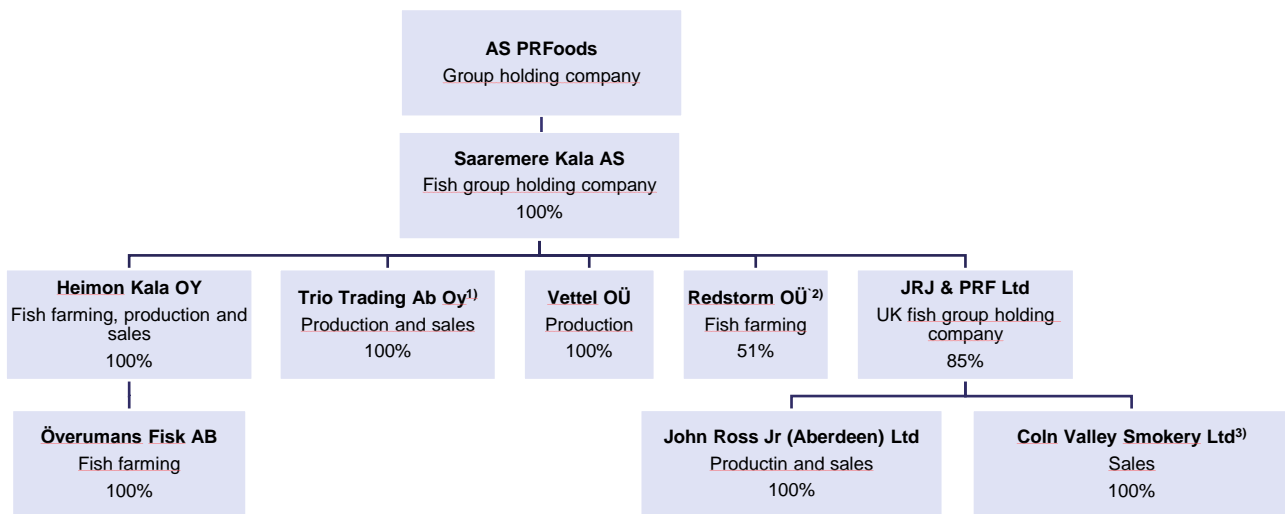
 UETTEL

 gurmé

 Saaristomeren
Saaremaa

 POLAR
FISH

GROUP STRUCTURE AS AT 30.06.2019



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

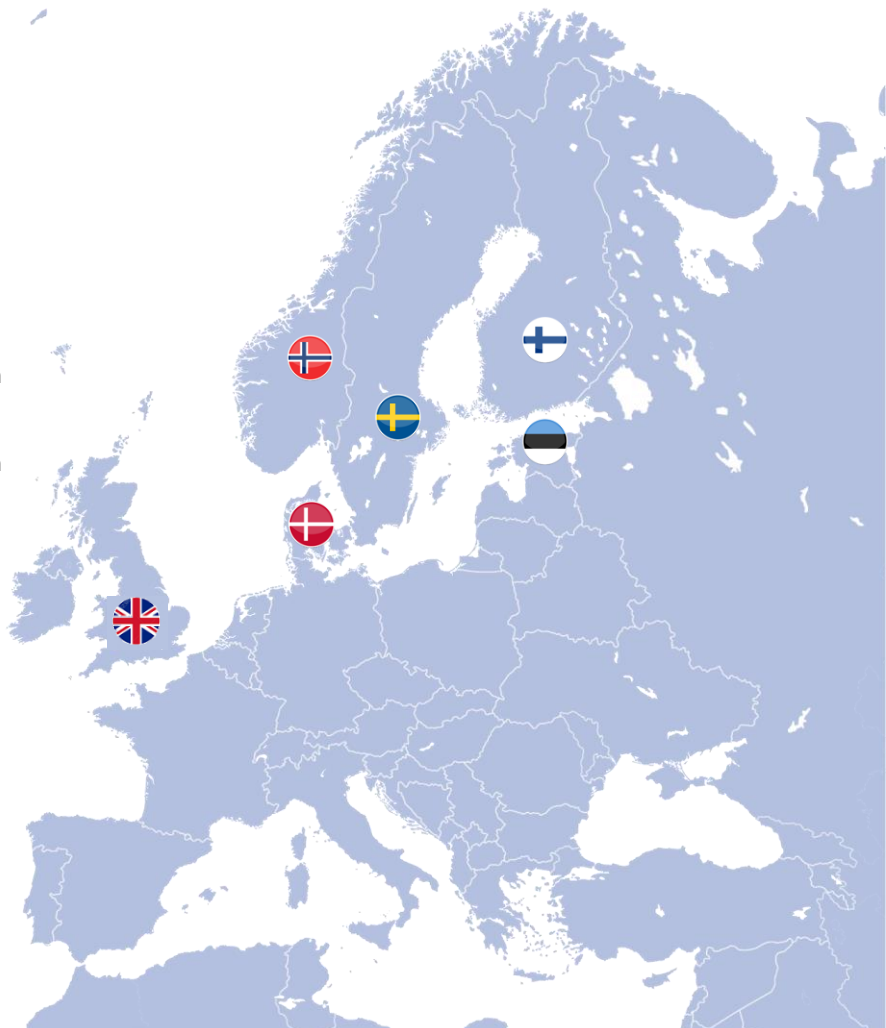
²⁾ Consolidated from 01.07.2018

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

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

THE GEOGRAPHY OF PRODUCTION AND SALES

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



MISSION

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

VISION

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

STRATEGIC OBJECTIVES

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

STRENGTHS

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

RISKS

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



MANAGEMENT REPORT

MANAGEMENT REPORT

OVERVIEW OF ECONOMIC ACTIVITIES

MANAGEMENT COMMENTARY

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

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

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

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

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

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

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

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

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

From positive side, we can remark:


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

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

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

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

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



Sincerely,

Indrek Kasela



KEY RATIOS OF THE GROUP

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

KEY RATIOS*

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

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

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

REVENUE

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

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

GEOGRAPHIC SEGMENTS

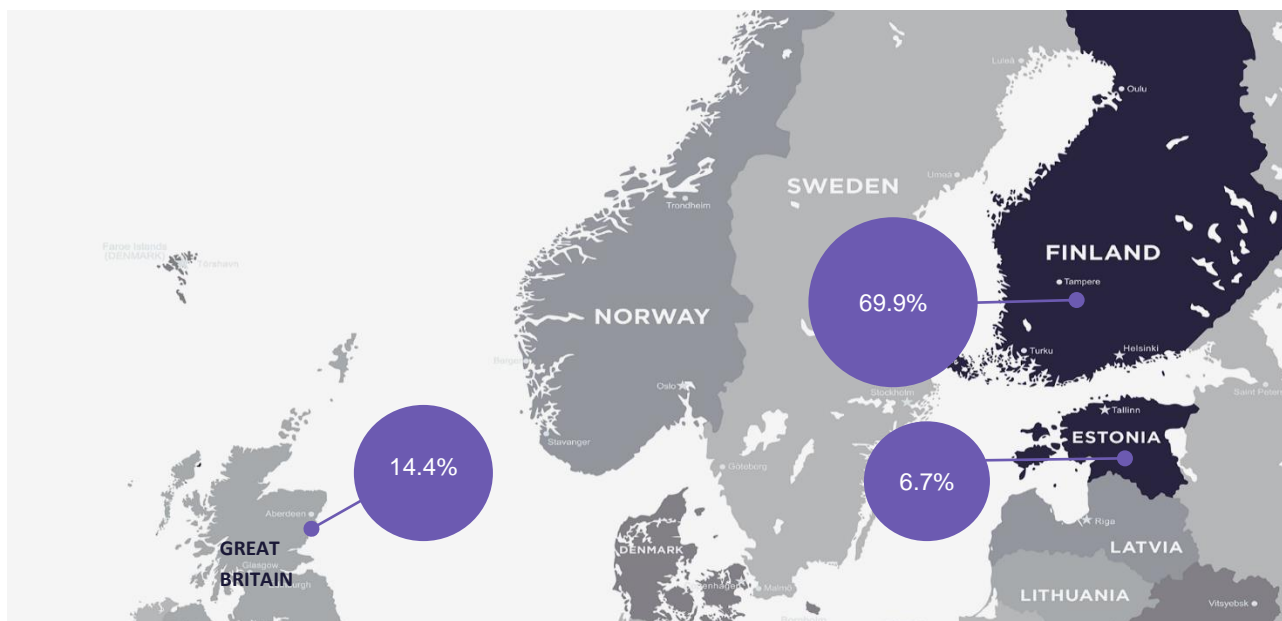
mIn EUR	12m 18/19	Share, %	12m 17/18	Share, %	Change, mIn EUR	12m 18/19 vs 12m 17/18	Imp.
Finland	59.9	69.9%	66.9	70.5%	-7.0	-10.5%	▼
Great Britain	12.1	14.1%	13.2	14.0%	-1.1	-8.6%	▼
Estonia	5.7	6.7%	5.0	5.2%	0.7	14.9%	▲
Other	8.0	9.4%	9.8	10.3%	-1.7	-17.9%	▼
Total	85.7	100.0%	94.9	100.0%	-9.1	-9.6%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

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

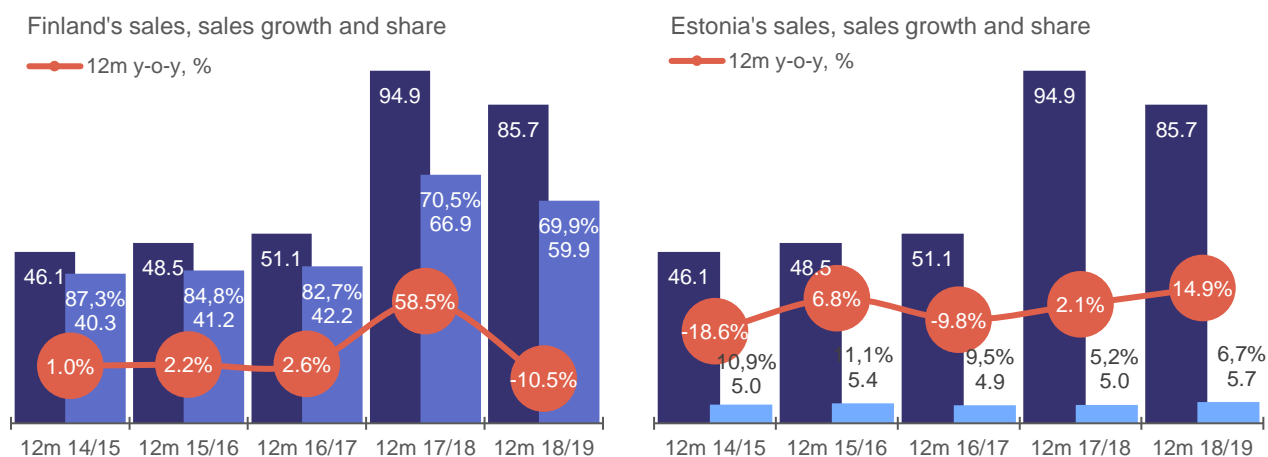
Revenue from Estonia increased by 0.7 million euros to 5.7 million euros (12 months 2017/2018: 5.0 million euros) and the share of total revenue increased by 1.5 percentage points to 6.7% compared to 12-months period of 2017/2018 (12 months 2017/2018: 5.2% of total revenue).

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

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



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



PRODUCT SEGMENTS

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

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

CLIENT SEGMENTS

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

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

COSTS

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

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

COST OF GOODS SOLD (COGS)

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

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

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

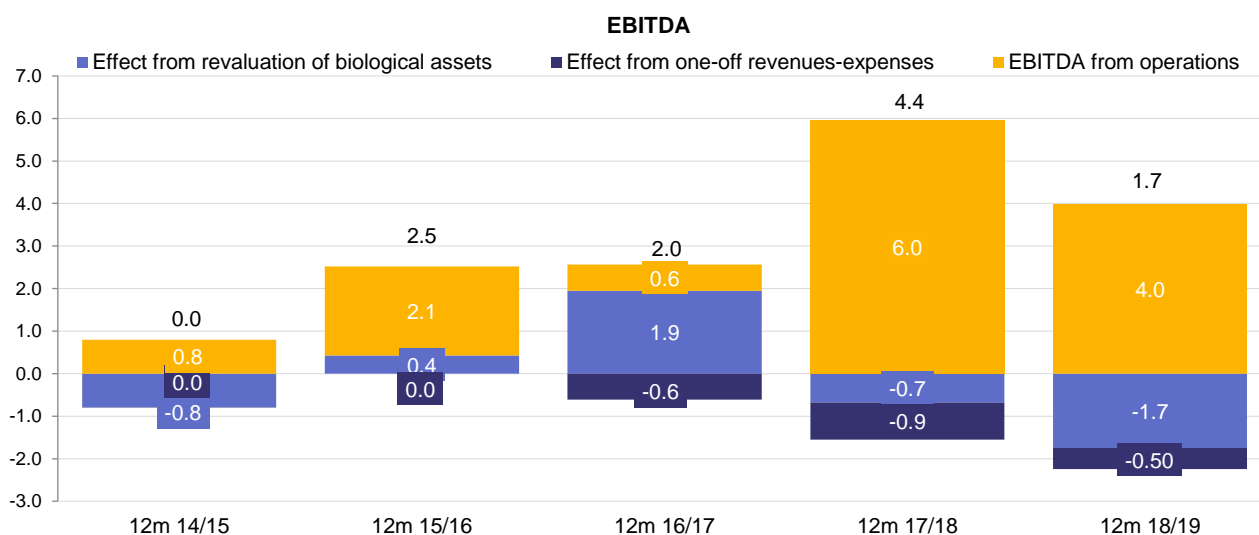
OPERATING EXPENSES

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

PROFITABILITY

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

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



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

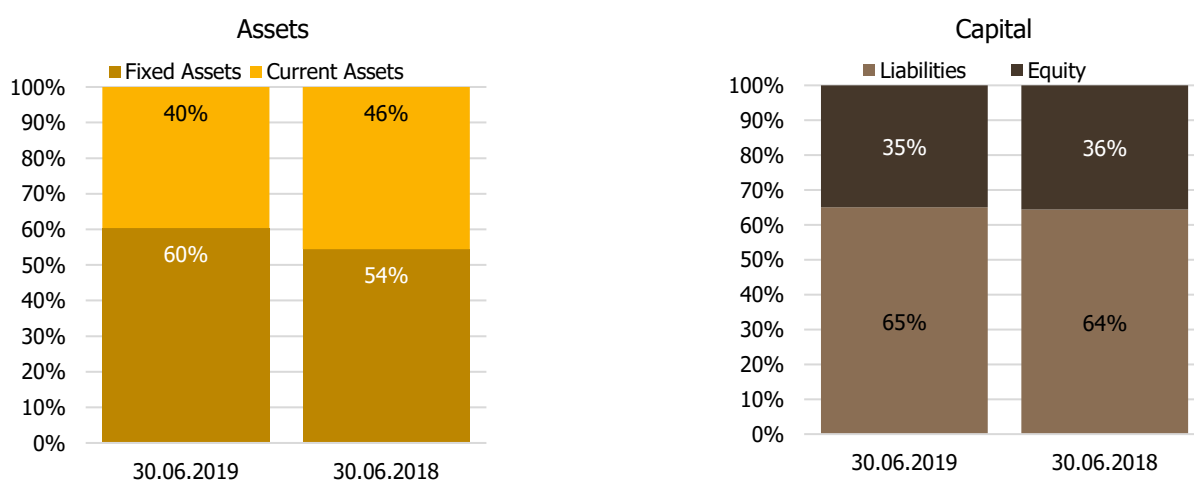
Operating margin in the financial year was -0.5% (12 months 2017/2018: 2.5%) and net margin was -1.7% (12 months 2017/2018: 1.1%).

BALANCE SHEET

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

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

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



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

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

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

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

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

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

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

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

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

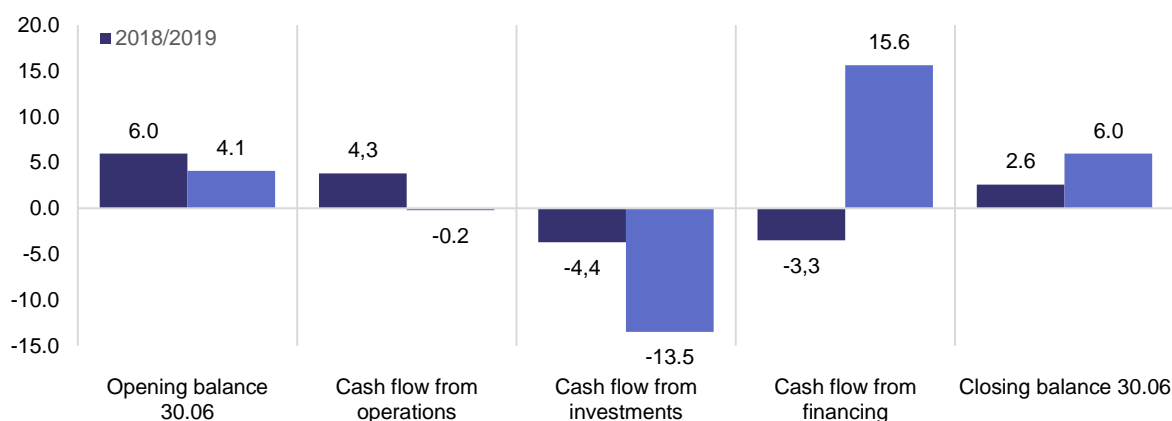
The registered share capital of the Group was 7.7 million euros as at 30.06.2019 (30.06.2018: 7.7 million euros). On the annual general meeting held on 30.11.2018, the shareholders resolved to pay dividends from the 2017/2018 financial year's net profit 0.01 euros per share and to allocate 2,850 euros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

CASH FLOWS

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

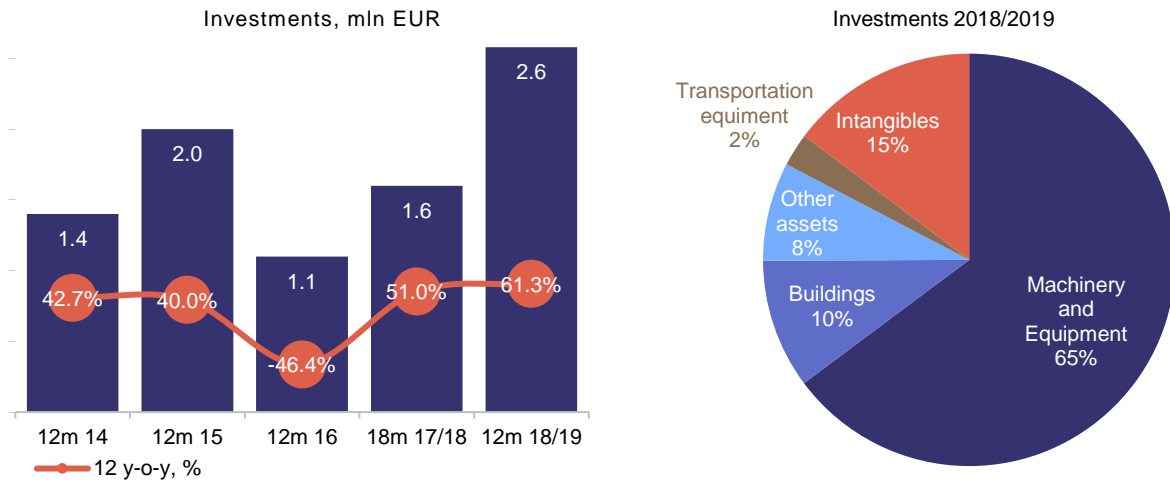
Cash flow from operations in the accounting period was +4.3 million euros and -0.2 million euros in the same period a year ago. Cash flow from investment activities in the accounting period was -4.4 million euros and -13.5 million euros a year ago. Cash flow from financing activities totalled -3.3 million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

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



INVESTMENTS

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



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

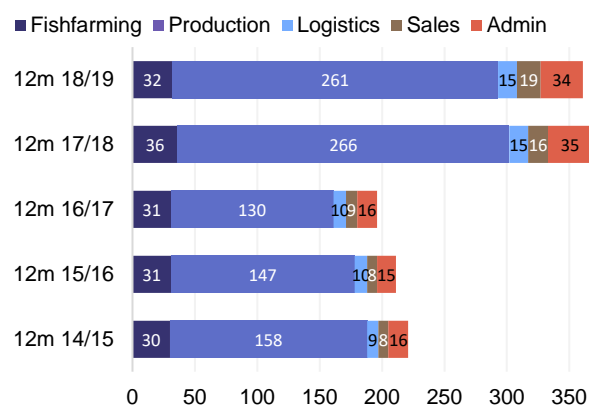
TEAM

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

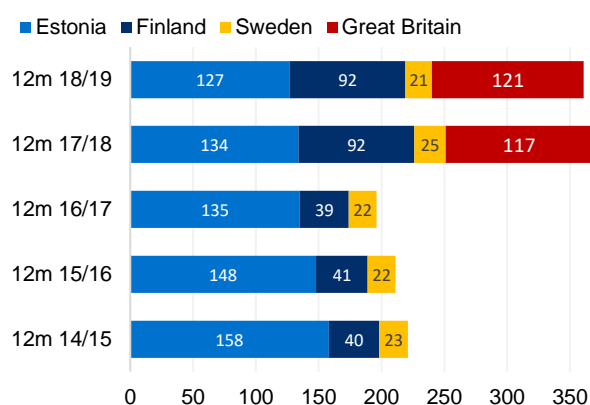
The Group's labour costs increased from 10.4 million euros during 12 months of 2017/2018 to 10.9 million euros in 2018/2019. Manufacturing labour costs amounted to EUR 7.2 million (12 months 2017/2018: EUR 7.3 million), an increase by EUR 0.1 million compared to the previous 12 months. The labour costs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

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

Employees per area of activity



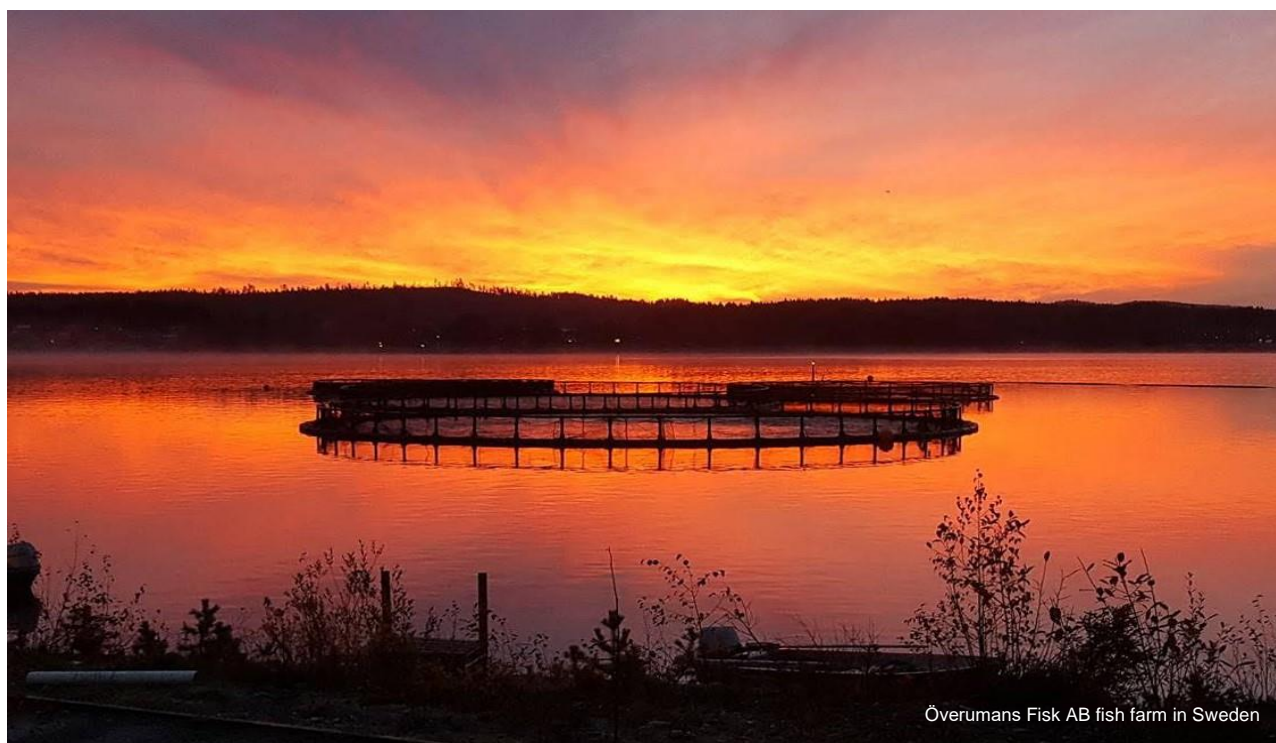
Employees per country



FISH FARMING

The competitive advantage of the Group is its vertical integration – fish farming, production and sales. About two thirds of the raw trout used in the Group's production is harvested from the Group's own fish farms in the lakes in Sweden, in the archipelago in Turku area in Finland and in coastal area of Saaremaa, Estonia, ensuring that customers receive fast and high-quality deliveries. The Group mainly harvests rainbow trout and to a lesser extent also European whitefish.

Vertical integration enables the Group to reduce costs in certain phases of fish farming and to also enhance control foremost over fish processing and marketing. In the fish business, as fish are livestock, the quality assurance in the technological process has keenly to be maintained throughout the entire product lifecycle. In addition to improved cost control, the vertical integration enables to reduce risks in fish farming, for instance due to poor quality of feed or base materials, and to secure the volume required for processing as well as price stability of raw material.



PRICE OF FISH

The fish industry is extremely dependent on availability and the price of raw fish. Large producers make their production plans for three years in advance as it is difficult and expensive in shorter perspective to adapt a fish farm's production cycle to market needs. Therefore, the world market fish supply is relatively rigid in the short-term, while demand is somewhat shifting depending on the season. This imbalance in fish supply and demand results in constantly fluctuating price of raw fish. The Group compensates the impact of external environment and volatility of fish price through the changes of the Group's production and sales strategy.

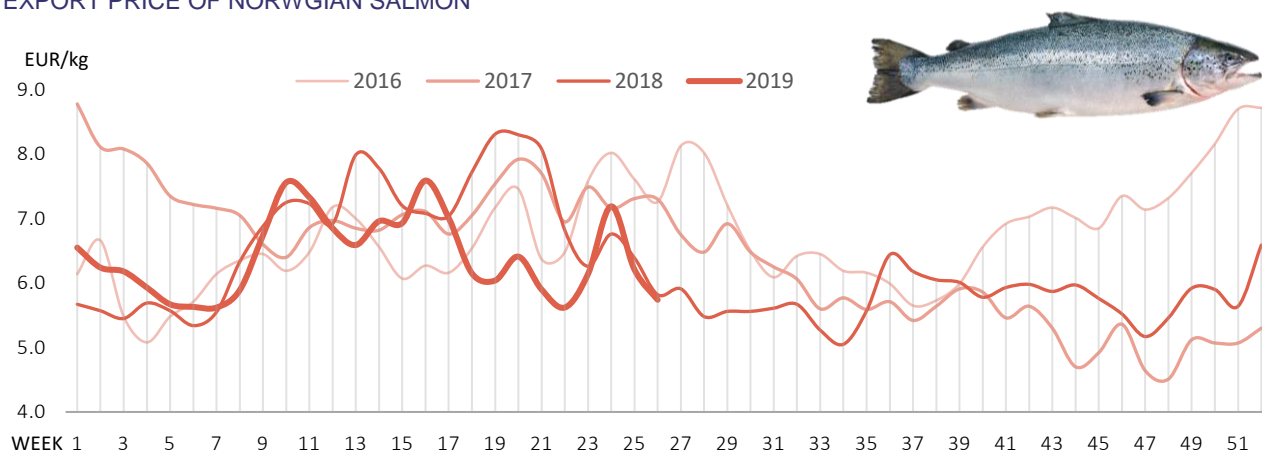
FISH PRICE

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

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

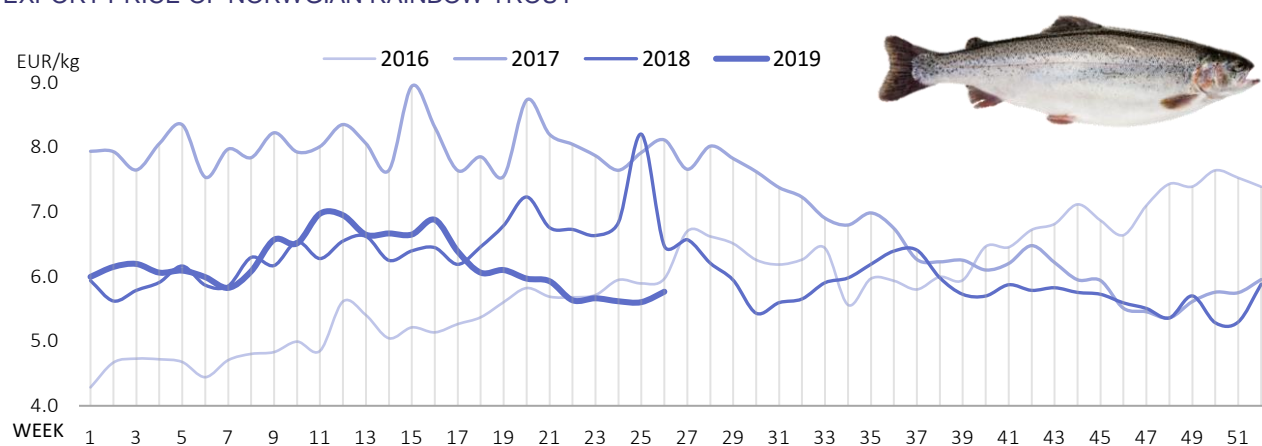
The graphs below illustrate weekly average prices of salmon and rainbow trout since 2016.

EXPORT PRICE OF NORWGIAN SALMON



Source: Nasdaq Salmon price

EXPORT PRICE OF NORWGIAN RAINBOW TROUT



Source: akvafakta.no

AVERAGE FISH PRICE

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

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

BIOLOGICAL ASSETS

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

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

CHANGE IN BIOLOGICAL ASSETS, TONNES

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

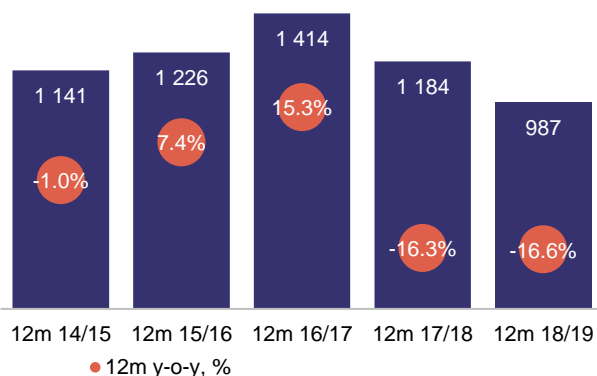
Biological assets totalled 987 tonnes as at 30.06.2019, a decrease by 197 tonnes, i.e. 16.6% compared to the same period last year. As at 30.06.2019 the fair value of biological assets was 4.9 million euros compared to 6.5 million euros as at 30.06.2018. The decrease in monetary terms amounted to 1.6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

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

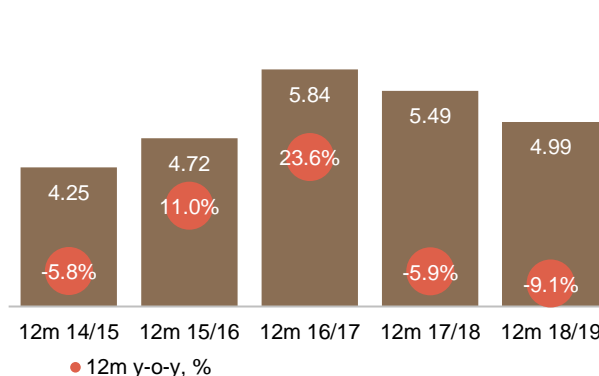
BIOMASS VOLUME AND AVERAGE PRICE, EUR/KG

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

Biomass volume, tonnes



Biomass average price, EUR/kg



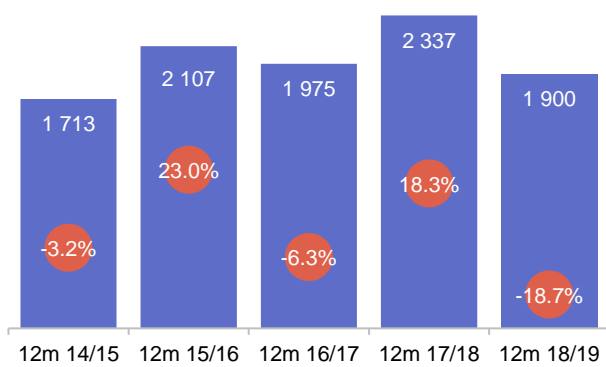
Fish farmed within the Group is processed in production buildings of Heimon Kala Oy, Finland and Vettel OÜ, Estonia.

HARVESTED VOLUME

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

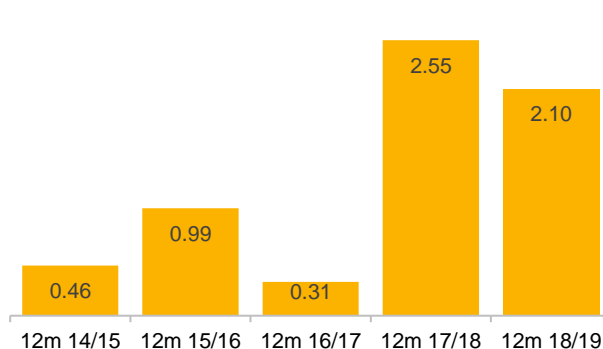
* before one-offs and fair value adjustment of fish stock

Harvested volume, tonnes



● 12m y-o-y, %

EBITDA from operations / harvested fish, EUR/kg



MANAGEMENT AND SUPERVISORY BOARDS

The Management Board of AS PRFoods is comprised of one member – **Indrek Kasela** – who as per the supervisory board's decision serves as the sole member of the management board since 02.02.2015. The management board is independent in its day-to-day management of the business, protects the best interests of all shareholders and thereby ensures the company's sustainable development in accordance with the set objectives and strategy. It is also responsible for the internal control and risk management processes in the company.

The Supervisory Board of AS PRFoods appoints management board members for a three-year term. The articles of association prescribe the management board to consist of one to four members. On the meeting held on 15.11.2017 the supervisory board decided to extend the current management board member Indrek Kasela's term of office by 3 years, until 15.11.2020. Indrek Kasela (born 1971), holds LL.M (Master of Laws) degree from the New York University (1996), BA degree in law from the University of Tartu (1994).

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

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

The highest governing body of a public limited company is a general meeting of shareholders. According to law, the general meetings of shareholders are either ordinary or extraordinary.

Pursuant to law, a supervisory board of a public limited company is a supervisory body responsible for planning the activities of a company, organising its management and supervising the activities of its management board. According to the Articles of Association of AS PRFoods, the supervisory board has three to seven members elected by the general meeting of shareholders for the term of three years.

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

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

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

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

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

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

Information on the education and careers of the members of the supervisory board as well as their management positions in other companies is available on AS PRFoods' website www.prfoods.ee.

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

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

SHARE AND SHAREHOLDERS

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

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

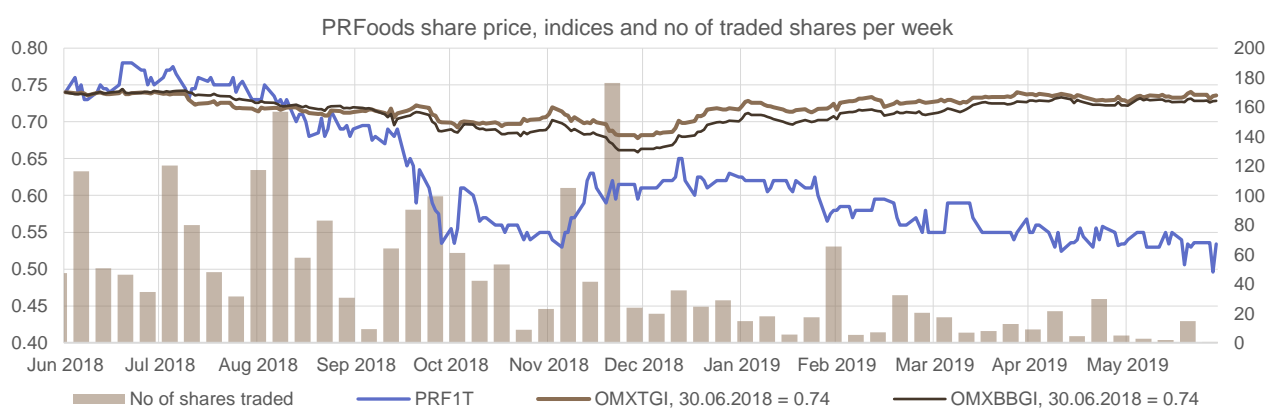
AS PRFoods shares are listed on the main list of Nasdaq Tallinn Stock Exchange since 05.05.2010. There is no official market maker for the shares. AS PRFoods share is a component in OMX Tallinn General Index and in OMX Baltic General Index.

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

SHARE PRICE, INDICES AND TRADING ACTIVITY

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

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



Source: Nasdaq Tallinn, PRFoods

TRADING STATISTICS

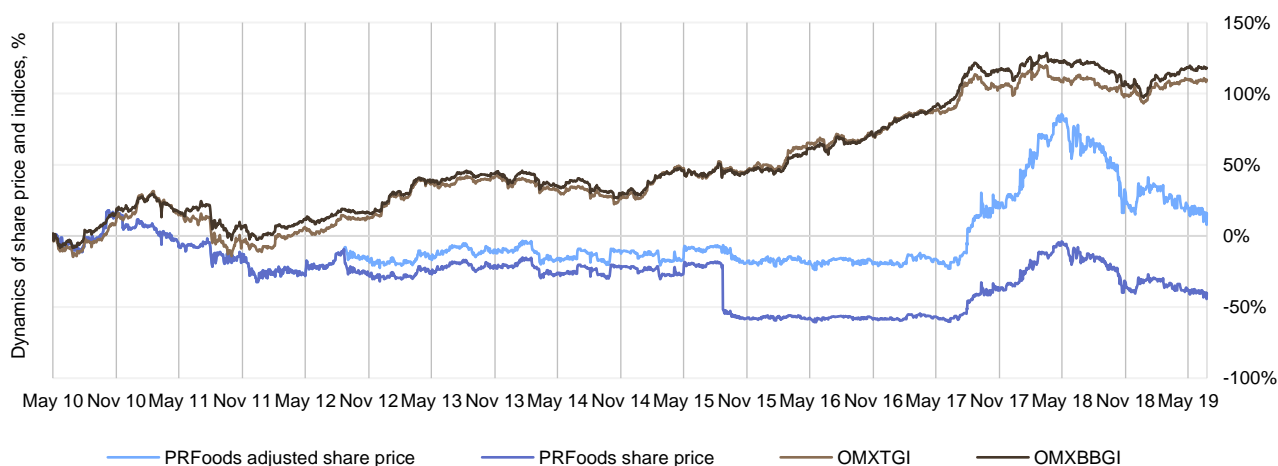
Trading Statistics, EUR (unless stated otherwise)	12m 2018/2019	12m 2017/2018	12m 2016/2017	12m 2015/2016	12m 2014/2015
Open	0.740	0.390	0.380	0.692	0.668
High	0.780	0.855	0.412	0.731	0.765
Low	0.490	0.366	0.354	0.349	0.618
Last	0.534	0.740	0.390	0.379	0.691
Traded volume, mln pc	2.20	3.92	2.61	2.53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

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

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

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

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



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

MARKET RATIOS

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

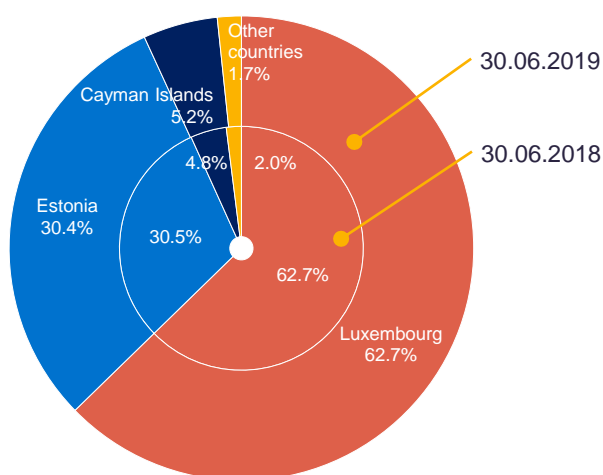
*Market Capitalisation (Market Cap), Net Debt and Equity as at 30.06
Sales, EBITDA and Net Profit/Loss for the trailing 12 months*

SHAREHOLDER STRUCTURE

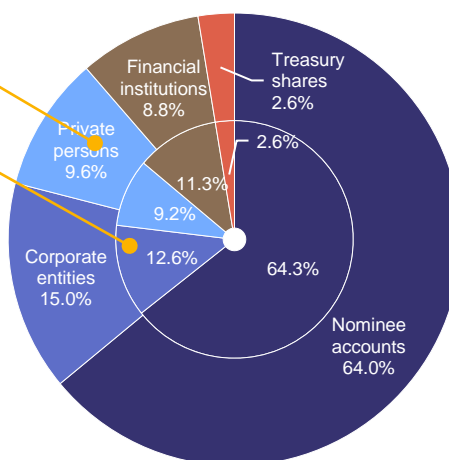
SHAREHOLDERS OF AS PRFOODS

	Number of shares 30.06.2019	% of total 30.06.2019	Number of shares 30.06.2018	% of total 30.06.2018	Change
ING Luxembourg S.A. (Nominee account)	24,258,366	62.71%	24,258,366	62.71%	-
Lindermann, Birnbaum & Kasela OÜ	1,593,623	4.12%	1,564,553	4.04%	29,070
Ambient Sound Investments OÜ	1,385,267	3.58%	1,239,116	3.20%	146,151
Firebird Republics Fund Ltd	1,277,729	3.30%	1,195,270	3.09%	82,459
OÜ Rododendron	1,219,589	3.15%	1,298,705	3.36%	-79,116
Compensa Life Vienna Insurance Group SE	750,470	1.94%	750,470	1.94%	-
Firebird Avrora Fund, Ltd.	730,678	1.89%	648,220	1.68%	82,458
OÜ Iskra Investeeringud	377,874	0.98%	386,874	1.00%	-9,000
Total largest shareholders	31,593,596	81.67%	31,341,574	81.02%	252,022
Other minority shareholders	6,089,264	15.74%	6,341,286	16.39%	-252,022
Treasury shares	1,000,000	2.59%	1,000,000	2.59%	-
Total	38,682,860	100.00%	38,682,860	100.00%	-

STRUCTURE OF SHAREHOLDERS BY RESIDENCE



STRUCTURE OF SHAREHOLDERS BY INVESTOR TYPE



STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES, 30.06.2019

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

SOCIAL RESPONSIBILITY

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

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

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

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

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

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



ENVIRONMENTAL RESPONSIBILITY

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

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

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

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

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

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

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

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

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

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

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

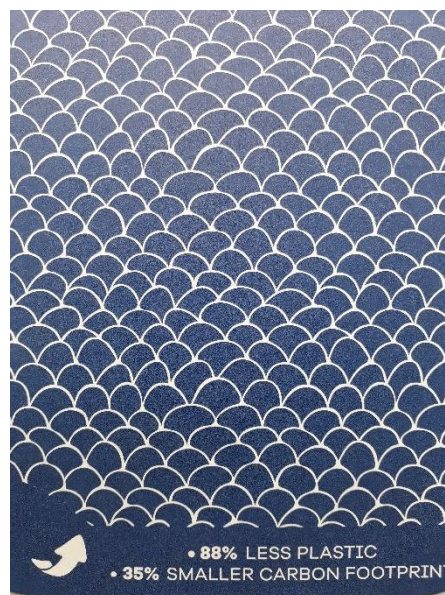
For several years we have been an innovation partner of the Finnish Natural Resources Center (LUKE) in carrying out various research on fish farming, and for the second year we are participating in a joint study by the Finnish Center for Natural Resources and Finnish Environment Institute (SYKE), which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

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

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

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

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



REPORT ON GOOD CORPORATE GOVERNANCE

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

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

EXERCISE OF SHAREHOLDERS RIGHTS

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

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

EQUAL RIGHTS OF SHAREHOLDERS IN THE ARTICLES OF ASSOCIATION

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

AGREEMENTS BETWEEN SHAREHOLDERS

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

PARTICIPATION IN A GENERAL MEETING IN PERSON OR BY PROXY

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

NOTICE OF A GENERAL MEETING AND INFORMATION TO BE PUBLISHED

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

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

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

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

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

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

Issuers shall make participation in the general meeting possible via means of communication equipment (the Internet) provided the technical equipment is available and it is not too costly for the issuer. AS PRFoods lacks the adequate technical equipment and acquiring of it would be too costly. In accordance with the policy of transparency, the company

used the Webinar service of Nasdaq Baltic in conducting the general meeting. AS PRFoods made live broadcast of shareholder's general meeting and answered to the additional questions. The meeting was held in Estonian. The webinar was chaired by Indrek Kasela, the chairman of the Management Board of AS PRFoods who informed about the issues on the agenda of the general meeting of shareholders and introduced the results of the period. For technical reasons, participants of the webinar were unable to exercise their shareholders' rights (voting). The webinar was recorded and published both on the Group's website www.prfoods.ee and in the [youtube.com](https://www.youtube.com) account of Nasdaq Baltic.

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

RESPONSIBILITY AREAS OF MANAGEMENT BOARD MEMBERS

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

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

REMUNERATION PRINCIPLES OF MANAGEMENT BOARD MEMBERS

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

SIGNIFICANT TRANSACTION OF A MANAGEMENT BOARD MEMBER WITH THE ISSUER

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

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

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

DISCLOSURE OF REMUNERATION TO MEMBERS OF SUPERVISORY BOARD

The amount of remuneration of a member of the supervisory board shall be published in the CGR report, indicating separately basic and additional payment (incl. compensation for termination of contract and other payable benefits). The general meeting of shareholders of AS PRFoods is competent to elect and approve the composition of the supervisory

board and their term of office. According to the articles of association of AS PRFoods, the supervisory board consist of three to seven members who are elected by the general meeting for a term of three years. The general meeting has confirmed the remuneration fees of members of the supervisory board as follows: fee for the chairman 1,000 euros a month, fee for the vice chairman 750 euros a month and the fee of the member 500 euros a month. No severance fee is to be paid to the member of the supervisory board.

ATTENDANCE AT SUPERVISORY BOARD MEETINGS BY THE MEMBERS OF SUPERVISORY BOARD

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

CONFLICT OF INTERESTS SITUATIONS

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

INFORMATION ON THE ISSUER'S HOMEPAGE

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

THE ISSUER'S MEETINGS WITH JOURNALISTS AND ANALYSTS

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

AUDITOR OF THE ISSUER

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

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

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

GOVERNANCE PRINCIPLES AND ADDITIONAL INFORMATION

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

GENERAL MEETING

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

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

SUPERVISORY BOARD

Pursuant to law, a supervisory board of a public limited company is a supervisory body responsible for planning the activities of a company, organizing its management and supervising the activities of the management board. According to the articles of association of AS PRFoods, the supervisory board has three to seven members elected by the general meeting of shareholders for the term of three years. Members of the supervisory board elect a chairman from among themselves. Chairman of the supervisory board is responsible for organizing the work of supervisory board and has a casting vote in case of tied vote.

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

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

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

MANAGEMENT BOARD

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

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

SUPERVISORY AND MANAGEMENT BOARDS OF SUBSIDIARIES

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

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

ADDITIONAL MANAGEMENT BODIES AND SPECIAL COMMITTEES

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

ADDITIONAL MANAGEMENT BODIES AND SPECIAL COMMITTEES

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

INFORMATION MANAGEMENT

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR '000	Share capital	Share premium	Treasury shares	Statutory capital reserve	Unrealised currency translation differences	Retained earnings (-loss)	Total	Non-controlling interests	Total equity
Balance at 31.12.2016	7,737	14,007	-256	12	428	1,881	23,809	0	23,809
Increase of statutory reserve capital	0	0	0	36	0	-36	0	0	0
Buy-back of treasury shares	0	0	-134	0	0	0	-134	0	-134
Transactions with equity holders of the company	0	0	-134	36	0	-36	-134	0	-134
Net loss for the year	0	0	0	0	0	59	59	-2	57
Other comprehensive expense	0	0	0	0	-421	0	-421	0	-421
Total comprehensive expense for the period	0	0	0	0	-421	59	-362	-2	-364
Balance at 30.06.2018	7,737	14,007	-390	48	7	1,904	23,313	-2	23,311
Increase of statutory reserve capital	0	0	0	3	0	-3	0	0	0
Non-controlling interests on acquisition of subsidiary	0	0	0	0	0	0	0	625	625
Transactions with equity holders of the company	0	0	0	3	0	-3	0	625	625
Net loss for the year	0	0	0	0	0	-1,458	-1,458	-14	-1,472
Dividends	0	0	0	0	0	-377	-377	0	-377
Other comprehensive expense	0	0	0	0	-221	0	-221	0	-221
Total comprehensive expense for the period	0	0	0	0	-221	-1,835	-2,056	-14	-1,068
Balance at 30.06.2019	7,737	14,007	-390	51	-214	66	21,257	609	21,866

Additional information in Note 18.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. GENERAL INFORMATION

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

NOTE 2. BASES FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

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

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

IFRS 9 Financial Instruments: Classification and Measurement

Key features of the new standard are:

- Financial assets shall be classified in one of three measurement categories - assets carried at amortized cost, assets at fair value through other comprehensive income (FVOCI), and assets at fair value through profit or loss (FVPL).
- The classification of a debt instrument depends on the entity's business model for managing its financial assets and whether its contractual cash flows represent solely payments of principal and interest ("SPPI"). If the debt instrument is held to collect and the SPPI requirement is met, the instrument may be carried at amortized cost. Debt instruments that meet the SPPI requirement and are held in a portfolio where the entity holds assets for both collection and sale purposes may be classified as FVOCI. Financial assets that do not contain SPPI cash flows shall be measured at FVPL (for example, derivatives). Embedded derivatives are no longer segregated from financial assets but are included in the assessment of the SPPI requirement.
- Equity instruments shall always be measured at fair value. However, the management may make the irrevocable choice to recognize changes in FVOCI, provided that the instrument is not held for trading. If the equity instrument is held for trading, changes in its fair value should be recognized in profit or loss.

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

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

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

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

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

Impairment of financial assets

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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Amendments to IFRS 15, Revenue from Contracts with Customers

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

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

Standards and interpretations used

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

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

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

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS THEREOF

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

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

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

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

Since July 2019, the Group has applied simplified transitional rules without changing comparative data for the year before implementation. Liabilities existing under operating leases that are recognized as operating leases at the Effective Date are recognized at the discounted value of their remaining lease payments, using the effective interest rate applicable on 1 July 2019. The right-of-use assets are recognized at the time of the transfer in the amount of the lease liability. As a result, on 1 July 2019 the Group's liabilities and assets will increase by 864 thousand euros. The Group estimates that in 2019/2020, as a result of the new accounting principles, the net profit will decline approximately 5 thousand euros.

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

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

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Accounting for foreign currency transactions

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

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Financial statements of foreign business units

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

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

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

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

PRINCIPLES OF CONSOLIDATION

(a) Subsidiaries

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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(c) Disposal of subsidiaries

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

(d) Associates

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

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

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

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

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

INFORMATION ABOUT PARENT COMPANY'S SEPARATE PRIMARY FINANCIAL STATEMENTS

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

CASH AND CASH EQUIVALENTS

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

FINANCIAL ASSETS

Accounting Principles Effective from 01.07.2018

Classification

The Group classifies financial assets into the following measurement categories:

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

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

Registration and derecognition

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

Measurement

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

Debt instruments

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

Equity instruments

The Group has no investments in equity instruments.

Impairment of financial assets

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

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

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

The Group measures impairment as follows:

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at their fair value plus transaction costs. After initial recognition, loans and receivables are carried at amortised cost (excluding receivables factored without regress) using the

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effective interest rate method. This method is used to calculate interest income on the receivable in subsequent periods. Financial assets are adjusted for impairment losses.

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

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

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

Accounting policies up to 30 June 2018

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

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

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

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

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

- (a) Financial assets carried at amortised cost (e.g. receivables) are written down to the present value of estimated future cash flows (discounted at the financial asset's internal interest rate as of the date of first recognition);
- (b) Financial assets carried at cost (shares and other equity instruments, the fair value of which cannot be reliably determined) are written down to the present value of estimated future cash flows (discounted at the average current market rate of return for similar financial assets).

Reversals of impairment losses:

- (a) If, in a subsequent period, the amount of the impairment loss of assets carried at amortised cost decreases, the previously recognised impairment loss is reversed to the amount which is the lower of (1) present value of estimated cash flows from the financial asset and (2) carrying amount using the amortised cost method had the impairment loss not been recognised. The amount of the reversal is recognised in profit or loss.
- (b) Impairment losses for financial assets carried at cost because their fair value cannot be measured reliably shall not be reversed.

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

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

FACTORING

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

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

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

INVENTORIES

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

INTANGIBLE ASSETS

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

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

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

The following useful lives have been assigned for intangible assets:

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

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

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

Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually (or more frequently if any event or change in circumstances indicates that the goodwill may be impaired) and tested for impairment

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and their carrying amount is less than their carrying amount, the asset is written down to its recoverable amount. For the purpose of calculating recoverable amount, goodwill is allocated to the cash-generating units.

IMPAIRMENT OF FIXED ASSETS

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

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

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

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

BIOLOGICAL ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

On initial recognition (at acquisition or reclassification from juveniles) and at each balance sheet date, the fish suitable for harvesting are measured at their fair value less estimated costs to sell. The basis for determination of fair value is the estimated biomass of fish suitable for harvesting, less the weight loss occurring at disposal, and the weighted

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average market price at the balance sheet date, i.e. the latest market price for similar assets sold by independent parties, adjusted for the effect of existing differences, assuming no major changes have occurred in the economic environment between the transaction date and the balance sheet date. In the areas where external market prices are unavailable, the estimate is based on internal market prices. The quality class (higher or regular) is also taken into account in the determination of prices.

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

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

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

FINANCE AND OPERATING LEASES

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

The Group as the lessee

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

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

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

The Group as the lessor

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

FINANCIAL LIABILITIES

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

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

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

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

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PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

INCOME TAX AND DEFERRED INCOME TAX

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

Estonian entities of the Group

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

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

Foreign entities of the Group

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

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

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

REVENUE RECOGNITION

Accounting policies from 1 July 2018

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

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Wholesale

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

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

Financing component

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

Interest income and dividend income

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

Accounting policies applied until 30 June 2018

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

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

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

SEGMENT REPORTING

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

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

SHARE CAPITAL

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

STATUTORY RESERVE CAPITAL

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

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EARNINGS PER SHARE

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

PAYABLES TO EMPLOYEES

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

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

GOVERNMENT GRANTS

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

NOTE 3. FINANCIAL RISKS

The Group's risk management policy is based on the requirements established by regulatory bodies, generally accepted practices and the Group's internal rules. The Group is guided by the principle to manage risks in a manner that ensures an optimal risk to reward ratio. As part of the Group's risk management, all potential risks, their measurement and control are defined, and an action plan is prepared to reduce risks while ensuring the attainment of the company's financial and other strategic objectives.

The management board of the Parent Company has the main role in managing risks. The supervisory board of the Parent Company exercises supervision over the measures taken by the management board in managing risks. The Group assesses and limits risks through systematic risk management. For managing financial risks, the Group has involved its financial unit that finances the Parent Company as well as its subsidiaries and, directly as a result of that, also manages liquidity risk and interest rate risk.

Financial instruments by category

FINANCIAL ASSETS AT 30.06.2019

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

FINANCIAL LIABILITIES AT 30.06.2019

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

FINANCIAL ASSETS AT 30.06.2018

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

FINANCIAL LIABILITIES AT 30.06.2018

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

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

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

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

CREDIT RISK

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

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

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

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

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

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

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

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

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

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

See Note 6.

LIQUIDITY RISK

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

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

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

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

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

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

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

Analysis of non-discounted financial liabilities by maturity

FINANCIAL LIABILITIES AT 30.06.2019

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

FINANCIAL LIABILITIES AT 30.06.2018

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

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

CURRENCY RISK

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

Breakdown of financial instruments as at 30.06.2019 by underlying currency

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

Breakdown of financial instruments as at 30.06.2018 by underlying currency

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

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

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

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

INTEREST RISK

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

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

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

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

AS AT 30.06.2018

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

CAPITAL MANAGEMENT

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

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

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

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

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

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The Group's management estimates that the carrying amounts of financial assets and liabilities carried at amortised cost are not significantly different from their fair values at 30.06.2019 and 30.06.2018. Cash and bank balances, trade receivables, other receivables, trade payables and other payables are expected to be settled within 12 months or are

recognised immediately before the balance sheet date and therefore their fair value is not significantly different from their carrying amount. Non-controlling interests are revalued annually. As at 30.06.2019 the Group has not recognised a significant difference in the value and the non-controlling interests buyout value is reflected as per date of signing the contract. The Group's long-term borrowings have a floating interest rate that changes according to fluctuations in the market interest rates. The Group's management estimates that the Group's risk level has not significantly changed since the assumption of borrowings. Thus, the fair value of non-current financial liabilities is approximately equal to their carrying amount.

NOTE 4. MANAGEMENT JUDGEMENTS AND ESTIMATES

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

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

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

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

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

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

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

ESTIMATING NET REALISABLE VALUE OF INVENTORIES (NOTE 7)

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

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

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

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

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

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

ASSESSMENT OF USEFUL LIVES OF TANGIBLE ASSETS (NOTE 11)

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

ASSESSMENTS RELATED TO THE BUSINESS COMBINATION (NOTE 29)

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

NOTE 5. CASH AND CASH EQUIVALENTS

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

See Note 3.

NOTE 6. RECEIVABLES AND PREPAYMENTS

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

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

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

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

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NOTE 7. INVENTORIES

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

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

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

NOTE 8. BIOLOGICAL ASSETS

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

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

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

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

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

CHANGE IN BIOLOGICAL ASSETS

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

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

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

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

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

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

- Gutting loss 3%-6% (30.06.2018: 7%)
- Loss in harvesting 15% (30.06.2018: 16%)
- Fair value of biomass volume suitable for harvesting 620 tonnes (30.06.2018: 920 tonnes)

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

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

NOTE 9. SUBSIDIARIES

LIST OF GROUP COMPANIES

Subsidiary	Domicile	Ownership interest 30.06.2019	Ownership interest 30.06.2018	Area of activity	Owner
Saaremere Kala AS	Estonia	100%	100%	Fish group holding company	AS PRFoods
Vettel OÜ¹	Estonia	100%	100%	Production of fish products	Saaremere Kala AS
GourmetHouse OÜ¹	Estonia	-	100%	Sale of fish products	Saaremere Kala AS
Heimon Kala Oy²	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 Oy²	Finland	100%	100%	Production and sale of fish products	Saaremere Kala AS
JRJ & PRF Limited³	Scotland	85%	85%	Fish group holding company	Saaremere Kala AS
John Ross Jr. (Aberdeen) Limited	Scotland	100%	100%	Production and sale of fish products	JRJ & PRF Limited
Coln Valley Smokery Limited	Great Britain	100%	100%	Production and sale of fish products	64% JRJ & PRF Limited 36% John Ross Jr. (Aberdeen) Limited
Redstorm OÜ	Estonia	51%	0%	Fish farming	Saaremere Kala AS

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¹ Merger of GourmetHouse OÜ and Vettel OÜ completed on 10.09.2018

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

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

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

NOTE 10. DEFERRED INCOME TAX

DEFERRED INCOME TAX ASSETS

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

DEFERRED INCOME TAX LIABILITY

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

See also Note 27.

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NOTE 11. PROPERTY, PLANT AND EQUIPMENT

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

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

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NOTE 12. INTANGIBLE ASSETS

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

See Notes 24 and 30.

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

To determine the fair value, average valuation multiples of the industry have been applied to the actual financial indicators of subsidiaries. The multiples used to assess the Finland-Sweden-Estonia segment were EV/Sales¹ 2.2 (2017/2018: 1.5) and EV/EBITDA² 14.6 (2017/2018: 10.5) with 50% weight assigned to each. The segment's multiple based market value was 79.6 million euros (2017/2018: 83.4 million euros). The balance sheet value of the segment is 30.3 million euros (2017/2018: 32.4 million euros) which was calculated as: Tangible assets + Goodwill + Current assets – Short-term liabilities – Cash.

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

The multiples used in assessing the value of the Great Britain segment were EV/Sales¹ 2.2 (2017/2018: 1.5) and EV/EBITDA² 14.6 (2017/2018: 10.5) with 50% weight assigned to each. The segment's multiple based market value was 30.0 million euros (2017/2018: 19.8 million euros). The balance sheet value of the segment was 17.8 million euros

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

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

¹ Enterprise Value / Sales

² Enterprise Value / EBITDA

NOTE 13. FINANCE LEASE

EUR '000	Machinery, equipment
Cost as at 30.06.2019	2,176
Accumulated depreciation as at 30.06.2019	-603
Carrying amount as at 30.06.2019	1,573
Cost as at 30.06.2018	2,545
Accumulated depreciation as at 30.06.2018	-855
Carrying amount as at 30.06.2018	1,690

The Group is leasing under financial lease terms fish industry production equipment, fish harvesting equipment, a workboat, a tractor, passenger cars and computers. During the financial year, fixed assets were leased as financial lease in the total amount of 680 thousand euros (18 months 2017/2018: 138 thousand euros). During the reporting period a car, a workboat, a telescopic loader and production equipment were leased. In 2017/2018 a car was leased under financial lease terms and a renovation project to increase energy efficiency of Renko production facility was financed under finance lease terms.

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

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

See also Notes 11 and 15.

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NOTE 14. OPERATING LEASE

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

EUR '000	30.06.2019	30.06.2018
Future lease payments under non-cancellable lease agreements		
Up to 1 year	364	418
1-5 years	455	1,104
More than 5 years	173	661
Total	992	2,183
Operating lease expense		
EUR '000	12m 2018/2019	18m 2017/2018
Operating lease expense	865	938

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

NOTE 15. BORROWINGS

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

See also Notes 3 and 11.

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

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

Overdraft

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

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

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

Investment loans

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

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

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

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

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

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

NOTE 16. PAYABLES AND PREPAYMENTS

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

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

NOTE 17. GOVERNMENT GRANTS

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

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

NOTE 18. EQUITY

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

Treasury shares

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

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

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

Reduction of share capital

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

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

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

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

Earnings per share are presented in Note 27.

Capital reserve

The Estonian Commercial Code requires companies to create a capital reserve. Each year at least 1/20 of profit for the year has to be transferred to the capital reserve until the reserve amounts to 1/10 of share capital. The capital reserve may be used for covering losses and increasing the share capital but not for making distributions to shareholders. The shareholders decided at the annual general meeting held on 30.11.2018 to transfer 2,850 euros to reserves from net profit of the 2017/2018 financial year, to pay dividends of 386,829 euros i.e. 0.01 euros per share from the retained earnings,

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

Dividends

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

Non-controlling interest

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

NOTE 19. SEGMENT REPORTING

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

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

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

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

* EBITDA is operating profit adjusted with depreciation and impairment cost

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

*** financial instruments, deferred taxes not included

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SALES BY GEOGRAPHICAL REGIONS

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

NON-CURRENT ASSETS BY LOCATION

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

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

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

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

NOTE 20. COST OF GOODS SOLD

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

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

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NOTE 21. SALES AND MARKETING EXPENSES

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

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

NOTE 22. GENERAL AND ADMINISTRATIVE EXPENSES

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

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

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

NOTE 23. STAFF COSTS

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

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

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

NOTE 24. OTHER OPERATING INCOME AND EXPENSES

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

NOTE 25. FINANCIAL INCOME AND EXPENSE

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

NOTE 26. INCOME TAX EXPENSES

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

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NOTE 27. EARNINGS PER SHARE

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

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

Additional information in Note 18.

NOTE 28. TRANSACTIONS WITH RELATED PARTIES

The Group considers parties to be related when one party has control over the other party or has significant influence over the business decision of the other party.

Related parties include:

- shareholders with significant influence (the largest shareholder of PRFoods is the international investment fund Amber Trust II S.C.A.)
- members of the supervisory board and members of all supervisory and management boards of group entities
- close family members of the persons mentioned above and the companies related to them

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

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

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

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

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

Benefits including employment taxes to members of the management boards and supervisory boards of AS PRFoods and its subsidiaries and other key members of management were as follows:

EUR '000	12m 2018/2019	18m 2017/2018
Short-term benefits	1,179	1,363
Total	1,179	1,363

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

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

NOTE 29. BUSINESS COMBINATIONS

OÜ REDSTORM

On 03.07.2018 Saaremere Kala AS, a subsidiary of PRFoods, entered into an agreement to acquire 51% of shares in OÜ Redstorm, a fish farming, processing and storing company in Saaremaa, Estonia. Following the completion of the transaction Saaremere Kala AS, a subsidiary of PRFoods, owns 51% of OÜ Redstorm (the share of 2,040 euros) and OÜ Fodiator 49% (the share of 1,960 euros) of the share capital of OÜ Redstorm (share capital is 4,000 euros). The date of conclusion of the transaction was 06.07.2018. Purchase price of the acquired company was 0.65 million euros, that is paid in 3 instalments. Saaremere Kala AS has acquired control over acquired company on the date of conclusion of the transaction. The aim of the acquisition of the share by Saaremere Kala AS is the establishing of a fish farm in Estonia and expanding in the future and by doing so ensuring the availability of quality raw material for the PRFoods Group. OÜ Redstorm has earlier provided fish freezing and storage service to Vettel OÜ, a group company of AS PRFoods.

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

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

Purchase consideration – cash outflow

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

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

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

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

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

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

BUSINESS COMBINATIONS IN 2017/2018 FINANCIAL YEAR

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

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

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The purpose of the transaction was to increase the assortment of fish products offered by PRFoods' group companies, expand the geographical area of operations and raise the professional know-how and clientele. JRJ is a leading Scottish processed salmon company and producer of premium traditional smoked salmon. JRJ is the holder of the Royal Warrant and is selling its products in the United Kingdom as well as in 36 countries globally. CVS has premium salmon brand based in England and is a supplier to many of the leading restaurants, hotels, premium retailers and sporting events. Saaremere Kala AS's subsidiary JRJ & PRF Ltd acquired 100% of shares and control in John Ross Jr. (Aberdeen) Ltd and 64% of shares and 100% of control in Coln Valley Smokery Ltd. JRJ & PRF Ltd was established for business combination, 85% of the shares belong to Saaremere Kala AS and 15% of the to the sellers C. Leigh and V. Leigh-Pearson.

The transaction value to acquire 85% of control was 14,690 thousand euros, from which 11,746 thousand euros was paid upon completion of the transaction. Deferred payment in the amount of 840 thousand euros to Andrew Leigh was scheduled to 6 months after the transaction date. A symmetrical put and call option agreement was signed with Jennifer Leigh for transferring a 33% shareholding of John Ross Jr (Aberdeen) Ltd 12 months after the transaction date. The exercise price of option was fixed at 2,103 thousand euros as of the exchange rate of the transaction date. Jennifer Leigh signed a waiver for all rights of any dividend declared by John Ross Jr (Aberdeen) Ltd. As control of the acquired company and risks were transferred to the Group, non-controlling interests of Jennifer Leigh is not reflected in the financial reports.

Non-controlling interests in JRJ & PRF Ltd

In 2017, Saaremere Kala AS entered into an agreement that included symmetrical call and put options to buy a 15% non-controlling interest in JRJ & PRF Ltd, and the terms of which according to the management make it in essence a forward contract to acquire non-controlling interests. Therefore, at the time of the business combination, non-controlling interests was not recognized, and the management estimated that 100% control of the acquired companies was achieved. The exercise price of the forward contract is not fixed but depends on the financial performance of the acquired companies. The fair value of the liability as at 30.06.2019 is 2,591 thousand euros (30.06.2018: 2,622 thousand euros), the change in the fair value of the liability is recognized in the income statement. The liability is denominated in GBP and the change from the previous balance sheet date is due to exchange rate fluctuations. The fair value of the liability is determined using a similar methodology, inputs and management assessments as used in the goodwill test to determine the market value of the United Kingdom segment (see Note 12). JRJ & PRF Ltd also issued loan notes to Victoria Leigh-Pearson and Christopher Leigh at the time of transaction in total amount 441 thousand euros at the exchange rate of the transaction date. The loan notes are denominated in GBP and bear interest at 4% per annum. Loan notes realisation is tied to forward agreement realisation.

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

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

The Group has paid dividends to non-controlling interests in the amount of 170 thousand euros in 12 months of 2018/2019 in connection to internal dividend distribution from John Ross Jr (Aberdeen) Ltd. (18 months 2017/2018: 215 thousand euros was paid to non-controlling interest holders). Dividend expense was recognized under other operating expenses.

Acquisition Trio Trading Ab Oy

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

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

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

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Merger of Vettel OÜ and GourmetHouse OÜ

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

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

NOTE 30. ASSOCIATES

AVAMERE KALAKASVATUS OÜ (50% SHARE)

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

AS TOIDU- JA FERMENTATSIOONITEHNOLOOGIA ARENDUSKESKUS (20% SHARE)

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

NOTE 31. CONTINGENT LIABILITIES AND ASSETS

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

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

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

Contingent liabilities relating to tax boards

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

NOTE 32. EVENTS AFTER BALANCE SHEET DATE

Merger of Heimon Kala Oy and Trio Trading Ab Oy

On 01.10.2018, the board of directors of Heimon Kala Oy and the board of directors of Trio Trading Ab Oy (100% subsidiaries of Saaremere Kala AS, an AS PRFoods group company) signed a merger plan with the intention to improve the internal efficiency of the group. According to the merger plan, the acquiring company is Heimon Kala Oy. At the moment of the execution of the merger, Trio Trading Ab Oy will be dissolved without liquidation proceedings. The estimated time of the execution of the merger was 31.01.2019. The merger was postponed due to technical reasons. The companies operate in co-operation with overlapping management.

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

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

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

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

STATEMENT OF FINANCIAL POSITION

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

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STATEMENT OF COMPREHENSIVE INCOME

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

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CASH FLOW STATEMENT

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

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STATEMENT OF CHANGES IN EQUITY

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

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

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MANAGEMENT BOARD'S CONFIRMATION TO THE ANNUAL REPORT

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

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



Indrek Kasela

Member of the Management Board

30 October 2019



Independent auditor's report

To the Shareholders of AS PRFoods

(Translation of the Estonian original)*

Report on the audit of the consolidated financial statements

Our opinion

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

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

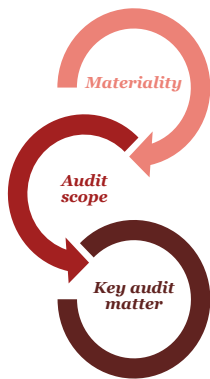
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities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



To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Estonia and that we have not provided non-audit services that are prohibited under § 59¹ of the Auditors Activities Act of the Republic of Estonia.

Our audit approach

Overview



Materiality

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

Audit scope

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

Key audit matter

- Assessment of fair value of biological assets

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

Materiality

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

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

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



Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p>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”)</p> <p>The carrying amount of biological assets as at 30 June 2019 was EUR 4,9 million and the loss from fair value adjustments recorded in the financial year ended 30 June 2019 amounted to EUR 1,7 million.</p> <p>The biological assets consist mainly of fish growing in the Group’s fish farms in Finland and Sweden.</p> <p>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.</p> <p>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.</p> <p>Due to the magnitude and related estimation uncertainty, valuation of biological assets is considered a key audit matter.</p>	<p>We assessed whether the Group’s accounting policies in relation to accounting for biological assets are in compliance with IFRS.</p> <p>We evaluated the competence, capabilities and objectivity of the management’s expert.</p> <p>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.</p> <p>In particular, using historical data and available market information, we assessed the reasonableness of the management’s estimates used for:</p> <ul style="list-style-type: none">• Market prices• Gutting loss• Harvesting cost• Selling costs• Future breeding expenditure for juvenile fish to assess the necessity for impairment <p>We also recalculated the fair value calculations prepared by management.</p> <p>Furthermore, we assessed the adequacy of the disclosures related to biological assets.</p> <p>As a result of our work, we noted no material exceptions.</p>

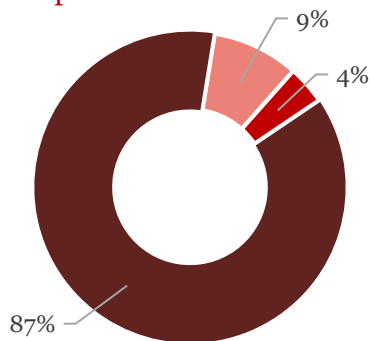
How we tailored our audit scope

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

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

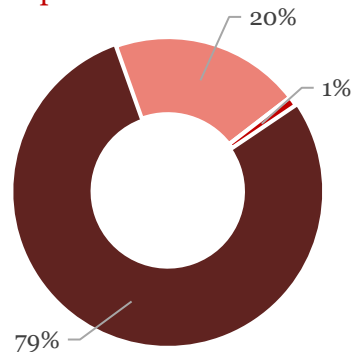


The Group's assets



- Audited by PwC network firms
- Audited by other independent audit firm
- Immaterial components (selected audit procedures)

The Group's revenues



- Audited by PwC network firms
- Audited by other independent audit firm
- Immaterial components (selected audit procedures)

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

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

Other information

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

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

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

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

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



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

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

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

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

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

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

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



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

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

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

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

AS PricewaterhouseCoopers

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


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

30 October 2019

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

PROPOSAL FOR COVERING LOSS

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



Indrek Kasela

Member of the Management Board

30 October 2019

Appendix 4 to the Prospectus - Consolidated unaudited interim financial statements of the Issuer as of and for the second quarter and six months ended 31 December 2019, including the comparative financial information as of and for the second quarter and six months ended on 31 December 2018.

PRFOODS

AS PRFoods

Consolidated Unaudited Interim Report

2nd quarter and 6 months of 2019/2020
(translation from the Estonian original)

2019/2020

2ND QUARTER & 6 MONTHS

P R F O O D S

Business name	AS PRFoods
Commercial register number	1150713
Address	Pärnu mnt 141, Tallinn, Estonia
Phone	+372 452 1470
Website	prfoods.ee
Main activities	Production and sale of fish products Fish farming
Reporting period	1 July 2019 – 31 December 2019

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CORPORATE PROFILE

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

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

Our main products are salmon and rainbow trout products. Approximately 2/3 of the raw fish used in the Group's rainbow trout production comes from the Group's own fish farms in Swedish lakes, Turku Archipelago area in Finland and coastal waters of Saaremaa in Estonia, assuring the highest quality and reliable deliveries. The rest of the raw fish is purchased mainly from Norway and Denmark.

On a smaller scale, European whitefish and Baltic herring are used in production. Also, 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, which in turn would increase the profitability of the company.

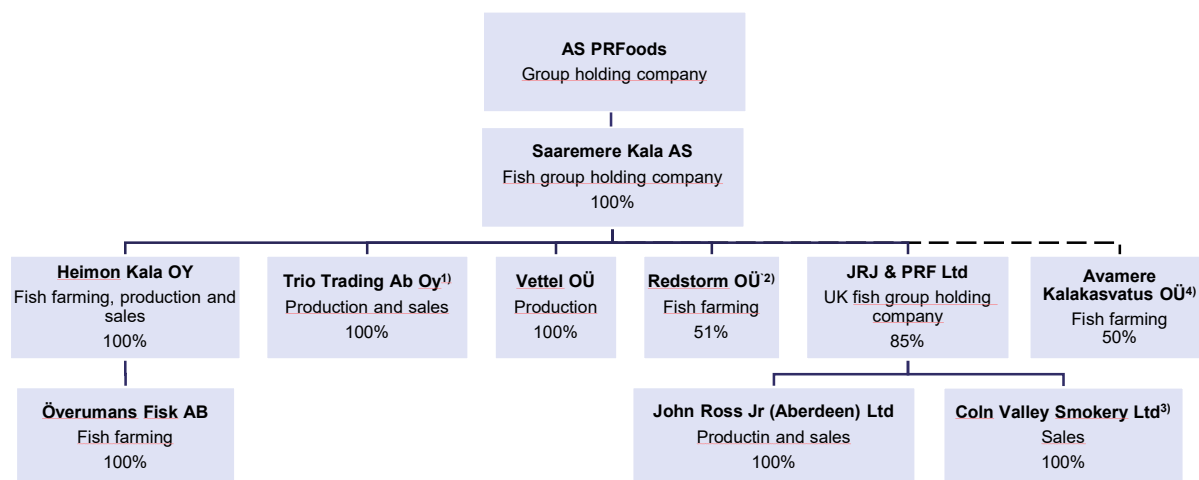
The Group is actively involved in developing new products for expanding to new export markets. As introducing the Group's brands is in its early stage in Scandinavia and elsewhere in the world, the management expects the Group's growth period is yet to come.

THE GEOGRAPHY OF PRODUCTION AND SALES

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



GROUP STRUCTURE AS AT 31 DECEMBER 2019



1) Consolidated from 01 September 2017; to be merged with Heimon Kala Oy on 31 January 2020

2) Consolidated from 01 July 2018

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

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

In addition, AS PRFoods holds a 20%-share of AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology).

The most significant trademarks of the Group are "Heimon" and "Saaristomeren", „John Ross Aberdeen“, „Coln Valley Smokery“, and “Fishk”.



MANAGEMENT REPORT

MANAGEMENT REPORT

OVERVIEW OF ECONOMIC ACTIVITIES

MANAGEMENT COMMENTARY

The first half of this financial year (2HY 2019) was successful for the Company. Despite the decline in sales, we were able to significantly improve overall profitability and capital efficiency.

The Group's consolidated EBITDA for the reporting period was 2.8 million euros, an increase of 48% compared to the same period last year being mainly affected by the revaluation of biological assets. Operating EBITDA (i.e., excluding one-offs and fair value adjustment of fish stock) was 2.9 million euros (2HY 2018: 3.5 million euros). Net profit amounted to 1.1 million euros, almost three times higher than the net profit for the same period last year (2HY 2018: 0.4 million euros).

The second half of 2019 was characterized by a more than 8% decline in salmon and trout market prices, which resulted in Finnish retail chains expecting lower prices for smoked products in the private label segment. To maintain profitability, we decided to reduce the supply of hot and cold smoked products in the Finnish retail market during this period. We were able to partially replace the decline in the turnover of smoked products with sales of fish and fish fillets and other fish products. In the first half of 2020, prices for the private label segment of smoked products are recovering and we will continue with deliveries at the same level as last year.

One of PRFoods' main focuses has been improving cash flow from operating activities, which is reflected in 2HY 2019 positive cash flow from operating activities of 4.5 million euros compared to 2.7 million euros in the same period last year. The Company's net debt was 17.8 million euros as of 31.12.2019 (30.12.2018: 20.0 million euros). The Group's working capital as of 31.12.2019 was -3.5 million euros, the reason being that current liabilities include related party liabilities of 4.2 million euros, which by their nature are long-term but shall be accounted for as short-term due to accounting principles.

We will continue to merge the business activities of Estonian and Finnish companies and create synergies, especially in product development and sales in both domestic and export markets. The legal merger of the Finnish companies Heimon Kala and Trio Trading took place on 31.01.2020, which resulted in the centralization of the companies' management and key business functions. In Estonia, we have launched a Finnish-Estonian joint brand – Heimon Kala, and for the first time entered the Estonian retail market with rainbow trout farmed in Saaremaa. In the coming years, the priority of product development is to enrich the value of fish farmed in our fish farms.

With regard to fish farming, we have received a positive response from Sweden to expand existing fish farms. In Estonia, we continue increasing the existing farm and applying for new farming licenses. We continue to make the necessary preparations to increase the volume of quality raw material from our fish farms.

The John Ross Jr.'s renewed brand was launched at the end of last quarter and in the coming periods we expect the new brand to generate revenue growth in the UK market.

The Company continues to focus on enhancing environmentally friendly production, including raw materials, energy sources, and packaging.

As signs of threats, we have to highlight the increased competition in the Finnish market which has led to a decline in retail prices compared to the same period last year. The listeria scandal that hit the Estonian fishing industry had a significant impact on the overall retail market, but did not have a significant impact on the total sales of PRFoods as the share of the Estonian market in the Company's total turnover is small.

In the light of the listeria scandal, we can confirm that the PRFoods companies have successfully passed all additional controls and that the Group's production units have international quality management certifications. In addition, our factories are regularly audited by our major counterparties and these audits are performed with near-maximum results. The biggest role here is played by the internal quality management of our companies, including the day-to-day controls in our laboratories, from the purchase of raw materials to the dispatch of the product, and the professionalism of our staff.

The Brexit, which came into effect on 31.01.2020, will have no effect on our UK companies this financial year, however, it is unclear what the long-term impact will be once the transition period ends.

It is also unclear whether and to what extent will the long-term effects of the outbreak of the coronavirus be on commodity exports. Early 2020 saw a decline in demand, and it also made it more difficult to forecast the price of salmon in a situation where deliveries of salmon producers to Asia were hindered.

There are major factory modernizations in Estonia and Finland as well as changes in the product portfolio planned for this calendar year, which may result in short-term sales and profit decrease compared to the previous period.

Taking into account the above and the increased risks of the global economy, PRFoods will forego the estimates of turnover and profit for the current financial year made at the end of the previous financial year. If the Company decides to issue an updated forecast, it will notify accordingly.

On the positive side, we would like to point out that PRFoods successfully completed a non-public bond issue in early 2020, which resulted in short-term liabilities of 9 million euros becoming long-term, releasing thereby short-term cash flows of approximately 2 million euros per year. In the first quarter of 2020, the Company also plans to carry out an additional public issue of bonds.

In order to achieve the goals in the following periods, the Group has strengthened its management in both product development and financials. Our people have worked hard to develop the Company and improve its profitability. PRFoods' balance sheet, production and customer base are strong, and we look expectantly to the future.

Making big changes is always difficult for employees and I am very grateful that our people are enthusiastically embraced the changes and given their best.



Sincerely,

Indrek Kasela



UNAUDITED FINANCIAL RESULTS OF AS PRFOODS, THE 2ND QUARTER OF THE FINANCIAL YEAR 2019/2020 (I.E., HEREINAFTER 4TH QUARTER OF 2019) COMPARED TO THE 4TH QUARTER OF 2018

- Unaudited consolidated revenue 25.37 million euros (4Q 2018: 26.73 million euros), change -5.1%.
- Gross margin 17.0% (4Q 2018: 17.7%), net margin 2.0% (4Q 2018: 0.8%)
- Negative impact from revaluation of biological assets 0.06 million euros (4Q 2018: negative impact 1.60 million euros).
- Negative impact of one-offs on the result 0.15 million euros (4Q 2018: negative impact 0.01 million euros).
- EBITDA from operations 2.13 million euros (4Q 2018: 2.42 million euros)
- EBITDA 1.35 million euros, an increase by 0.57 million euros (without one-off effects EBITDA 1.50 million euros, an increase by 0.79 million euros).
- Operating profit 0.74 million euros, an increase by 0.51 million euros (without one-off effects operating profit 0.89 million euros, an increase by 0.65 million euros).
- Net profit 0.50 million euros, an increase by 0.27 million euros (without one-off effects net profit 0.65 million euros, an increase by 0.41 million euros).

SUMMARY OF FINANCIAL RESULTS: THE 4TH QUARTER OF 2019 COMPARED TO THE 4TH QUARTER OF 2018

mln EUR	4Q 2019	4Q 2018	Change, mln EUR	Change, %	Impact
Sales	25.37	26.73	-1.35	-5.1%	▼
Gross profit	4.33	4.72	-0.39	-8.3%	▼
EBITDA from operations*	2.13	2.42	-0.30	-12.2%	▼
EBITDA	1.35	0.78	0.57	73.4%	▲
EBIT	0.74	0.23	0.51	221.7%	▲
Net profit (-loss)	0.50	0.22	0.27	123.4%	▲

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



UNAUDITED FINANCIAL RESULTS OF AS PRFOODS, SIX MONTHS OF THE FINANCIAL YEAR 2019/2020 COMPARED TO SIX MONTHS OF THE FINANCIAL YEAR 2018/2019

Unaudited consolidated revenue 44.70 million euros, (6m 2018/2019: 46.12 million euros), i.e. -3.1%

- Gross margin 15.5% (6m 2018/2019: 16.6%), net margin 2.4% (6m 2018/2019: 0.8%)
- Positive impact from revaluation of biological assets 0.22 million euros (6m 2018/2019: negative impact -1.55 million euros)
- Negative effect of one-offs on the result 0.27 million euros (6m 2018/2019: negative impact 0.03 million euros)
- EBITDA from operations 2.86 million euros, a decrease by 0.63 million euros
- EBITDA 2.82 million euros, an increase by 0.92 million euros (without one-off effects EBITDA 3.08 million euros, an increase by 1.15 million euros)
- Operating profit 1.70 million euros, an increase by 0.90 million euros (without one-off effects operating profit 1.97 million euros, an increase by 1.13 million euros)
- Net profit 1.07 million euros, an increase by 0.70 million euros (without one-off effects net profit 1.33 million euros, an increase by 0.94 million euros)

SUMMARY OF FINANCIAL RESULTS: 6 MONTHS OF 2019/2020 COMPARED TO 6 MONTHS OF 2018/2019

mIn EUR	2HY 2019	2HY 2018	Change, mIn EUR	Change, %	Impact
Sales	44.70	46.12	-1.42	-3.1%	▼
Gross profit	6.91	7.67	-0.77	-10.0%	▼
EBITDA from operations*	2.86	3.48	-0.63	-17.9%	▼
EBITDA	2.82	1.90	0.92	48.4%	▲
EBIT	1.70	0.80	0.90	111.5%	▲
Net profit (-loss)	1.07	0.36	0.70	192.9%	▲

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



KEY RATIOS – INCOME STATEMENT

mIn EUR unless indicated otherwise	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017
Sales	25.4	19.3	21.5	18.1	26.7	19.4	22.1	22.7	32.0
Gross profit	4.3	2.6	2.1	2.1	4.7	3.0	1.8	2.4	6.6
EBITDA from operations	2.1	0.7	0.3	0.2	2.4	1.1	-0.2	0.7	4.3
EBITDA	1.4	1.5	0.3	-0.5	0.8	1.1	0.3	0.6	1.6
EBIT	0.7	1.0	-0.3	-1.0	0.2	0.6	-0.2	0.1	1.0
EBT	0.6	0.8	-0.4	-1.2	0.0	0.4	-0.5	-0.2	0.8
Net profit (-loss)	0.5	0.6	-0.6	-1.2	0.2	0.1	-1.1	-0.2	1.2
Gross margin	17.0%	13.4%	9.8%	11.7%	17.7%	15.2%	7.9%	10.6%	20.5%
Operational EBITDA margin	8.4%	3.8%	1.4%	1.1%	9.1%	5.4%	-1.1%	3.1%	13.4%
EBITDA margin	5.3%	7.6%	1.4%	-2.5%	2.9%	5.8%	1.2%	2.5%	4.9%
EBIT margin	2.9%	5.0%	-1.2%	-5.6%	0.9%	3.0%	-1.1%	0.2%	3.1%
EBT margin	2.2%	3.9%	-2.0%	-6.5%	0.1%	1.8%	-2.3%	-0.9%	2.5%
Net margin	2.0%	2.9%	-3.0%	-6.6%	0.8%	0.7%	-5.1%	-1.0%	3.9%
Operating expense ratio	12.5%	13.4%	11.7%	14.1%	11.2%	13.5%	12.0%	10.5%	9.3%

EBITDA from operations = Profit (Loss) before one-offs and fair value adjustment of fish stock

EBITDA = Profit (Loss) before interest, tax, depreciation and amortisation

EBIT = Operating profit (loss)

EBT = Profit (Loss) before tax

Gross margin = Gross profit / Net sales

Operational EBITDA margin = EBITDA from operations / Net sales

EBITDA margin = EBITDA / Net sales

EBIT margin = EBIT / Net sales

EBT margin = EBT / Net sales

Net margin = Net earnings / Net sales

Operating expense ratio = Operating expenses / Net sales

KEY RATIOS – BALANCE SHEET

mIn EUR unless indicated otherwise	31.12.2019	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018	31.03.2018
Net debt	17.8	19.9	20.5	18.7	20.0	21.9	18.1	16.7
Equity	23.3	22.8	21.9	23.3	24.2	24.1	23.3	24.3
Working capital	-3.5	-3.0	-3.1	-1.6	1.0	2.0	2.8	4.6
Assets	60.5	62.4	62.5	63.5	65.5	64.5	65.5	66.4
Liquidity ratio	0.9x	0.9x	0.9x	0.9x	1.0x	1.1x	1.1x	1.2x
Equity ratio	38.5%	36.5%	35.0%	36.7%	37.0%	37.4%	35.6%	36.6%
Gearing ratio	43.3%	46.6%	48.3%	44.5%	45.2%	47.6%	43.7%	40.7%
Debt to total assets	0.6x	0.6x	0.7x	0.6x	0.6x	0.6x	0.6x	0.6x
Net debt to EBITDA	5.3x	5.4x	5.1x	5.4x	5.1x	3.8x	3.1x	2.6x
ROE	-3.2%	-4.5%	-6.5%	-8.2%	-4.0%	0.1%	0.2%	8.6%
ROA	-1.2%	-1.6%	-2.3%	-3.0%	-1.5%	0.0%	0.1%	4.1%

Net debt = Short- and long-term loans and borrowings – Cash

Working capital = Current assets – Current liabilities

Liquidity ratio = Current assets / Current liabilities

Equity ratio = Equity / Total assets

Gearing ratio = Net debt / (Equity + Net debt)

Debt to total assets = Debt / Total assets

Net debt to EBITDA = Net debt / EBITDA from operations for the trailing 12 months

ROE = Net earnings for the trailing 12 months / Average equity

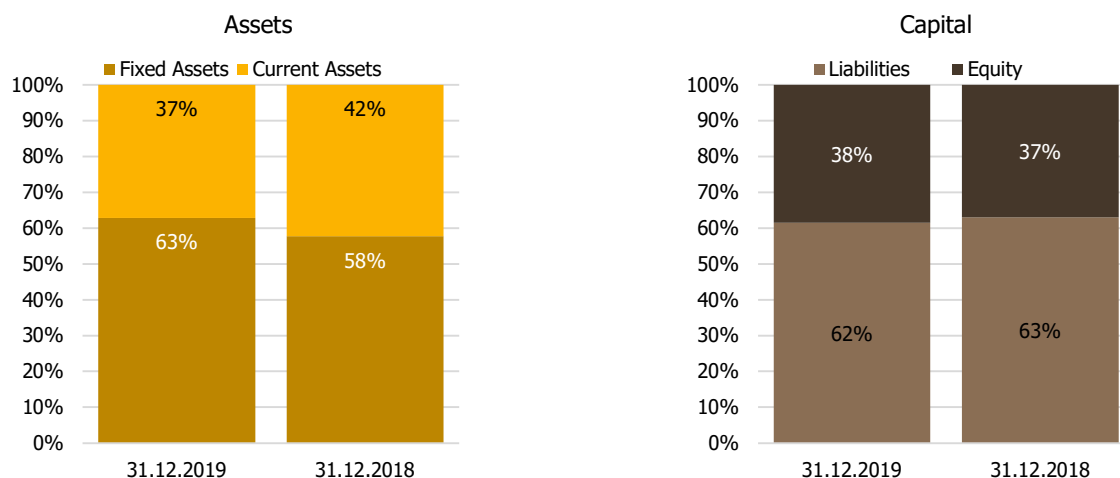
ROA = Net earnings for the trailing 12 months / Average assets

BALANCE SHEET

As at 31.12.2019 consolidated total assets of PRFoods stood at 60.5 million euros. The year before i.e. as at 31.12.2018 the balance sheet totalled 65.5 million euros.

The Group's current assets stood at 22.5 million euros as at 31.12.2019 (31.12.2018: 27.7 million euros). Non-current assets totalled 38.0 million euros (31.12.2018: 37.8 million euros).

Current liabilities totalled 26.0 million euros as at 31.12.2019 (31.12.2018: 26.6 million euros). Non-current liabilities totalled 11.2 million euros (31.12.2019: 14.6 million euros). Equity of PRFoods was 23.3 million euros (31.12.2018: 24.2 million euros).

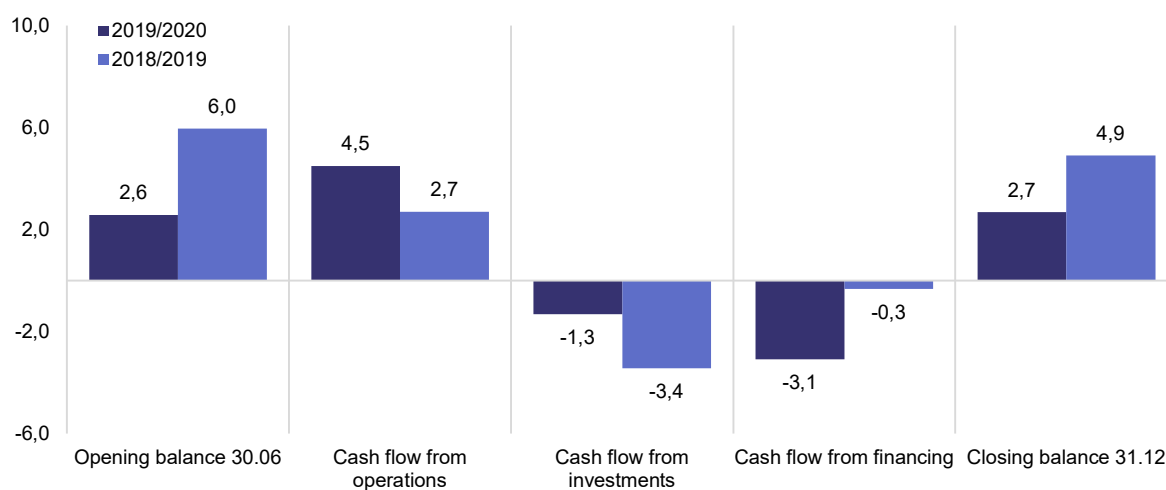


CASH FLOWS

PRFoods' cash and cash equivalents totalled 2.6 million euros at the beginning of the reporting period and 2.7 million euros at the end of the period, the period's cash flow amounted to 0.1 million euros.

Cash flow from operations was +4.5 million euros and +2.7 million euros in the same period a year ago. Cash flow from investment activities was -1.3 million euros during the reporting period and -3.4 million euros a year ago. Cash flow from financing activities totalled -3.1 million euros in the reporting period and -0.3 million euros during the same period last year.

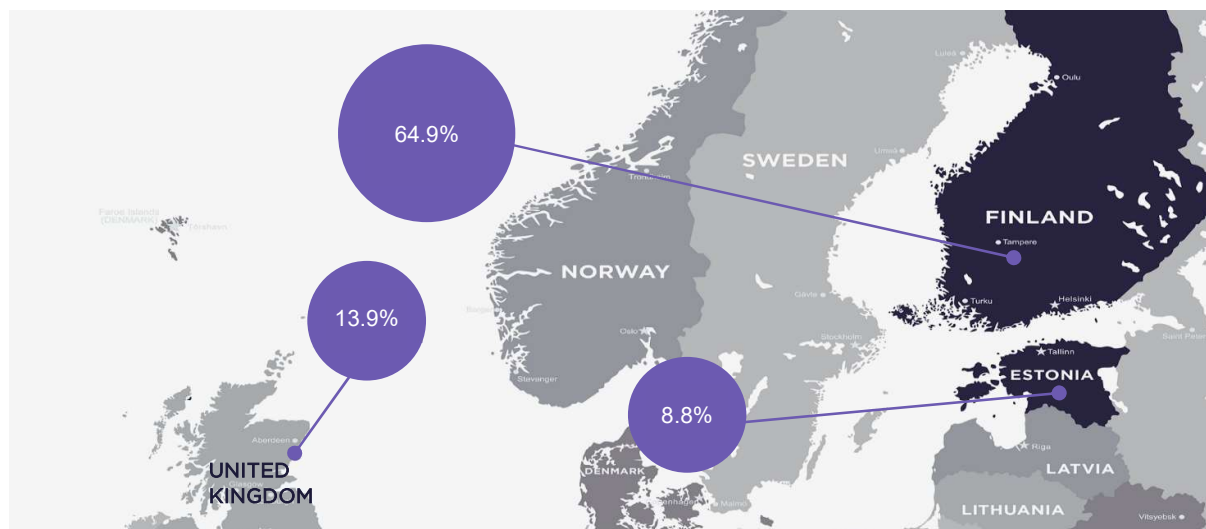
CHANGE IN CASH FLOWS 6 MONTHS OF 2019/2020 VS 6 MONTHS OF 2018/2019



REVENUE

The main products of the Group are salmon and rainbow trout goods. The Group is mainly known as a seller of fresh fish and fish products in Finland, a seller of quality smoked fish products in the UK and a seller of raw fish in Estonia as well as the biggest supplier of caviar to Estonian stores.

The Group's revenue in the 6 months of the financial year 2019/2020 amounted to 44.7 million euros, down by 1.4 million euros compared to the same period year ago.



GEOGRAPHIC SEGMENTS

mIn EUR	6m 19/20	Share, %	6m 18/19	Share, %	Change, mIn EUR	6m 18/19 vs 6m 18/19	Imp.
Finland	29.0	64.9%	32.1	69.7%	-3.1	-9.7%	▼
United Kingdom	6.2	13.9%	6.6	14.4%	-0.4	-6.5%	▼
Estonia	4.0	8.8%	3.2	6.9%	0.8	23.5%	▲
Other regions	5.5	12.4%	4.2	9.0%	1.4	33.5%	▲
Total	44.7	100.0%	46.1	100.0%	-1.4	-3.1%	▼

Finland with sales revenue of 29.0 million euros and ca 65% of total sales is the largest market of the Group. Revenue of the second largest market, UK, amounted during the period to 6.2 million euros, i.e. 13.9% of total sales. Revenue of the Estonian market totalled 4.4 million euros, i.e. 8.8% of the total. Sales revenue of Finland and Great Britain decreased by 9.7% and 6.5%, respectively, whereas sales in Estonia increased by 23.5%. Sales to Latvia amounting 2.4 million euros accounted for the largest share of sales to other regions. The sales to Latvia during the accounting period increased more than twice compared to the sales a year ago.

PRODUCT SEGMENTS

mIn EUR	6m 19/20	Share, %	6m 18/19	Share, %	Change, mIn EUR	6m 18/19 vs 6m 18/19	Imp.
Hot & cold smoked fish	17.2	38.5%	20.1	43.6%	-2.9	-14.4%	▼
Raw fish and fillets	19.2	42.9%	19.8	42.9%	-0.6	-3.0%	▼
Other fish products	8.3	18.5%	6.1	13.2%	2.2	35.4%	▲
Other	0.0	0.1%	0.2	0.3%	-0.1	-69.5%	▼
Total	44.7	100.0%	46.1	100.0%	-1.4	-3.1%	▼

During the first six months of the financial year raw fish and fillets' product group accounted for the largest share of the total sales. The group's turnover amounted to 19.2 million euros and accounted for 42.9% of the total. Hot and cold smoked

fish products' group generated sales of 17.2 million euros accounting for 42.9% of the total. Sales of other fish products amounted to 8.3 million euros and accounted for 18.5% of the total.

CLIENT SEGMENTS

mIn EUR	6m 19/20	Share, %	6m 18/19	Share, %	Change, mIn EUR	6m 18/19 vs 6m 18/19	Imp.
Retail chains	16.9	37.8%	20.2	43.7%	-3.3	-16.1%	▼
Wholesale	15.0	33.5%	14.9	32.3%	0.1	0.5%	▲
HoReCa	11.2	25.0%	10.4	22.5%	0.8	7.8%	▲
Other retail	1.6	3.7%	0.7	1.5%	1.0	139.1%	▲
Total	44.7	100.0%	46.1	100.0%	-1.4	-3.1%	▼

The largest client group is the retail chains' group, sales of which amounted to 16.9 million euros and accounted for 37.8% of the total sales during the accounting period. Slightly more than a third of sales i.e. 15.0 million euros was generated by the wholesale sector. HoReCa sales amounted to 11.2 million euros and accounted for a fourth of the total.

COSTS

Cost of goods sold accounted for 84.6% (6m 18/19: 83.4%) of total sales and operating expenses for 12.9% (6m 18/19: 12.2%).

	6m 19/20	6m 18/19	Change	Impact	6m 19/20	6m 18/19	Change	Impact
	mIn EUR	mIn EUR	mIn EUR		as % of sales	as % of sales	%-point	
Sales	44.70	46.12	-1.42	▼	100.00%	100.00%		
Cost of goods sold	-37.80	-38.45	0.65	▲	84.55%	83.36%	1.19	▼
materials in production & cost of goods purchased for resale	-30.08	-30.67	0.59	▲	67.28%	66.51%	0.77	▼
labour costs	-3.76	-3.84	0.08	▲	8.40%	8.33%	0.07	▼
depreciation	-0.89	-0.87	-0.02	▼	1.98%	1.88%	0.10	▼
other cost of goods sold	-3.07	-3.07	0.00	●	6.89%	6.64%	0.25	▼
Operating expenses	-5.77	-5.62	-0.15	▼	12.90%	12.18%	0.72	▼
labour costs	-2.09	-1.90	-0.19	▼	4.67%	4.11%	0.56	▼
transport & logistics services	-1.76	-1.82	0.06	▲	3.94%	3.94%	0.00	●
depreciation	-0.23	-0.23	0.00	●	0.52%	0.49%	0.03	▼
advertising, marketing and product development	-0.28	-0.23	-0.05	▼	0.62%	0.50%	0.12	▼
other operating expenses	-1.41	-1.44	0.03	▲	3.15%	3.14%	0.01	▼
Other income/expenses	0.33	0.30	0.03	▲	0.75%	0.66%	0.09	▲
incl. one-offs	-0.27	-0.03	-0.24	▼	-0.60%	-0.07%	-0.53	▼
Financial income / expense	-0.39	-0.44	0.05	▲	-0.88%	-0.94%	0.06	▲

COST OF GOODS SOLD (COGS)

COGS of the period decreased compared to the same period last year by 0.65 million euros, accounting for 84.6% of total sales (6m 18/19: 83.4% of total sales).

The purchase cost of raw fish continues to account for the majority (ca 80%) of the largest COGS item "materials in production and cost of goods purchased for resale". The remaining costs are mainly attributable to packaging materials and fish feed.

The labour cost of personnel employed in production and fish farms totalled 3.8 million euros and formed 8.4% of total sales, remaining thus practically at the level of six months of previous financial year.

Other costs of goods sold amounted to 3.1 million euros and formed 6.9% of total sales (6m 18/19: 6.6%). The cost item includes costs on heating, electricity, rent and utilities, and costs incurred in relation to fish farming and auxiliary activities in production.

OPERATING EXPENSES

Operating costs of the accounting period (5.8 million euros) increased by 0.2 million euros compared to the same period last year and accounted for 12.9% of total sales. The increase in operating expenses is mainly due to severance payments in connection to changes in the management.

The majority of operating costs are costs on labour (6m 19/20: 2.1 million euros; 6m 18/19: 1.9 million euros) and on transport & logistics services (6m 19/20: 1.8 million euros; 6m 18/19: 1.8 million euros). The labour costs increased by 10.1% whereas the costs on transport & logistics remained largely at the level of the same period last financial year.

TEAM

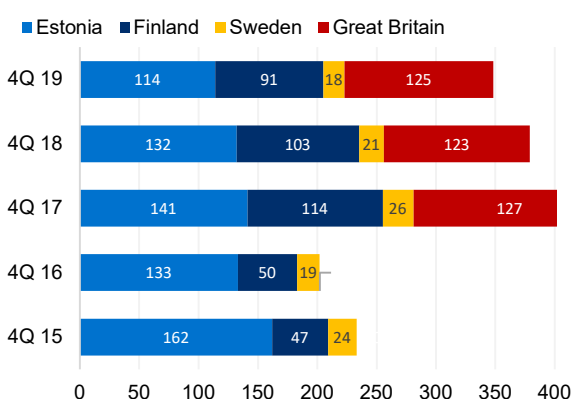
The average number of employees in PRFoods in the 4th quarter of 2019 was 348. The Group's labour costs totalled 3.2 million euros in the 4th quarter of 2019.

	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017
Average number of employees	348	340	351	348	379	368	367	362	408
Finland	91	86	88	86	103	91	96	96	114
Estonia	114	118	121	131	132	125	130	136	141
UK	125	119	124	112	123	125	117	107	127
Sweden	18	17	17	19	21	27	24	23	26
Payroll expense, th EUR	3,61	2,683	2,584	2,536	3,088	2,649	2,613	2,517	2,949
Monthly average payroll expense per employee, th EUR	3.03	2.63	2.45	2.43	2.72	2.40	2.37	2.32	2.41

Employees per area of activity



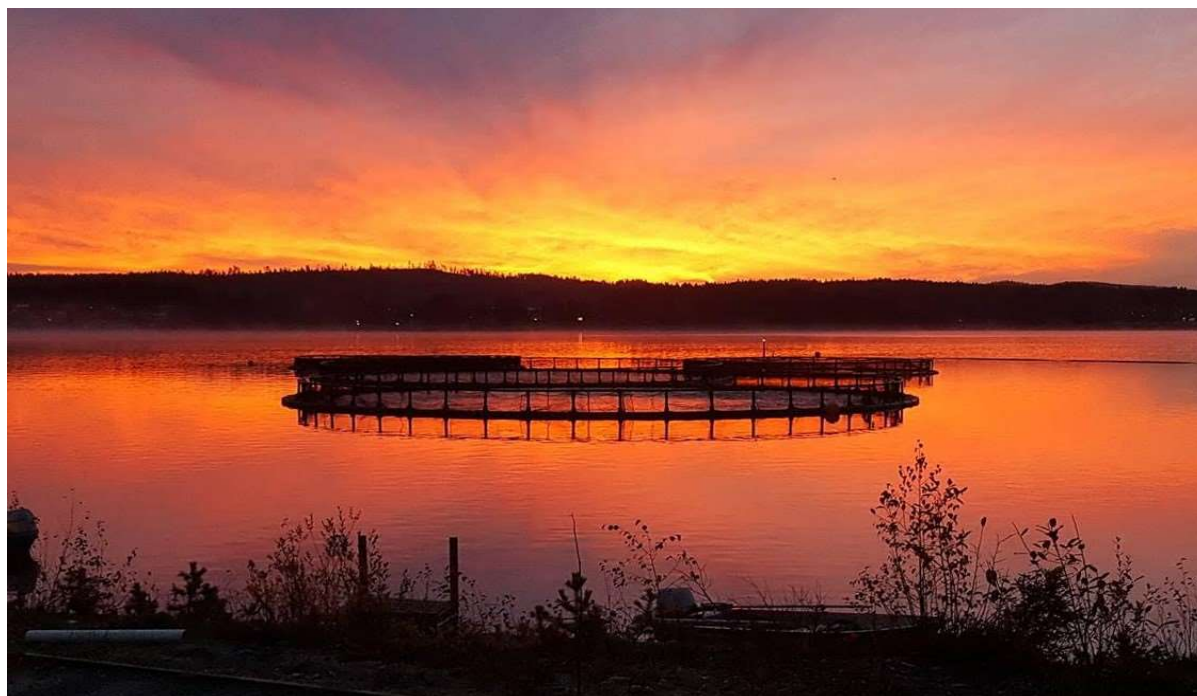
Employees per country



FISH FARMING

The competitive advantage of the Group is its vertical integration – fish farming, production and sales. About two thirds of the raw trout used in the Group's production is harvested from the Group's own fish farms in the lakes in Sweden, in the archipelago in Turku area in Finland and in the coastal area of Saaremaa, Estonia, ensuring that customers receive fast and high-quality deliveries. The Group mainly harvests rainbow trout and to a lesser extent also European whitefish.

Vertical integration enables the Group to reduce costs in certain phases of fish farming and to also enhance control foremost over fish processing and marketing. In the fish business, as fish are livestock, the quality assurance in the technological process has keenly to be maintained throughout the entire product lifecycle. In addition to improved cost control, the vertical integration enables to reduce risks in fish farming, for instance, due to poor quality of feed or base materials, and to secure the volume required for processing as well as price stability of raw material.



PRICE OF FISH

The fish industry is extremely dependent on availability and the price of raw fish. Large producers make their production plans for three years in advance as it is difficult and expensive in a shorter perspective to adapt a fish farm's production cycle to market needs. Therefore, the world market fish supply is relatively rigid in the short-term, while demand is somewhat shifting depending on the season. This imbalance in fish supply and demand results in constantly fluctuating raw fish prices. The Group compensates the impact of the external environment and volatility of fish price through the changes of the Group's production and sales strategy.

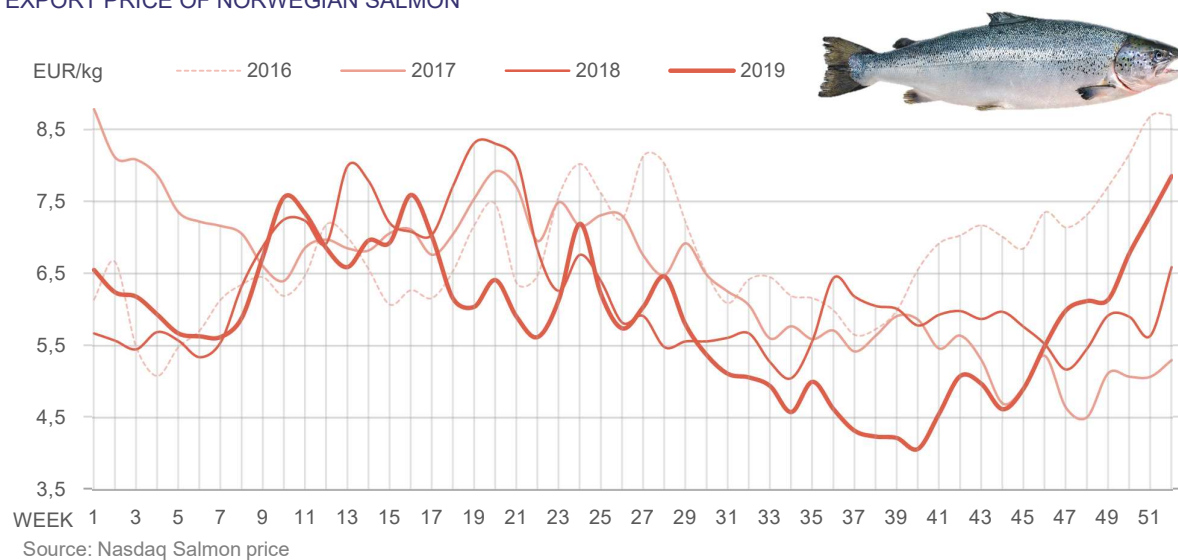
MARKET PRICE OF FISH

EUR/kg	31.12.2019	31.12.2018	31.12.19 vs 31.12.18	31.12.2017	31.12.19 vs 31.12.17	31.12.2016	31.12.19 vs 31.12.16
Salmon	7.85	6.59	19.1%	5.30	48.1%	8.72	-10.0%
Rainbow trout	6.31	5.88	7.3%	5.95	6.0%	7.39	-14.6%

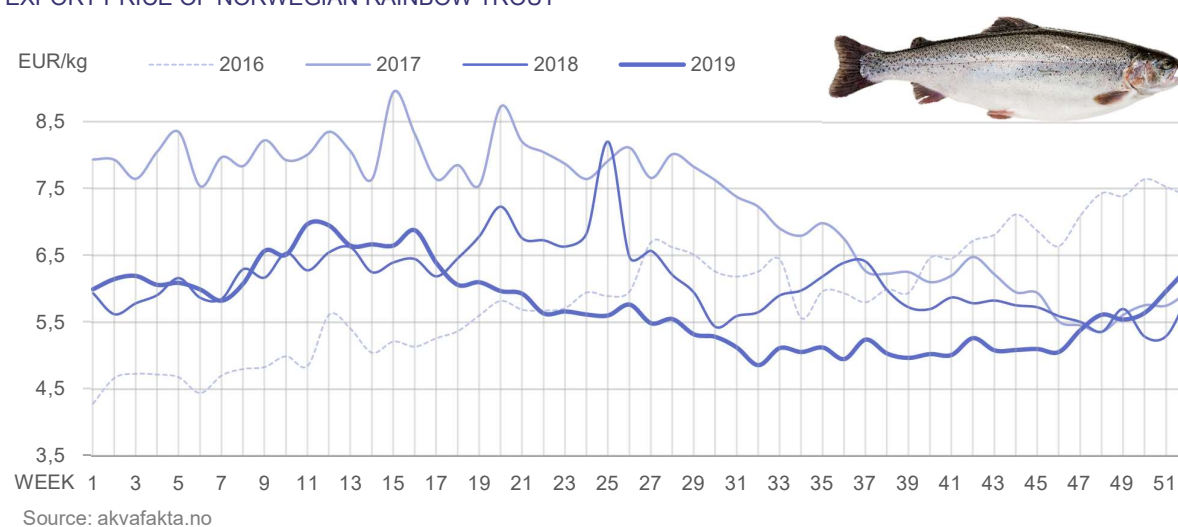
As at the end of the reporting period, the market price of salmon has increased by 19.1% and the price of rainbow trout by 7.3% compared to the prices a year ago. Over two years, the price of salmon has increased by 48.1% and the trout by 6.0%. The price of salmon has decreased by 10.0% and of rainbow trout by 14.6% compared to the prices three years ago.

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

EXPORT PRICE OF NORWEGIAN SALMON



EXPORT PRICE OF NORWEGIAN RAINBOW TROUT



AVERAGE MARKET PRICE OF FISH

EUR/kg	4Q 19	4Q 18	4Q 19 vs 4Q 18	4Q 17	4Q 19 vs 4Q 17	4Q 16	4Q 19 vs 4Q 16
Salmon	5.52	5.76	-4.2%	5.13	7.5%	7.32	-24.6%
Rainbow trout	5.35	5.59	-4.3%	5.80	-7.8%	6.97	-23.3%

The average market prices of salmon and rainbow trout in the 4th quarter of 2019 have decreased by 4.2% and 4.3%, respectively, compared to prices a year ago. The average price of salmon has increased by 7.5% and the average price of rainbow trout has decreased by 7.8% over the comparable period from two years ago. The average fish prices have decreased compared to the prices three years ago: salmon by 24.6% and rainbow trout by 23.3%.

BIOLOGICAL ASSETS

Biological assets are fish stock accounted for in PRFoods' fish farms in live weight, including rainbow trout (*Oncorhynchus mykiss*) and European 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 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.

CHANGE IN BIOLOGICAL ASSETS, TONNES

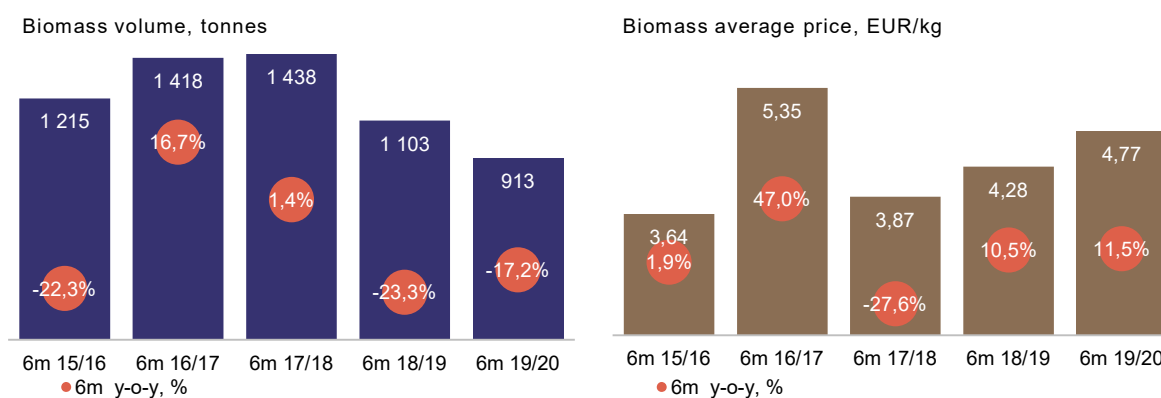
	6m 19/20	6m 18/19	Change, tonnes 6m 19/20 vs 6m 18/19	Change, % 6m 19/20 vs 6m 18/19
Biomass at the beginning of the period	987	1,184	-197	-16.6%
Biomass at the end of the period	913	1,103	-190	-17.2%
Harvested fish (in live weight)	1,796	1,325	471	35.5%

Biological assets totalled 913 tonnes as at 31.12.2019, a decrease of 190 tonnes, i.e. 17.2% compared to the same period last year. A total of 1,796 tonnes of fish was harvested during the 6 months of the financial year, which is 471 tonnes or 35.5% more compared to the same period a year ago.

BIOMASS VOLUME AND AVERAGE PRICE, EUR/KG

	6m 19/20	6m 18/19	Change, mln EUR 6m 19/20 vs 6m 18/19	Change, % 6m 19/20 vs 6m 18/19
Biological assets at the end of period, mln EUR	4.35	4.72	-0.37	-7.8%
Biomass volume at the end of period, tonnes	913	1,103	-190	-17.2%
Average price, EUR/kg	4.77	4.28	0.49	11.5%
Fair value adjustment of biological assets, mln EUR	0.22	-1.55	1.78	-114.4%

The fair value of biological assets was 4.35 million euros compared to 4.72 million euros a year ago. The average price of biomass was 4.77 euros per kg during the 6 months of 2019/2020 compared to 4.28 euros per kg during the comparable period a year ago.

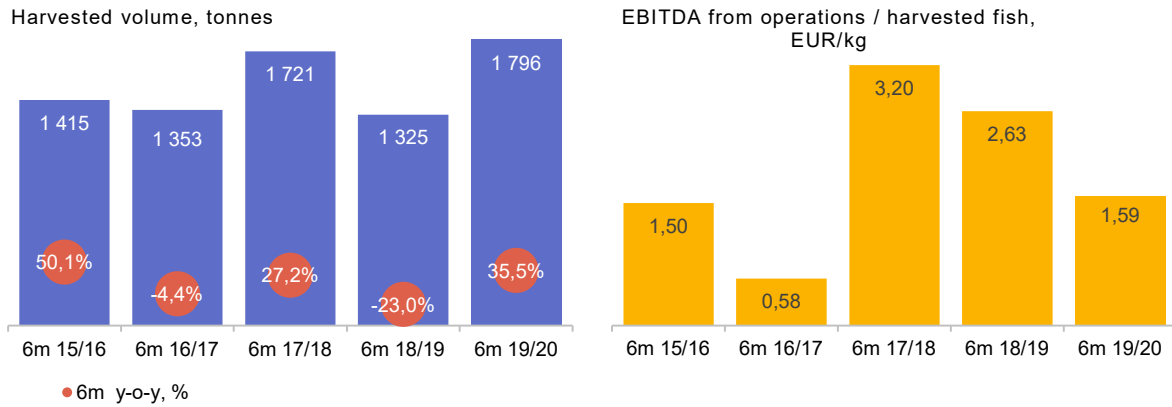


Fish is processed in production buildings of Heimona Kala Oy, Finland and Vettel OÜ, Estonia.

HARVESTED VOLUME

	6m 19/20	6m 18/19	Change, mln EUR 6m 19/20 vs 6m 18/19	Change, % 6m 19/20 vs 6m 18/19
Revenue, mln EUR	44.7	46.1	-1.4	-3.1%
EBITDA from operations*, mln EUR	2.9	3.5	-0.6	-17.9%
Harvested volume, tonnes	1,796	1,325	471	35.5%
EBITDA from operations* / harvested volume, EUR/kg	1.59	2.63	-1.04	-39.5%

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



MANAGEMENT AND SUPERVISORY BOARDS

The Management Board of AS PRFoods is comprised of one member – Indrek Kasela – who as per the supervisory board's decision serves as the sole member of the management board since 2 February 2015. The management board is independent in its day-to-day management of the business, protects the best interests of all shareholders and thereby ensures the company's sustainable development in accordance with the set objectives and strategy. It is also responsible for the internal control and risk management processes in the company.

The Supervisory Board of AS PRFoods appoints management board members for a three-year term. The articles of association prescribe the management board to consist of one to four members. On the meeting held on 15 November 2017, the supervisory board decided to extend the current management board member Indrek Kasela's term of office by 3 years, until 15 November 2020. Indrek Kasela (born 1971), holds an LL.M (Master of Laws) degree from New York University (1996) and a BA degree in law from the University of Tartu (1994).

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

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

The highest governing body of a public limited company is a general meeting of shareholders. According to law, the general meetings of shareholders are either ordinary or extraordinary.

Pursuant to law, a supervisory board of a public limited company is a supervisory body responsible for planning the activities of a company, organising its management and supervising the activities of its management board. According to the Articles of Association of AS PRFoods, the supervisory board has three to seven members elected by the general meeting of shareholders for the term of three years.

Information on the education and careers of the members of the supervisory board as well as their management positions in other companies is available on PRFoods' website www.prfoods.ee.

PRFOODS' SHARES HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS AND THE PERSONS/COMPANIES RELATED TO THEM AS AT 31.12.2019:

Shareholder	number of shares	ownership interest
Member of the management board from 02.02.2015 – Indrek Kasela	1,604,623	4.15%
Member of the supervisory board – Kuldar Leis	1,223,050	3.16%
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	0	-
Member of the supervisory board – Aavo Kokk	0	-
Total number of shares owned by the members of the supervisory and management boards	3,051,601	7.89%

SHARE AND SHAREHOLDERS

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

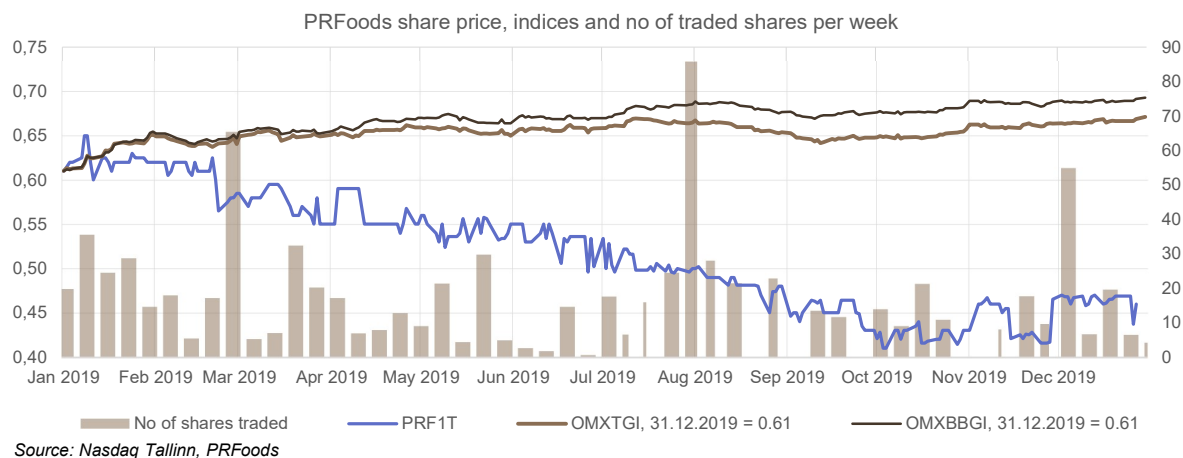
PRFoods shares are listed in the main list of Nasdaq Tallinn Stock Exchange since 5 May 2010. PRFoods shares do not have an official market maker. PRFoods share is a component in OMX Tallinn General Index and OMX Baltic General Index.

PRFoods has twice reduced the nominal value of shares with making payments to shareholders: by 10 euro cents in 2012 and by 30 euro cents in 2015. 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. The accountable nominal value of a share is 0.20 euros (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).

PRFOODS SHARE PRICE, INDICES AND TRADING ACTIVITY

Baltic comparison index increased 13.6% over one year, Tallinn Stock Exchange All-Share index increased by 10.0% and PRFoods share price decreased by 24.6%.

	Index / Share	Ticker / index	31.12.2019	31.12.2018	change %
●	PRF1T	PRF1T	0.460	0.610	-24.59%
●	OMX Baltic Benchmark GI	OMXBBGI	992.83	873.81	13.62%
●	OMX Tallinn GI	OMXTGI	1,279.7	1,162.86	10.05%



TRADING STATISTICS

Price (EUR)	4Q 2019	3Q 2019	2Q 2019	1Q 2019	4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017	3Q 2017
Open	0.430	0.502	0.590	0.610	0.695	0.740	0.770	0.600	0.530	0.390
High	0.470	0.534	0.590	0.670	0.695	0.780	0.855	0.795	0.600	0.600
Low	0.410	0.430	0.490	0.550	0.530	0.675	0.710	0.600	0.520	0.366
Last	0.460	0.430	0.534	0.550	0.610	0.690	0.740	0.770	0.599	0.522
Traded volume, thousand	180	294	134	294	798	973	595	821	734	1.766
Turnover, mln	0.08	0.14	0.07	0.18	0.47	0.71	0.47	0.57	0.42	0.84
Market capitalisation, mln	17.79	16.63	20.66	21.28	23.60	26.69	28.63	29.79	23.17	20.19

A total of 236 trades were conducted with PRFoods' shares during the fourth quarter of 2019. During the quarter a total of 179,553 shares changed hands forming 0.5% of the company's shares. The average trade volume was 761 shares.

Turnover of share trading amounted to 0.08 million euros in 4Q 2019 compared to 0.14 million euros in the previous quarter. The highest share price in 4Q 2019 was 0.470 euros and the lowest was 0.410 euros.

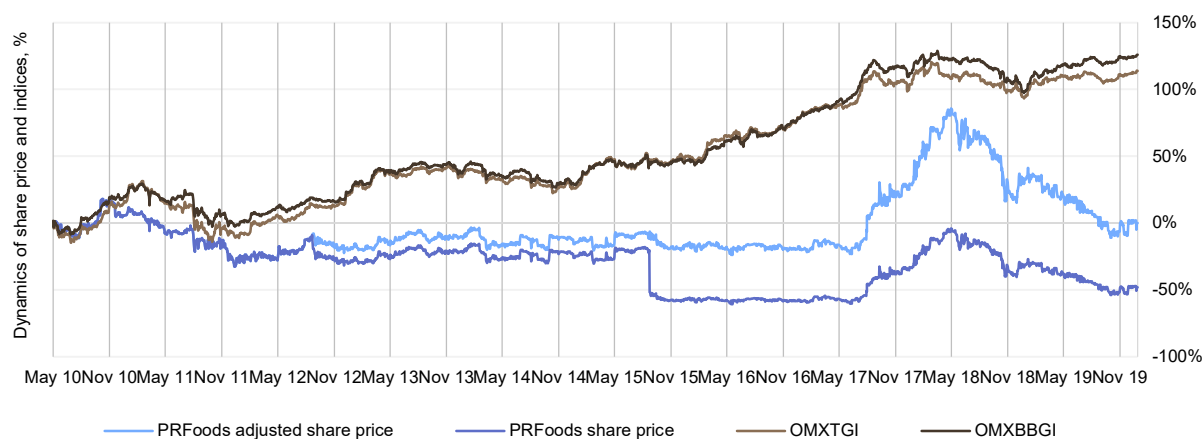
The closing price of the share was 0.460 euros as at 31.12.2019 and the company's market capitalisation was 17.79 million euros.

MARKET RATIOS

Ratios	Formula	31.12.19	30.09.19	30.06.19	31.12.18
EV/Sales	(Market Cap + Net Debt) / Sales	0.42	0.43	0.48	0.50
EV/EBITDA from operations	(Market Cap + Net Debt) / EBITDA from operations	10.57	9.98	10.30	11.09
EV/EBITDA	(Market Cap + Net Debt) / EBITDA	13.36	17.47	23.59	15.90
Price/EBITDA from operations	Market Cap / EBITDA from operations	5.29	4.54	5.18	6.00
Price/EBITDA	Market Cap / EBITDA	6.68	7.96	11.85	8.60
Price-to-Earnings	Market Cap / Net Earnings	neg	neg	neg	neg
Price-to-Book	Market Cap / Equity	0.76	0.73	0.94	0.97

Market Capitalisation (Market Cap), Net Debt and Equity as at 31.12.2019; sales, EBITDA and Net Profit/Loss for the trailing 12 months

THE DYNAMICS OF THE SHARE PRICE AND INDICES FROM 5TH MAY 2010 TO 31ST OF DECEMBER 2019:

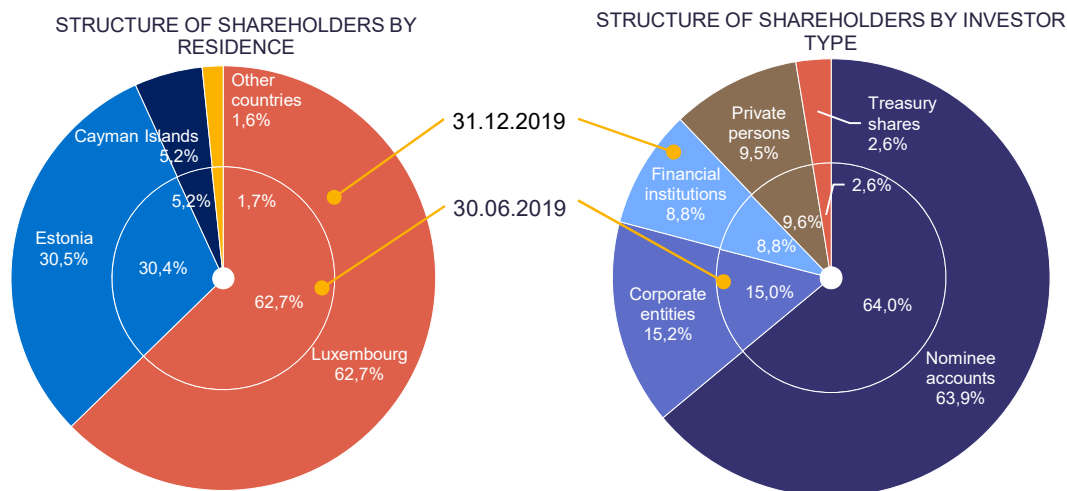


The increase of PRFoods' share price since its listing in 2010, adjusted with the capital reduction payments, is 0.1%. The Baltic Benchmark index has increased by 125.7% during this period, Tallinn Stock Exchange index by 113.9% and PRFoods' share price unadjusted with the reductions of the share's nominal value in August of 2012 and 2015 by 40-euro-cents in total has decreased by 48.3%. PRFoods has since the listing of its shares on the stock exchange paid to shareholders a total of 17.3 million euros in the form of dividends and in connection with share capital reductions.

SHAREHOLDER STRUCTURE

SHAREHOLDERS OF AS PRFOODS

	Number of shares 31.12.2019	% of total 31.12.2019	Number of shares 30.06.2019	% of total 30.06.2019	Change
ING Luxembourg S.A. (Nominee account)	24,258,366	62.71%	24,258,366	62.71%	-
Lindermann, Birnbaum & Kasela OÜ	1,604,623	4.15%	1,593,623	4.12%	11,000
Ambient Sound Investments OÜ	1,385,267	3.58%	1,385,267	3.58%	-
Firebird Republics Fund Ltd	1,277,729	3.30%	1,277,729	3.30%	-
OÜ Rododendron	1,219,589	3.15%	1,219,589	3.15%	-
Compensa Life Vienna Insurance Group SE	750,470	1.94%	750,470	1.94%	-
Firebird Avrora Fund, Ltd.	730,678	1.89%	730,678	1.89%	-
OÜ Iskra Investeeringud	377,874	0.98%	377,874	0.98%	-
Total largest shareholders	31,604,596	81.70%	31,593,596	81.67%	11,000
Other minority shareholders	6,078,264	15.71%	6,089,264	15.74%	-11,000
Treasury shares	1,000,000	2.59%	1,000,000	2.59%	-
Total	38,682,860	100.00%	38,682,860	100.00%	-



STRUCTURE OF SHAREHOLDERS ACCORDING TO NUMBER OF SHARES, 31.12.2019

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 ... 1 000	730	47.8%	343,633	0.9%
1 001 ... 10 000	669	44.2%	2,170,080	5.6%
10 001 ... 50 000	95	6.3%	2,028,175	5.2%
50 001 ... 100 000	11	0.7%	784,052	2.0%
> 100 000	15	1.0%	33,356,920	86.2%
Total	1,520	100.0%	38,682,860	100.0%

CONDENSED INTERIM ACCOUNTING REPORT

CONDENSED INTERIM ACCOUNTING REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	31.12.2019	31.12.2018	30.06.2019
ASSETS				
Cash and cash equivalents	(Note 2)	2,680	4,910	2,583
Receivables and prepayments	(Note 3)	6,342	6,470	5,300
Inventories	(Note 4)	9,104	11,553	11,980
Biological assets	(Note 5)	4,354	4,719	4,924
Total current assets		22,480	27,652	24,787
Deferred income tax		66	49	41
Long-term financial investments		217	134	202
Tangible fixed assets	(Note 6)	14,444	14,569	14,535
Intangible assets	(Note 7)	23,286	23,046	22,969
Total non-current assets		38,013	37,798	37,747
TOTAL ASSETS		60,493	65,450	62,534
EQUITY AND LIABILITIES				
Loans and borrowings	(Note 8. 9)	12,505	14,224	13,502
Payables	(Note 10)	13,301	12,184	14,105
Government grants		188	241	234
Total current liabilities		25,994	26,649	27,841
Loans and borrowings	(Note 8. 9)	7,945	10,706	9,540
Payables	(Note 10)	190	519	190
Deferred tax liabilities		2,070	2,094	2,010
Government grants		981	1,257	1,087
Total non-current liabilities		11,186	14,576	12,827
TOTAL LIABILITIES		37,180	41,225	40,668
Share capital		7,737	7,737	7,737
Share premium		14,007	14,007	14,007
Treasury shares		-390	-390	-390
Statutory capital reserve		51	51	51
Currency translation difference		167	-70	-214
Retained profit (-loss)		1,108	2,130	66
Equity attributable to parent		22,680	23,465	21,257
Non-controlling interest		633	760	609
TOTAL EQUITY	(Note 11)	23,313	24,225	21,866
TOTAL EQUITY AND LIABILITIES		60,493	65,450	62,534

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	Note	2Q 2019/2020	2Q 2018/2019	6m 2019/2020	6m 2018/2019
Revenue	(Note 12)	25,374	26,729	44,703	46 122
Cost of goods sold	(Note 13)	-21,049	-22,011	-37,796	-38 448
Gross profit		4,325	4,718	6,907	7 674
Operating expenses		-3,169	-2,996	-5,767	-5 619
Selling and distribution expenses		-2,146	-2,084	-3,938	-3 927
Administrative expenses		-1,023	-912	-1,829	-1 692
Other income / expense		206	136	334	303
Fair value adjustment on biological assets	(Note 5)	-622	-1,628	224	-1 555
Operating profit (loss)		740	230	1,698	803
Financial income/expense		-190	-213	-393	-435
Profit (loss) before tax		550	17	1,305	368
Income tax		-54	205	-239	-4
Net profit (loss) for the period		496	222	1,066	364
Net profit (loss) attributable to:					
Owners of the Parent Company		529	130	1,042	229
Non-controlling interest		-33	92	24	135
Total net profit (loss)		496	222	1,066	364
Other comprehensive income (loss) that may subsequently be classified to profit or loss:					
Foreign currency translation differences		66	-101	381	-77
Total comprehensive income (expense)		562	121	1,447	287
Total comprehensive income (expense) attributable to:					
Owners of the Parent Company		595	29	1,423	152
Non-controlling interest		-33	92	24	135
Total comprehensive income (expense) for the period		562	121	1,447	287
Profit (loss) per share (EUR)	(Note 11)	0.02	0.00	0.04	0.00
Diluted profit (loss) per share (EUR)	(Note 11)	0.02	0.00	0.04	0.00

CONSOLIDATED CASH FLOW STATEMENT

EUR '000	Note	6m 2019/2020	6m 2018/2019
Total cash flow from operations			
Net profit (loss)		1,066	364
Adjustments:			
Depreciation	(Note 6. 7)	1,118	1,094
Profit from sale and write off of fixed assets		0	-8
Other non-cash items		353	-853
Changes in receivables and prepayments		-1,067	-1,660
Changes in inventories	(Note 4)	2,876	1,125
Changes in biological assets	(Note 5)	570	1,779
Changes in payables and prepayments		-358	936
Corporate income tax paid		-59	-64
Total cash flow from / (used in) operating activities		4,499	2,713
Total cash flow from investments			
Sale of tangible and intangible fixed assets	(Note 6. 7)	2	42
Purchase of tangible and intangible fixed assets	(Note 6. 7)	-1,165	-1,033
Government grants for acquisition of assets	(Note 7)	0	42
Purchase and sale of other financial instruments		-20	-2,500
Acquisition of subsidiaries. net cash received		-131	0
Interest received		-5	15
Total cash flow used in investing activities		-1,319	-3,434
Total cash flow from financing			
Change in overdraft		-1,298	1,512
Repayments of loans		-1,436	-1,349
Loans received	(Note 9)	160	310
Change in factored receivables	(Note 9)	1	20
Capital lease repayments	(Note 8)	-191	-340
Dividends paid		0	0
Interest paid		-319	-482
Total cash flow (used in)/from financing activities		-3,083	-329
Total cash flow			
		97	-1,050
Cash and cash equivalents at beginning of the period	(Note 2)	2,583	5,960
Change in cash and cash equivalents		97	-1,050
Cash and cash equivalents at the end of the period	(Note 2)	2,680	4,910

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 30.06.2018	7,737	14,007	-390	48	7	1,904	23,313	-2	23,311
Statutory reserve capital	0	0	0	3	0	-3	0	0	0
Net profit for the period	0	0	0	0	0	229	229	135	364
Dividends	0	0	0	0	0	0	0	625	625
Other comprehensive expense	0	0	0	0	-77	0	-77	2	-75
Total comprehensive expense for the period	0	0	0	0	-77	226	152	762	908
Balance at 31.12.2018	7,737	14,007	-390	51	-70	2,130	23,465	760	24,225
Dividends	0	0	0	0	0	-377	-377	0	-377
Net loss for the period	0	0	0	0	0	-1,687	-1,687	-151	-1,838
Other comprehensive expense	0	0	0	0	-144	0	-144	0	-144
Total comprehensive expense for the period	0	0	0	0	-144	-1,687	-1,831	-151	-1,982
Balance at 30.06.2019	7,737	14,007	-390	51	-214	66	21,257	609	21,866
Net profit for the period	0	0	0	0	0	1,042	1,042	24	1,066
Other comprehensive income	0	0	0	0	381	0	381	0	381
Total comprehensive income for the period	0	0	0	0	381	1,042	1,423	24	1,447
Balance at 31.12.2019	7,737	14,007	-390	51	167	1,108	22,680	633	23,313

Additional information in Note 11.

NOTES TO THE INTERIM REPORT

NOTE 1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

AS PRFoods is a company incorporated in Estonia. The interim financial statements compiled as per 31.12.2019 incorporate results of AS PRFoods (hereinafter Parent Company) and companies directly and indirectly held by it: Saaremere Kala AS, Redstorm OÜ and Vettel OÜ in Estonia, Heimona Kala Oy and Trio Trading Ab Oy in Finland, Överumans Fisk AB in Sweden, and JRJ & PRF Ltd., John Ross Jr (Aberdeen) Ltd., Coln Valley Smokery Ltd. in the United Kingdom (hereinafter referred to as the Group). The Group has a stake in associate companies: Competence Center of Food and Fermentation Technologies AS (CCFFT) and Avamere Kalakasvatus OÜ. JRJ & PRF Ltd., John Ross Jr (Aberdeen) Ltd., Coln Valley Smokery Ltd. are consolidated from 01.07.2017, Trio Trading Ab Oy from 01.09.2017 and Redstorm OÜ from 01.07.2018. AS PRFoods' shares are listed on Nasdaq Tallinn Stock Exchange since 5 May 2010.

The Group's consolidated audited annual report for the financial year that ended on 30 June 2019 is available on PRFoods' website www.prfoods.ee.

The general meeting of the shareholders held on 11 December 2017 decided to amend the beginning of a financial year of the Group. Starting from 1 July 2018, the financial year begins on 1 July and ends on 30 June. The current accounting period began on 1 July 2019 and ends on 30 June 2020.

CONFIRMATION OF COMPLIANCE

The current unaudited consolidated interim report complies with the requirements of international accounting standards IAS 34 "Interim Financial Reporting" on condensed interim financial statements.

The same accounting principles have been applied as in the annual report for the financial year ended on 30.06.2019. The report does not hold all the information that must be presented in a complete annual report, so it should be read together with the Group's audited consolidated annual report for the financial year ended on 30.06.2019, which complies with the international financial reporting standards (IFRS) as adopted by the European Union.

In the opinion of the management, this interim report for the second quarter and six months of the financial year 2019/2020 of AS PRFoods presents correctly and fairly the financial results of the Group as a going concern. The current interim report is neither audited nor reviewed by auditors in any other way and contains only the consolidated reports of the Group.

BASIS OF PREPARATION

The functional currency is the euro. The consolidated interim report is presented in thousands of euros and all numerical indicators have been rounded to the nearest thousand, if not indicated otherwise. In the report, thousand euros is indicated as EUR '000.

NOTE 2. CASH AND CASH EQUIVALENTS

EUR '000	31.12.2019	31.12.2018	30.06.2019
Cash on hand	28	29	12
Bank accounts	2,652	4,881	2,571
Total cash and cash equivalents	2,680	4,910	2,583

NOTE 3. RECEIVABLES AND PREPAYMENTS

EUR '000	31.12.2019	31.12.2018	30.06.2019
Trade receivables	5,659	5,781	4,458
Allowance for doubtful receivables	-9	-25	-9
Other receivables	87	95	11
Prepaid expenses	274	174	352
Prepaid taxes	252	437	486
Other prepayments	79	8	2
Total receivables and prepayments	6,342	6,470	5,300

Write-down on receivables was not recognised during the accounting period.

A commercial pledge set as collateral for loans also covers receivables (see Note 9).

NOTE 4. INVENTORIES

EUR '000	31.12.2019	31.12.2018	30.06.2019
Raw materials and materials	3,837	6,885	6,781
Work-in-progress	1,485	850	1,490
Finished goods	3,246	3,376	3,264
Goods purchased for sale	451	395	445
Prepayments for inventories	85	47	0
Total inventories	9,104	11,553	11,980

A commercial pledge set as collateral for loans covers also inventories (see Note 9).

NOTE 5. BIOLOGICAL ASSETS

EUR '000	31.12.2019	31.12.2018	30.06.2019
Fry	253	275	852
Juveniles	1,712	1,586	1,097
Fish suitable for harvesting	2,389	2,858	2,975
Total biological assets	4,354	4,719	4,924

The Group produces in its fish farms located in Finland and Sweden mainly rainbow trout (*Oncorhynchus mykiss*) and, to a lesser degree, also European whitefish (*Coregonus lavaretus*).

CHANGE IN BIOLOGICAL ASSETS

EUR '000	6m 2019/2020	6m 2018/2019	12m 2018/2019
Biological assets at beginning of the period	4,924	6,498	6,498
Purchased	0	359	1,037
Additions	3,576	3,140	5,056
Fair value adjustments	224	-1,555	-1,744
Harvested	-4,407	-3,736	-5,849
Written off	0	-33	-33
Fry and live fish sold	0	-14	-14
Exchange rate differences	37	60	-27
Biological assets at end of the period	4,354	4,719	4,924

The total increase in biological assets, which consists of the increase in biological assets and the change in the fair value was 3.8 million euros during the first 6 months of 2019/2020. During the first 6 months of 2018/2019, the increase was 1.6 million euros.

In "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.

Group measures biological assets in fair value or acquisition cost.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

EUR '000	31.12.2019	31.12.2018	30.06.2019
Land and buildings			
Cost	13,099	13,029	12,762
Accumulated depreciation	-5,496	-5,125	-5,185
Land and buildings at carrying amount	7,603	7,904	7,577
Machinery and equipment			
Cost	16,664	16,506	16,976
Accumulated depreciation	-10,354	-10,349	-10,475
Machinery and equipment at carrying amount	6,310	6,157	6,501
Other tangible assets			
Cost	992	984	984
Accumulated depreciation	-753	-706	-726
Other tangible assets at carrying amount	239	278	258
Construction in progress, prepayments			
	292	230	199
Total property, plant and equipment	14,444	14,569	14,535

Property, plant and equipment acquired under the finance lease terms are disclosed in Note 8.

NOTE 7. INTANGIBLE ASSETS

EUR '000	31.12.2019	31.12.2018	30.06.2019
Goodwill	14,283	14,387	14,173
Trademarks and patents			
Cost	8,788	8,713	8,695
Accumulated amortisation	-1,150	-1,097	-1,195
Trademarks and patents at carrying amount	7,638	7,616	7,500
Immaterial rights			
Cost	1,032	997	1,032
Accumulated amortisation	-432	-396	-413
Immaterial rights at carrying amount	600	601	619
Software licenses			
Cost	622	624	611
Accumulated amortisation	-503	-510	-476
Software licenses at carrying amount	119	114	135
Prepayments for intangible assets	646	328	542
Total intangible assets	23,286	23,046	22,969

NOTE 8. FINANCE LEASE

FIXED ASSETS ACQUIRED UNDER FINANCE LEASE

EUR '000	31.12.2019	31.12.2018	30.06.2019
Machinery and equipment			
Cost	1,994	1,657	1,886
Accumulated depreciation	-547	-518	-439
Machinery and equipment at carrying amount	1,447	1,139	1,447
Means of transport			
Cost	407	339	290
Accumulated depreciation	-118	-173	-164
Means of transport at carrying amount	289	166	126
Total property, plant and equipment	1,736	1,305	1,573

The Group is leasing under financial lease terms fish industry production equipment, fish harvesting equipment, a workboat, a tractor, passenger cars and computers.

FINANCE LEASE PAYABLES

EUR '000	31.12.2019	31.12.2018	30.06.2019
<i>Present value of finance lease liability</i>			
Due in less than 1 year	554	305	324
Due between 1-5 years	628	675	868
Total	1 182	980	1,192

EUR '000	6m 2019/2020	6m 2018/2019	12m 2018/2019
Principal payments in the accounting period	191	340	554
Interest expenses in the accounting period	9	10	20
Average interest rate	1.80%	2.11%	1.82%

See also Notes 6 and 9.

NOTE 9. BORROWINGS

EUR '000	31.12.2019	31.12.2018	30.06.2019
Finance lease liabilities (Note 8)	553	305	324
Overdraft	7,485	9,586	8,783
Factoring	10	10	9
Investment loans	4,457	4,323	4,389
Total short-term loans	12,505	14,224	13,502
Finance lease liabilities (Note 8)	629	675	868
Loan notes to shareholders	446	443	441
Investment loans	6,870	9,588	8,231
Total long-term loans	7,945	10,706	9,540
incl. payable within 1-5 years	7,945	10,706	9,540

Investment loans as at 31.12.2019 carry term dates until 31.08 2022. Investment loans are in euros and pounds with interest rates tied to 6-months' EURIBOR or the Bank of England's base rate. Additional information on terms of investment loan is available in the Group's 2018/2019 annual report.

The Company repaid the SEB investment loan prematurely on 27.01.2020. See note 18.

NOTE 10. PAYABLES AND PREPAYMENTS

EUR '000	31.12.2019	31.12.2018	30.06.2019
Trade payables	6,760	5,747	8,198
Payables to employees	1,058	1,077	997
Liabilities from business combination	2,795	2,820	2,850
Interest payables	147	47	100
Prepayments from clients	1	2	1
Other payables	346	288	214
Tax liabilities. incl.:	2,194	2,203	1,745
Social security tax	169	206	161
VAT	1,319	1,363	1,063
Personal income tax	124	172	119
Corporate income tax	438	421	330
Other taxes	144	41	72
Total short-term payables and prepayments	13,301	12,184	14,105
Payables from acquisitions	190	519	190
Total long-term payables	190	519	190

Liabilities from business combination includes contingent provisions to non-controlling interests' buyout for 2,730 thousand euros.

NOTE 11. EQUITY

SHARE CAPITAL

As at 31.12.2019, the Company's registered share capital was 7,736,572 euros.

As per the resolution of the shareholders' meeting from 26.05.2016, the shares of AS PRFoods were registered on 30.06.2016 in the Commercial Register without nominal value. The registered share capital of the Company is 7,736,572 euros, divided into 38,682,860 ordinary shares without nominal value with accountable value of 0.20 euros per share.

The Articles of Association stipulate 7,000,000 euros as minimal share capital and 28,000,000 euros as maximum share capital. The Articles of Association are available on AS PRFoods' website at www.prfoods.ee.

SHARE PREMIUM

The Company's share premium comprises mainly of the amount received above the nominal value upon an issue of shares less costs associated with the issue. According to the Commercial Code, a premium may be used to cover a loss of a company if such loss cannot be covered from the retained profit of previous periods or the capital reserve prescribed in the Articles of Association or from other reserves prescribed by the Articles of Association. The premium may also be used to increase share capital via a bonus issue. The share premium may not be distributed to shareholders.

OWN SHARES

As at 31.12.2019 AS PRFoods has 1,000,000 own shares, acquired with an average price of 0.4915 euros per share.

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 resolved on the general meeting held on 30.10.2018 to transfer 2,850 euros from the net profit of the financial

year of 2017/2018 to the capital reserve, to pay dividends in the amount of 386,829 euros from the retained earnings i.e. 0.01 euros per share. and not to distribute the remaining profit. Dividends were paid out on 05.04.2019.

EARNINGS PER SHARE

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

	6m 2019/2020	6m 2018/2019	12m 2018/2019
Net profit (loss) attributable to equity holders of the company EUR '000	1,423	152	-1,679
Average number of shares (in thousands)	38,683	38,683	38,683
Earnings (-loss) per share (EUR)	0.04	0.00	-0.04
Basic earnings (-loss) per share (EUR)	0.04	0.00	-0.04
Diluted earnings (-loss) per share (EUR)	0.04	0.00	-0.04

NOTE 12. 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.

The Group's two business segments – the fish segment and other segments - are presented together since the proportion of other segments in business operations amounting to 0.1% of the total turnover of the Group is marginal.

Starting from two financial years ago the Group monitors two geographical segments: i) Finland, Sweden and Estonia, and ii) Great Britain.

EUR '000	6m 2019/2020			6m 2018/2019		
	Finland, Sweden, Estonia	Great Britain	Total	Finland, Sweden, Estonia	Great Britain	Total
External revenue	35 573	9 138	44 711	36,689	9,439	46,128
Inter-segment revenue	0	-8	-8	0	-6	-6
Total revenue	35 573	9 130	44 703	36,689	9,433	46,122
Fair value adjustment on biological assets	224	0	224	-1,555	0	-1,555
EBITDA	1 578	1 237	2 815	606	1,291	1,897
Depreciation and amortisation	-907	-211	-1 118	2,171	1,291	3,462
Operating profit	671	1 026	1 697	-874	-220	-1,094
Financial income and expenses	-449	-79	-528	-268	1,071	803
Income tax	-46	-193	-239	-363	-72	-435
Net profit (-loss)	312	754	1 066	198	-202	-4
Segment assets	38 753	21 740	60 493	-433	797	364
incl. current assets	17 965	4 515	22 480	43,482	21,968	65,450
incl. non-current assets	20 788	17 225	38 013	22,577	5,075	27,652
Segment liabilities	32 334	5 083	37 417	20,905	16,893	37,798
Segment investments in tangible and intangible assets	788	450	1 238	35,962	5,263	41,225
Assets acquired through business combination*	0	0	0	1,174	123	1,297

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

SALES BY GEOGRAPHIC REGIONS

EUR '000	6m 2019/2020	6m 2018/2019	12m 2018/2019
Finland	28,994	32,125	59,885
United Kingdom	6,213	6,644	12,104
Estonia	3,955	3,203	5,710
Other	5,541	4,150	8,028
Total	44,703	46,122	85,727

NOTE 13. COST OF GOODS SOLD

EUR '000	6m 2019/2020	6m 2018/2019	12m 2018/2019
Materials in production & cost of goods purchased for resale	30,076	30,674	59,353
Staff costs	3,756	3,840	7,171
Depreciation and amortisation	885	866	1,741
Other costs of goods sold*	3,079	3,068	5,565
Total cost of goods sold	37,796	38,448	73,830

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

NOTE 14. RELATED PARTY TRANSACTIONS

The Company 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 management boards of group entities,
- close family members of the persons mentioned above and the companies related to them.

As at the balance sheet date, there were no receivables from the related parties. Liabilities are found in the table below:

Party	Creditor	Payables and prepayments	Payables as at 31.12.2019 EUR '000	Payables as at 31.12.2018 EUR '000	Payables as at 30.06.2019 EUR '000
Fodiator OÜ	Shareholder Redstorm OÜ	Payable for shares	0	262	131
Amber Trust II S.C.A.	Shareholder AS PRFoods	Short-term loan and interest	1,601	1,525	1,563
Christopher Leigh	Shareholder of JRJ & PRF Ltd	Loan note	298	290	283
Victoria Leigh-Pearson	Shareholder of JRJ & PRF Ltd	Loan note	167	162	158
Christopher Leigh	Contingent consideration	Payable for non-controlling interests	1,747	1,662	1,658
Victoria Leigh-Pearson	Contingent consideration	Payable for non-controlling interests	983	935	933
Total			4,796	4,836	4,726

During the reporting period, no purchase and sales transactions were conducted with the related parties (4Q 2018: 47 thousand euros).

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	6m 2019/2020	6m 2018/2019	12m 2018/2019
Short-term benefits	617	631	1,179
Total	617	631	1,179

The members of the management and supervisory boards are not entitled to any pension-related rights from the company. The members of the management boards are entitled to termination benefits.

NOTE 15. BUSINESS COMBINATION

BUSINESS COMBINATION IN THE 2018/2019 FINANCIAL YEAR – REDSTORM OÜ

On 03.07.2018 Saaremere Kala AS concluded a contract for the acquisition of 51% of shares in OÜ Redstorm, a company operating in Saaremaa, Estonia in fish farming, processing and storage. Pursuant to the conclusion of the transaction Saaremere Kala AS, a subsidiary of PRFoods, owns 51% (the share of 2,040 euros). The date of the conclusion of the transaction was 06.07.2018. The purchase price of the acquired company was 0.65 million euros. Additional information on the transaction is available in the Group's 2018/2019 annual report.

BUSINESS COMBINATION IN 2017/2018 FINANCIAL YEAR

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

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). The acquisition date was 30.08.2017. Additional information about the transaction can be found on PRFoods' web site www.prfoods.ee.

NOTE 16. ASSOCIATE COMPANIES

ASSOCIATE COMPANY IN 2018/2019 FINANCIAL YEAR – AVAMERE KALAKASVATUS OÜ (50% holding)

On 18.01.2019 Avamere Kalakasvatus OÜ was registered in the Estonian Commercial Registry. The company is an associate of AS PRFoods. It submitted an application to the Technical Regulatory Authority for the building right of the establishment of an offshore fish farming complex in the Estonian waters off the coast of Paldiski. The building right is to allow establishing a rainbow trout farming complex in the offshore cages.

ASSOCIATE COMPANY – AS TFTAK (20% holding)

Since 2010 the Group holds 20% in AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology).

NOTE 17. CONTINGENT LIABILITIES

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

A mortgage in the amount of 234 thousand euros is set in favour of the Finnish Customs Board. The purpose of the transaction is more streamlined daily operations by reducing persistent prepayments to the Customs Board.

The management estimates the execution of the mortgage collateral in favour of the Finnish Customs Board unlikely.

NOTE 18. EVENTS AFTER THE BALANCE SHEET DATE

Merger of Heimon Kala Oy and Trio Trading Ab Oy

On 01.10.2018 the Management Boards of Heimon Kala Oy and Trio Trading Ab Oy (100% subsidiaries of Saaremere Kala AS, an AS PRFoods group company) signed a merger plan, according to which the acquiring company is Heimon Kala Oy. At the execution of the merger, Trio Trading Ab Oy will be dissolved without liquidation proceedings. The merger was completed on 31.01.2020.

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

Issuance of Bonds

On 19.12.2019 the company announced that it plans to issue up to 95,000 bonds with a nominal value of 100 euros, with maturity of up to 5 years from the date of issue, with early redemption rights and with a fixed interest rate. The company plans to issue bonds in several stages, including both a private placement and a public issue.

The main purpose of the proceeds of the bond issue is to refinance the SEB investment loan and to invest in the Group's fish farms.

On 21.01.2020 the company announced that the bond issue has been approved by the supervisory board on the following terms: the company will issue up to 100,000 covered bonds, with a nominal value of 100 euros per bond, interest rate of 6.25% p.a., and with maturity on 22.01.2025. A total of 90,096 bonds were issued to investors on 22.01.2020 in a private placement. Bonds to be issued in a public offering will comprise all bonds not subscribed in a non-public offering. Due to strong interest, the company is considering raising the total number of bonds to 110,000. Upon completion of the public offering of the bonds, the company plans to list the bonds on Tallinn Stock Exchange. The public offering and listing would be conducted after the registration of the offer prospectus with the Estonian Financial Supervision Authority. As at the date of this report, no final decision has been taken to offer the bonds to the public.

For more detailed information on issuing of the bonds please see the Stock Exchange Announcements dated on 19.12.2019 and 21.01.2020.

Repayment of SEB Investment Loan in January 2020

The company paid prematurely back the SEB investment loan on 27.01.2020.

MANAGEMENT BOARD'S CONFIRMATION TO THE INTERIM REPORT

The Management Board confirms the correctness and completeness of the consolidated condensed interim report for the 2nd quarter and 6 months of the financial year 2019/2020 of AS PRFoods and its subsidiaries (together the Group) presented in the pages 7 – 39 hereof and confirms to the best of its knowledge that:

- the activities report of the consolidated interim report presents adequate and fair overview of the development and results of business activities of the Group and the financial position thereof and includes the description of the main risk factors and uncertainties;
- the accounting principles applied in the preparation of the consolidated condensed interim accounting report are in compliance with the International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by the European Union;
- the consolidated interim report provides a true and fair overview of the assets, liabilities and financial position of the Group and of the results of its operations and its cash flows.



Indrek Kasela

Member of the Management Board

21 February 2020