

AS PRFOODS

2014 Consolidated Annual Report
(translation of the Estonian original)

Business name:	AS PRFOODS
Commercial register number	11560713
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Website:	www.prfoods.ee
Main activities:	Production and sale of fish products Fish farming
Reporting period:	1 January 2014 - 31 December 2014
Auditor:	AS PricewaterhouseCoopers

Table of contents

INTRODUCTION TO THE COMPANY	5
SHAREHOLDER INFORMATION	6
MISSION	7
VISION	7
STRATEGIC OBJECTIVES	7
STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD	8
TEAM	9
ENVIRONMENTAL RESPONSIBILITY	10
MANAGEMENT REPORT	11
REVENUE	12
COST ANALYSIS	14
FINANCIAL POSITION	15
BALANCE SHEET ANALYSIS	16
INVESTMENTS	16
PRFOODS SHARE	16
Corporate Governance Report	20
Management Board's confirmation to the Management Report	25
Consolidated financial statements	26
Consolidated statement of financial position	26
Consolidated statement of profit or loss and other comprehensive income	27
Consolidated cash flow statement	28
Consolidated statement of changes in equity	29
Note 1 General information	30
Note 2 Accounting policies adopted in the preparation of the consolidated financial statements	30
Note 3 Financial risks	40
Note 4 Management judgements and estimates	44
Note 5 Cash and cash equivalents	45
Note 6 Receivables and prepayments	45
Note 7 Inventories	46
Note 8 Biological assets	46
Note 9 Subsidiaries	47
Note 10 Deferred income tax	48
Note 11 Investment property	48
Note 12 Property, plant and equipment	49
Note 13 Intangible assets	50
Note 14 Finance lease	51
Note 15 Operating lease	52
Note 16 Borrowings	53
Note 17 Payables and prepayments	53
Note 18 Government grants	53
Note 19 Equity	54

Note 20	Segment reporting	54
Note 21	Cost of goods sold.....	55
Note 22	Sales and marketing expenses.....	55
Note 23	General and administrative expenses	56
Note 24	Staff costs	56
Note 25	Depreciation and amortisation.....	56
Note 26	Other income and expenses	56
Note 27	Finance income and costs	57
Note 28	Income tax expenses	57
Note 29	Earnings per share	57
Note 30	Related party transactions	57
Note 31	Discontinued operations	58
Note 32	Events after the balance sheet date	60
Note 33	Supplementary disclosures about the parent company of the Group.....	61
	Statement of the Management and Supervisory Boards	65
	INDEPENDENT AUDITOR'S REPORT.....	66
	LOSS ALLOCATION PROPOSAL.....	68

INTRODUCTION TO THE COMPANY

AS PRFoods is a food production company that is listed in the main list of NASDAQ OMX Tallinn Stock Exchange since 5 May 2010. The former name of the company is AS Premia Foods. On the basis of a resolution of an extraordinary meeting of shareholders held on 30 October 2014, the business name was changed. The new business name is AS PRFoods.

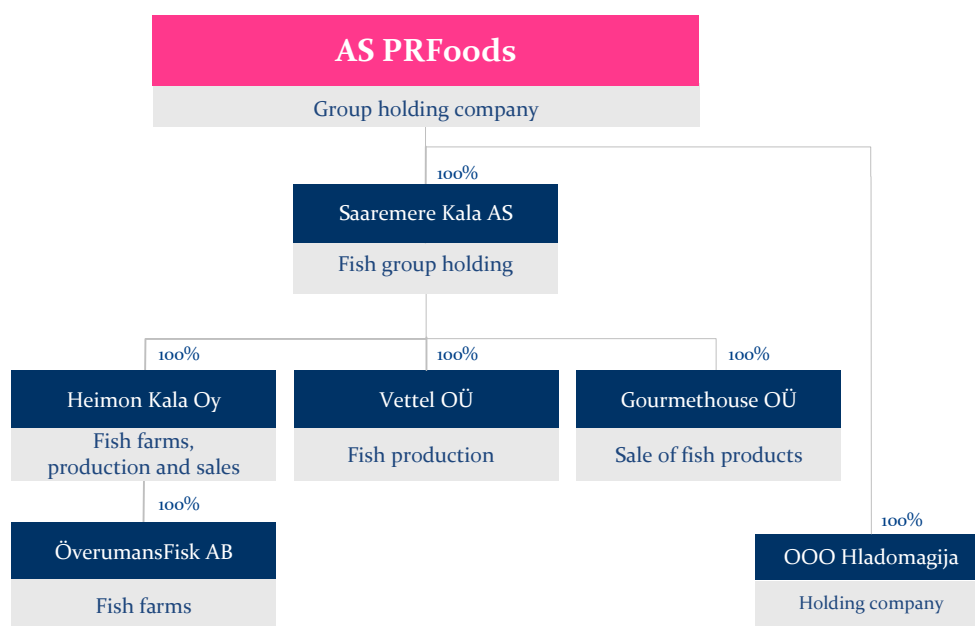
On 6 October 2014, AS PRFoods, Nordic Foods Holding OÜ and Shiner Macost Ltd entered into agreements for the sale of shares whereby AS PRFoods sold 100% of the shares of the subsidiaries of AS PRFoods, AB Premia KPC and OOO Hladokombinat No 1, and the Russian trademarks owned by AS PRFoods to Nordic Foods Holding OÜ and Shiner Macost Ltd. As a result of the described transaction, AS PRFoods sold its entire ice cream and frozen goods business in the Baltic States and Russia.

The general meeting of shareholders held on 30 October 2014 decided to approve the sales transaction of the major subsidiary of AS PRFoods, AB Premia KPC, in accordance with the terms of the sales transaction of the major subsidiary of AS PRFoods, which were made available to the shareholders at the time that the extraordinary general meeting of shareholders was called.

The sales transaction of the business units in the Baltic States described above, in addition to the Russian trademarks owned by AS PRFoods, was completed on 31 October 2014. The sales transaction of OOO Hladokombinat No 1 was completed on 10 November 2014.

The ice cream and frozen goods business segment is presented in these financial statements as discontinued operations. In order to enable to evaluate the financial results of continuing operations, the comparative information of 2013 have been restated.

Continuing operations are comprised of production and sale of fish products in Finland and Estonia and fish farming. The most significant trademarks of PRFoods are “Heimon Gourmet” and “Saaristomeren”. Other trademarks of the Group include „gurmé” and „Polar Fish”, that are sold in the Baltic States.



The group has also a 20% shareholding in AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology).

----- Structure of the PRFoods Group

SHAREHOLDER INFORMATION

Financial calendar for 2015

All the financial reports of PRFoods are made available to public in both, Estonian and English languages, on the company's website www.prfoods.ee and via the information system of NASDAQ OMX Tallinn Stock Exchange.

In 2015, the financial results of PRFoods will be published as follows:

Audited annual report of 2014	Week 15
Turnover of the first quarter of 2015	Week 15
Unaudited interim report of the first quarter of 2015	Week 20
Turnover of the second quarter and 6 months of 2015	Week 28
Unaudited interim report of the second quarter and 6 months of 2015	Week 33
Turnover of the third quarter and 9 months of 2015	Week 41
Unaudited interim report of the third quarter and 9 months of 2015	Week 46

Dividend policy

PRFoods net loss for financial year amounted to 2.8 million euros, therefore the dividends will not be paid to the shareholders.

GENERAL MEETING OF SHAREHOLDERS

The ordinary General Meeting of shareholders will be held in May 2015 in Tallinn. The agenda of the General Meeting of shareholders will be made public on the website of the company www.prfoods.ee, in one daily national newspaper and via the information system of NASDAQ OMX Tallinn Stock Exchange not later than 3 weeks before the meeting.

MISSION

Our aim is for our assortment of products to bring joy to people. We try to continually maintain and grow consumer trust. We are a benchmark of care, innovation and quality.

VISION

PRFoods is a well-known environmentally friendly international company engaged in the production and sale of fresh fish and fish products in Scandinavia and the Baltic States.

STRATEGIC OBJECTIVES

The strategy of PRFoods is as follows:

- ❖ To be among three leading brands in the fishing industry business segment;
- ❖ EBITDA margin at least 7%;
- ❖ To distribute up to 30% of the annual net profit as dividends.

STRENGTHS

- ❖ Objective-driven organisational development;
- ❖ Leading brands in the Scandinavian and Baltic markets;
- ❖ We have had established products on the Finnish market for more than 30 years;
- ❖ Geographically suitable scope and diversified product portfolio ensure sustainable development;
- ❖ Solid financial status of the company.

RISKS

- ❖ Rapid price growth of raw materials and high volatility of prices;
- ❖ Significant increase of the proportion of private label products on the Finnish market;
- ❖ High dependence on the two large retail chains dominating the Finnish retail market;
- ❖ Risks related to biological assets in the fish business segment.

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

The most significant event of the year 2014 was undoubtedly the sales transaction of the ice cream and frozen goods business in the Baltic States and Russia, as a result of which AS PRFoods exited the business of ice cream and frozen goods. In accordance with the transaction, the 100% of OOO Hladokombinat No 1 and AB Premia KPC shares and the Russian trademarks owned by AS PRFoods were sold to Nordic Foods Holding OÜ and Shiner Macost Ltd. Nordic Foods Holding OÜ is a private limited company established for the purposes of the transaction and the 100% of its shares are owned by Shiner Macost Ltd. The beneficial owner of Shiner Macost Ltd is Andrey Beskhmelnitkiy.

The sales transaction was completed in November 2014 and the investment loan and overdraft were fully repaid to AS SEB Pank, therefore the solvency of the company continues to be very good and financial risk is low.

The price of the purchase and sales transaction was 27.1 million euros in total, which is slightly in excess of the stock exchange value of the entire PRFoods at the time that the transaction was made. In accordance with an agreement by the parties, the purchase price will be paid in three instalments, of which 19.1 million euros was paid upon completion of the transaction and the remaining part will be paid during 2015 in two instalments. As a result of the divestiture of the Premia brand, the company changed its name and since 4 November 2014 the company has a new business name AS PRFoods.

Due to extensive structural changes to the governing bodies of the parent company, the previous management board comprising of Katre Kõvask, Silver Kaur and Erik Haavamäe was recalled. From 31 January 2015, the Management Board is comprised of one member. Indrek Kasela, the former Chairman of the Supervisory Board, continues as the member of the Management Board.

As a Chairman of the Supervisory Board I accept the management duties with peace of mind. The management has as a professional team been involved in the building the AS PRFoods company on a day-to-day basis for the last 8 years. The former management will continue in cooperation with new ownership as members of the governing bodies of the Premia Baltic ice cream and frozen goods business. I wish the entire Premia team strength and luck in accomplishing future goals.

The focus and core business of AS PRFoods is from now on is fish farming and production of fish products. The fish and fish products industry is a traditional and well-established segment of the food industry. AS PRFoods operates in Estonia, Finland and Sweden and is among the leading food companies in the sector. We control considerable market share in the retail market of Finland and we are competing for the first and second place. The current report presents the financial results of continuing operations, the group of fish companies and the parent company. The income and cash flows of discontinued operations (that have been disposed of) are presented separately from the income and cash flows of continuing operations and the comparative information is also respectively adjusted.

The revenue of the fish companies grew by a total of 5.8% compared to the previous year. This is a very good result considering the fact that in 2013 we achieved record revenue growth at 16.3%. The biggest growth area in terms of revenue compared to the year 2013 was the light-salted product segment at 37.8%. Sales of hot and cold smoked products increased by 18.3% and the sales of fresh fish and fillet decreased by 2.8%. In terms of customer segment, the biggest growth was in the HoReCa (hotels, restaurants and cafés) sector where sales grew by a total of 12.4% compared to the previous reporting period. Thanks to the extensive fish consumption of Finnish consumers, the use of fish in food service within the HoReCa sector is very wide-spread ranging from canteens and fast food restaurants to high-end restaurants. The consumption of fish and fish products in the Finnish and the Baltic markets is growing.

In conclusion, the year 2014 was successful for the entire Group, both for the discontinued operations business segments and the continuing operations, which had a positive effect on revenue and profit. At the same time, we were able to hold the increase in costs under control.

Following the previously announced strategy, AS PRFoods paid its shareholders dividends for the 2013 financial year also in 2014, in the total amount of 387,000 euros, i.e. 0.01 euros per share.

The share price of PRFoods has declined year-on-year from 0.71 euros to 0.67 euros. The share price of PRFoods, adjusted by dividend pay-outs, decreased by 2.9% within a year. The decrease in the share price does not influence the day-to-day operations of the company.

At the annual general meeting of shareholders held on 29 May 2014, it was decided to repurchase up to 500,000 of the company's own shares and established the conditions of the share repurchase programme. On 30 June 2014, the management board of AS PRFoods entered into a service contract with AS SEB Pank to conduct the share repurchase programme. As at the date of preparation of the annual report as of 31 December 2014, AS SEB Pank in the name and on the account of AS PRFoods has acquired a total of 167,441 shares at an average price of 0.6971 euros per share. The objective of the share repurchase was the reduction of share capital. This enables to improve the capital structure of PRFoods.

We enter the year 2015 with moderate optimism. I assure you that product quality is essential for PRFoods. We hope to continue to treat consumers with our products in all of our three target markets. AS PRFoods continues to represent care and quality.

Indrek Kasela

AS PRFoods

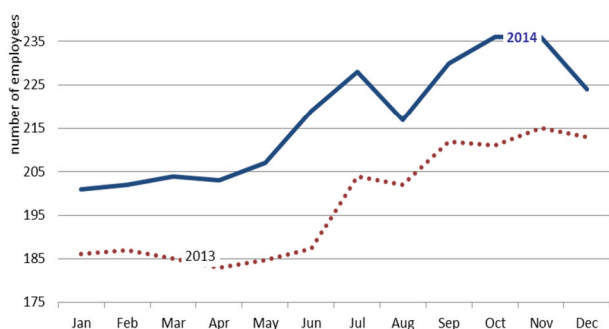
Member of the Management Board

TEAM

The average number of employees in 2014 was 217, which is 20 people higher than in 2013. As at the end of 2014, the Group employed altogether 223 people, which is 5%, i.e. 11 people more than in 2013. The increase in the number of employees is attributable to the need for additional labour that has been experienced in the fish processing facility in Estonia and the fish farm in Sweden.

The total amount of remuneration including employment taxes in 2014 was 5 million euros. The personnel costs increased over the year by 2%, i.e. by 0.1 million euros. The average cost per person in 2014 was 23.2 thousand euros; in 2013 the respective number was 25 thousand euros. The proportion of personnel costs of turnover decreased in 2014 by 0.2 percentage points to 11.1%.

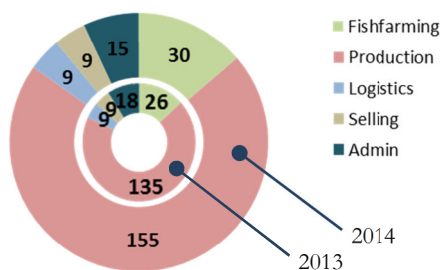
The Group’s human resources needs vary according to the month as indicated below:



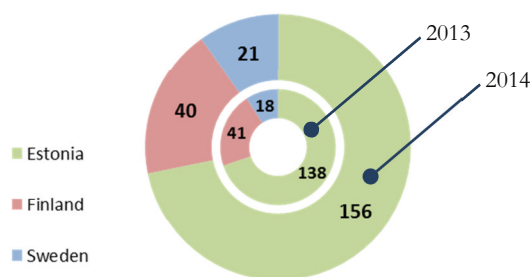
As the chart on the left indicates, the requirement for labour in fish production is higher from August until Christmas and during this period the Group employs additional seasonal workers. The situation in Swedish fish farming is back to normal after the destruction of the fish fingerlings in 2012. Additional labour was employed in the processing of significantly higher quantities of fish.

The share of employees engaged in the production process has grown by 2 percentage points compared to the year 2013. At the same time, the need for employees engaged in administration has decreased. If compared to the year 2013, the share of employees by countries has increased in Estonia

The employees of the Group were classified in 2013 and in 2014 according to area of activity as follows:



Classification of employees of the Group by country in 2013 and 2014 was as follows:



The people working for the Group and the team spirit are a few of the most important assets of the company. Motivating people and encouraging them to achieve the personal goals that have been set is an important part of everyday work.

The motivation package of the management of PRFoods and the management of the subsidiaries included, in addition to the monthly wages, a yearly bonus programme, which is tied to achieving the EBITDA targets of the respective country. The way the bonus system works is identical for the management teams of all subsidiaries and bonus pay-outs are decided after the approval of the audited financial statements. The procedure for payment of termination benefits as specified in the employment contracts is also identical across the management of PRFoods and its subsidiaries.

The total amount of remuneration paid to the members of the Supervisory Board in 2014 was 59 (2013: 59) thousand euros. Remuneration paid to the audit committee consisting of two members is also included in the amount of remuneration paid to the members of the Supervisory Board.

Currently the Supervisory Board of the company is comprised of six members and additional information on each member of the Supervisory Board may be obtained from the website of PRFoods www.prfoods.ee and from this report under the section "Corporate governance report".

ENVIRONMENTAL RESPONSIBILITY

PRFoods owns several fish farms and two fish production facilities in Estonia and Finland.

The above-referred facilities have an impact on the environment and as from 2010, the Group has taken significant steps in order to minimise such influence on the environment. The initial action in this respect was taken in our fish farming and production facilities in Sweden, Finland and Estonia. Action necessary for minimising the impact on the environment was systematically continued also in 2014.

Reduction of the impact on the environment of the fish production activities has been introduced in all main phases of production and processing.

In the fish gutting process, all by-products are collected and processed with the aim of turning them into the raw material of biofuel. The sewage water of the production process is processed in our own sewage water cleaning facility before such water is directed into a natural water reservoir or the local public water cleaning facilities.

The waste of fish processing operations is gathered, packaged and sold as feed for fur-bearing animal farms. The sewage water is cleaned and directed into sea or local public water cleaning facilities.

All dead fish are gathered, frozen, and later directed into the production facilities of biogas.

In addition, in the wastewater treatment plant of PRFoods in Houtskäri, North Sweden, the ventilation and electricity systems and automation were modernised in order to improve the quality of the aroma in the air. In addition, in the course of renovating the hatchery and farm of fingerlings in Blåtjärn, North Sweden, modern water recirculation device was installed, resulting in reduction in water use up to 50% in the this farm.

In the Group's fish processing factory in Finland, the heating boiler and burners were renovated with the aim to preserve the environment and to ensure greater efficiency of fuel consumption. In addition, the underground fuel storage was replaced with the aboveground fuel storage, with the aim to reduce the risk to ground water in case of leak.

As an international fish producer, the Group continues to decrease the influence of its activities on the environment also in 2015 in all its production and processing facilities in respect of both production operations and the usage of package materials.

Summer at Ankarsund fish farm in Sweden



MANAGEMENT REPORT

- ❖ The audited consolidated turnover of PRFoods of 2014 was 45.9 million euros. Within a year, the turnover increased by 2.5 million euro or 5.8%. The share of export in the turnover was 89%, including the target market of Finland accounting for 86%. The turnover growth was mainly attributable to the cold and hot-smoked product categories where sales growth totalled approximately 2.6 million euros or 15%.
- ❖ The gross profit of 2014 was 5.3 million euros, having increased by 26.7% or 1.1 million euros within a year. At the same time, the gross margin increased by 1.9 percentage points to 11.5%. Both the growth in the gross margin and gross profit were attributable to a decline in the price of fresh fish.
- ❖ The EBITDA of 2014 was 0.5 million euros, lower than the result of 2013 by 0.8 million euros.
- ❖ The impact of the revaluation of fish stock to the profit of year 2014 amounted to -0.6 million euros, the respective impact of year 2013 was +0.7 million euros.
- ❖ The EBIT of 2014 was -0.6 million euros, having decreased by 0.8 million euros compared to the level of the previous year.
- ❖ Overall in 2014, net profit of PRFoods from continuing operations amounted to -1.5 million euros and net profit from discontinued operations amounted to -1.3 million euros. Net profit from continuing operations decreased by a total of 0.6 million euros compared to the year 2013.
- ❖ The ratio of operating expense to revenue was 13.4% in 2014, which is higher than in 2013 by 0.6 percentage points. In absolute numbers operating expenses increased by 0.6 million euros compared to the year 2013.
- ❖ The unfavourable movement of the exchange rate of the Russian rouble and the Swedish krona resulted in a foreign exchange rate loss in the overall amount of 0.3 (2013: 0.6) million euros in the year 2014.

The following two tables summarise the key performance indicators of PRFoods in last five financial years.

		KEY RATIOS				
Profit & Loss, EUR mln	formula / comment	2014	2013	2012	2011	2010
Sales		45.9	43.4	34.9	37.3	30.1
Gross profit		5.3	4.2	6.4	7.4	4.0
EBITDA from operations	before one-offs and fair value adjustment	0.4	0.3	2.9	3.2	1.2
EBITDA	earnings before interest, tax, depreciation and amortisation	0.5	1.3	1.0	2.8	3.9
EBIT	operating profit	-0.6	0.2	0.0	1.5	2.7
EBT	earnings before tax	-1.4	-0.8	-0.3	1.0	1.9
Net profit		-1.5	-0.9	0.0	0.9	1.5
Gross margin	Gross profit / Net sales	11.5%	9.6%	18.2%	19.9%	13.3%
Operational EBITDA margin	EBITDA from operations/Net sales	0.8%	0.8%	8.2%	8.7%	4.0%
EBITDA margin	EBITDA / Net sales	1.1%	3.0%	3.0%	7.5%	12.9%
EBIT margin	EBIT / Net sales	-1.3%	0.4%	-0.1%	4.0%	8.9%
EBT margin	EBT / Net sales	-3.0%	-1.7%	-1.0%	2.6%	6.5%
Net margin	Net earnings / Net sales	-3.3%	-2.0%	0.1%	2.3%	4.9%
Operating expense ratio	Operating expenses / Net sales	13.4%	12.8%	15.3%	16.2%	15.7%

		KEY RATIOS				
Balance Sheet, EUR mln	formula	31.12.14	31.12.13	31.12.12	31.12.11	31.12.10
Net debt	Short and Long term Loans and Borrowings - Cash	-2.6	13.2	13.8	11.3	11.2
Equity		33.7	37.3	36.5	40.5	41.4
Working capital	Current Assets - Current Liabilities	22.8	10.1	12.1	13.7	12.8
Assets		40.4	63.8	63.2	64.1	68.9
Liquidity ratio	Current Assets / Current Liabilities	5.86	1.63	1.91	2.19	1.87
Equity ratio	Equity / Total Assets	83%	58%	58%	63%	60%
Gearing ratio	Net Debt / (Equity + Net Debt)	-8%	26%	28%	22%	21%
Net debt-to-EBITDA	Net Debt / EBITDA from operations	-6.99	37.98	4.84	3.47	9.33
ROE	Net Earnings / Average Equity	-4%	-2%	0%	2%	4%
ROA	Net Earnings / Average Assets	-3%	-1%	0%	1%	2%

REVENUE

AS PRFoods monitored financial results according to geographical region and to business segments, which included the fish, ice cream, frozen goods and other business segments. The ice cream and frozen goods business segments in this report have been accounted for as discontinued operations. In addition to the decrease in sales of the ice cream and frozen goods segments, the turnover of the other business segment also declined (2014 other business segment turnover: continuing and discontinued operations 2.8 million euros or 2.9% of overall turnover, only continuing operations 0.3 million euros or 0.6% of overall turnover). The other business segment accounts for an insignificant portion of the continuing operations and therefore business segments are not presented separately. Furthermore, the number of target markets has decreased as a result of discontinued operations and this report presents the distribution of turnover from continuing operations in the Finnish and Estonian markets.

Fish and fish products

The indisputable advantage of the Group is vertical integration - fish farming, production and sales. Trout, which is grown in lakes of Sweden and in Finland Turku archipelago, and salmon brought in from Norway, is processed in modern production facilities of Heimon Kala OY, based in Uusikaupunki Finland, and Vettel OÜ, based in Saaremaa Estonia. The Group's own distribution network in Finland and Estonia allow us to ensure fast and high quality supplies to our customers.

Trademarks of the Finnish Group include "Heimon Gourmet" and "Saaristomeren". These are well known and appreciated brands of fish, which has been a part Finnish everyday and festive dishes. Other trademarks of the Group include „gurmé” and „Polar Fish”, that are sold in the Baltic States.



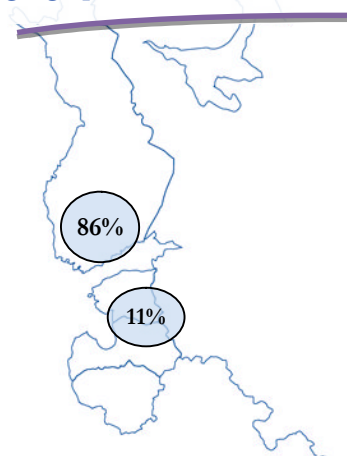
Fish and fish products represent a healthy alternative to meat products and are therefore a highly competitive part of the food industry. Typically domestic brands substantially dominate over the import brands because fish is considered to be a local product. Heimon Kala OY is unique because approximately 30% of the company's fish production output is farmed in the fish farms owned by the company in Finland and Sweden, which ensures high quality and reliable supply.

Fish and fish products have traditionally been an important part of the diet of Finns. The annual consumption of fish and fish products in Finland is approximately 18 kg per capita. Finnish consumers are generally loyal to established brands and tastes. The market has been relatively stable and relatively few new products have been introduced in recent years. Therefore, the Finland market offers potential to win new consumers by offering innovative products. The Finnish retail market is dominated by two large retail chains, which combined account for nearly 80% of the retail market. The Group companies engaged in fish production have been long-term reliable business partners to both of these retail chains. The high concentration of the retail market is a significant barrier for new entrants to the market. In addition, the Group has proven itself as a reliable partner for Finnish retail chains in producing Private label products, which accounts for a significant portion of the production volume.

The turnover of AS PRFoods from continuing operations of the year 2014 was 45.9 (2013: 43.4) million euros, exceeding the level of year 2013 by 5.8% or 2.5 million euros. The turnover growth was attributable to HoReCa and the retail market, mostly to the light-salted and to the cold and hot smoked product categories.

Overall in the year 2014, turnover increased in Finland where the annual growth rate was 10.2% or a total of 3.6 million euros. Revenue decreased in Estonia by 16.1% year-on-year or 1.1 million euros.

The share of turnover in key geographic areas, 2014



Sales (EUR million)	GEOGRAPHIC REGIONS				
	2014	2013	2012	14/13	13/12
Finland	39.5	35.9	28.6	10.2%	25.3%
Estonia	5.2	6.3	5.6	-16.1%	12.4%
Other	1.1	1.2	0.7	-13.2%	87.9%
export share	89%	86%	84%		

See Note 20.

Owning fish farms is profitable for several reasons:

- ❖ **Ensuring supply of raw fish.** PRFoods covers altogether about 30% of its demand for fresh fish by farming rainbow trout and whitefish in the subsidiaries in Finland and Sweden. During the previous year, the company farmed a total of 1.7 million kg of fish, the rest, mainly salmon, is purchased from Norway and Denmark. To a smaller extent, the company also purchases perch, perch pike, herring, vendace and Baltic herring as the increasingly preferred fish of the Finnish consumers. As the fish sector is highly dependent on the availability and price of raw fish, owning fish farms is of critical importance for the Group as it provides control over these aspects.
- ❖ **Quality of raw fish.** The high standards applied by the Group in its fish farms enable us to monitor the quality of the self-farmed fish on a regular basis and therefore offer high-quality end-product. Approximately 80% of the price of the fish is determined by the price of raw fish and low-quality raw fish means higher production costs, therefore ensuring the high quality of raw fish is one of the key factors for success.

Overall the fish group companies experienced an increase in the gross profit by 1.9%, in the EBITDA by 19.9% and in the net profit by 61.3%. Financial results were influenced by increased competition in domestic markets, which was caused by sanctions brought against Russia and increased uncertainty of the private sector about the future. The impact of the revaluation of fish stock on the profit of the year 2014 amounted to -0.6 million euros, the respective impact of year 2013 was 0.7 million euros. In terms of volume, fish stock remained on the same level as the previous year. The loss was caused by the decrease in the market price of fish.

In 2012, the Swedish Board of Agriculture made a decision concerning the destruction of fish fries. In the 3rd quarter of 2013, the Group filed a claim against the Swedish Board of Agriculture in the amount of 3 million euros, as a result of which the Swedish Board of Agriculture paid the Group a compensation in the amount of 4 million Swedish krona (0.5 million euros) in December 2013 and additional 7 million Swedish krona (0.7 million euros) in the 2nd quarter of 2014. The farming of fish fries that had been halted in the meantime was extensively renovated in the first half of 2014 and in April 2014 the group started to farm new fish fries.

COST ANALYSIS

The operating expenses increased by 0.5 million euros or 9.8% during a year. The ratio of operating expenses to revenue increased in 2014 by 0.5 percentage points, if compared to the previous year.

The cost of goods sold increased in 2014 by 1.4 million euros or 3.5%, which is attributable to the growth in revenue.

	2014	2013	change	2014	2013	change
	EUR mln	EUR mln	EUR mln	as % of sales	as % of sales	as % of sales
Sales	45.9	43.4	+ 2.5	100.0%	100.0%	
Cost of goods sold	-40.6	-39.2	+ 1.4	88.5%	90.4%	-1.9%
ind one-off exp	- 0.0	- 0.2	- 0.2	0.1%	0.5%	- 0.4%
materials in production & cost of goods purchased for resale	- 32.8	- 32.4	+ 0.5	71.6%	74.6%	- 3.0%
labour costs	- 3.4	- 3.0	+ 0.3	7.3%	7.0%	+ 0.3%
depreciation	- 0.9	- 0.9	+ 0.0	2.0%	2.1%	- 0.0%
other cost of goods sold	- 3.5	- 2.9	+ 0.5	7.5%	6.7%	+ 0.8%
Operating expenses	-6.2	-5.5	+ 0.7	13.5%	12.8%	+ 0.7%
ind one-off exp	- 0.0	- 0.1	- 0.1	0.0%	0.1%	- 0.1%
labour costs	- 1.7	- 1.9	- 0.2	3.8%	4.4%	- 0.6%
transport & logistics services	- 1.7	- 1.7	- 0.0	3.7%	3.9%	- 0.2%
depreciation	- 0.2	- 0.2	- 0.0	0.4%	0.5%	- 0.1%
advertising, merchandising, marketing and product development	- 0.7	- 0.7	- 0.0	1.5%	1.7%	- 0.2%
other operating expenses	- 1.8	- 1.0	+ 0.8	4.0%	2.3%	+ 1.7%
Other income/expenses	0.8	0.8	+ 0.0	1.8%	1.8%	- 0.1%
ind one-off income/exp	0.8	0.5	+ 0.3	1.6%	1.1%	+ 0.6%

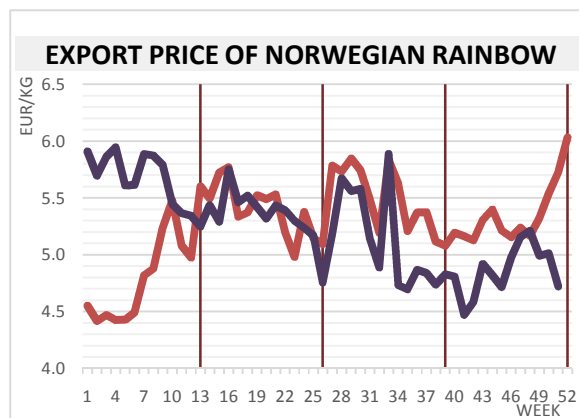
Following the cost of materials and goods sold, the second largest cost item for the company are labour costs, which in 2014 were 5 million euros or 11% of turnover. Direct and indirect labour costs increased altogether by 0.1 million euros; however, their proportion of turnover decreased by 0.3 percentage points. The growth in labour costs is related to the increased labour needs in the fishing industry and the pay-out of bonuses to reward the accomplishment of sales objectives. The increase in other cost of goods sold was attributable to the additional short-term hire of labour in the amount of 0.2 million euros, increase in purchased equipment maintenance and cleaning services of 0.3 million euros and increase in laboratory analyses related to food safety, certification services and work uniforms amounted to 0.2 million euros. The surge in other operating expenses is attributable to expenses related to the sale transaction of subsidiaries. Other income and expenses remained unchanged in 2014, if compared to the previous year. The compensation in the amount of 0.8 (2013: 0.5) million euros from the Swedish Board of Agriculture in connection with the destruction of the fish fries in 2012 is included in the other income/expense.

In 2014, the **EBITDA from operations**, i.e. the operating profit before market price driven revaluation of biological assets, one-off income and expenses and depreciation and amortisation expense, was 0.4 million euros, which is by 0.1 million euros more than during 2013. The net impact on the company's operations from one-off income and expenses in Swedish fish farming in the reporting period was +0.7 (2013: +0.2) million euros.

The **EBIT**, i.e. the operating profit in 2014 was -0.6 million euros, having decreased by 0.7 million euros, if compared to the previous year. Financial costs decreased in 2014 by a total of 0.1 million euros, if compared to 2013. The decrease of the financial costs results from the foreign exchange rate changes of the Russian rouble and the Swedish krona is in the amount of 0.3 million euros.

The **net loss** of 2014 from continuing operations was -1.5 million euros, which deteriorated by 0.6 million euros, if compared to the previous period.

The biological assets of the Group as of 31.12.2014 comprise in the volume of 97% of the rainbow trout farmed in the Finnish and Swedish fish farms and 3% is whitefish.



/ Source: www.akvafakta.no/

The loss from the revaluation of fish stock in the year 2014 was -0.6 million euros, lower by 1.3 million, if compared to the previous year. It was primarily attributable to market price decline. The market price of rainbow trout was lower by 0.1%, if compared to the price level at the previous year reporting date.¹

¹ The market price of salmon according to Fish Pool ASA and the price of rainbow trout according to the data of Norway's export statistics expressed in euros.

FINANCIAL POSITION

The financial position of the company is continuously very good and the financial risk is low.

The cash flow from operations of 2014 was -2.9 million euros (2013: 4). The cash flow from operations was mainly influenced by other non-cash items in the total amount of 2.4 (2013: 2.9) million euros and the increase in fish industry inventories accounting for an impact on cash flow from operations in the amount of -1.6 million euros. The increase in inventories is attributable to increased volume of purchases of raw materials in November and December because the market price was more favourable in that period. The decrease in biological assets with an impact of +0.7 million euros was mainly attributable to market price declines.

In 2014 and 2013, dividend payments in the amount of 0.4 million euro, i.e. 0.01 euro per share were made to the shareholders.

		LIQUIDITY AND SOLVENCY RATIOS				
<i>Ratio</i>	<i>formula</i>	31.12.14	31.12.12	31.12.12	31.12.11	31.12.10
Liquidity ratio	Current Assets / Current Liabilities	5.86	1.63	2.19	1.87	1.15
Equity ratio	Equity / Total Assets	83%	58%	63%	60%	44%
Gearing ratio	Net Debt / (Equity + Net Debt)	-8%	26%	22%	21%	40%
Net debt-to-EBITDA	Net Debt/EBITDA from operations	-6.99	37.98	2.35	2.54	4.65

Financial leverage, i.e. the ratio of net debt in the total capitalisation, was -8% (on 31.12.13: the respective ratio was 26%). The negative financial leverage indicator at the date of preparation of the financial statements is directly attributable to the structural changes that occurred in the Group as the PRFoods investment loan and overdraft were fully repaid to SEB in the course of the sales transaction of the ice cream and frozen goods business in Russia and the Baltic States. While analysing the financial leverage ratio, the aforementioned impact of the restructuring of the debt and equity must be taken into account. The net debt level as at the balance sheet date was -2.6 million euros (on 31.12.12 the respective indicator was 13.2 million euros).

The net debt to EBITDA as at 31.12.2014 was -6.99 (31.12.2013: 37.98). The liquidity ratio demonstrating short-term solvency as at 31.12.14 was 5.86 (31.12.13: 1.63). The proportion of equity to the total assets was 83% (31.12.2013: 58%) and the company had working capital in the amount of 22.8 (31.12.2013: 10.1) million euro.

BALANCE SHEET ANALYSIS

The consolidated balance sheet total of AS PRFoods as at 31.12.2014 was 40.4 million euro, having decreased by 23.4 million euro, i.e. 36.7%, within a year. The company's current assets as at 31.12.2014 amounted to 27.5 (31.12.2013: 26.2) million euro and the balance of cash and bank accounts was 3.3 (31.12.2013: 1.3) million euro.

Accounts receivable and prepayments amounted to 12.0 (31.12.2013: 8.4) million euro. Accounts receivable and prepayments of continuing operations increased by 8.1 million euro year-on-year, which is attributable to uncollected instalments from the sale of subsidiaries (additional information is presented in Note 32). Inventories and biological assets of continuing operations increased by 0.1 million euro or 8.4% compared to the previous year.

Accounts payable and prepayments as at 31.12.2014 amounted to 4.5 million euro (31.12.2013: continuing operations 4.7 million euro; including discontinued operations 10.1 million euro).

The equity of PRFoods as at 31.12.2014 amounted to 33.7 (31.12.2013: 37.3) million euro.

INVESTMENTS

During the accounting period, the capital expenditures by PRFoods in tangible and intangible assets of continuing operations amounted to 1,430 thousand euros (in 2013 capital expenditures excluding the capital expenditures of discontinued operations amounted to 1,002 thousand euros).

PRFOODS SHARE

AS PRFoods shares are listed in the main list of NASDAQ OMX Tallinn Stock Exchange since 5 May 2010. The company has issued 38.7 million ordinary shares with the nominal value of 0.50 euro (nominal value was 10 EEK until 13 April 2011 and 0.60 euro until 3 September 2012). All shares have equal voting and dividend rights. PRFoods shares do not have an official market maker.

ISIN	EE3100101031	Issued shares	38,682,860
Symbol of share	PRF1T	Listed shares	38,682,860
Market	BALTIC MAIN LIST	Listing date	05.05.2010
Nominal value	0.50 EUR	Minimum quantity of tradable securities:	1 share

The dynamics of the share price of PRFoods (EUR) and the volume of transactions (number of shares traded) during the period from 5 May 2010 up to 31 December 2014.

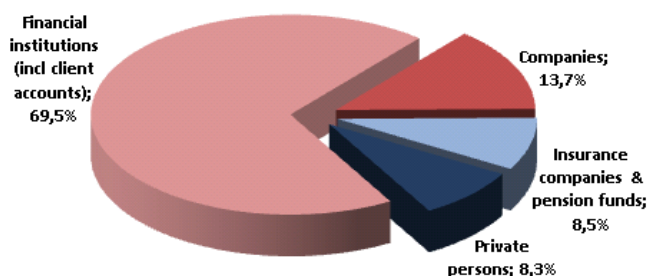


Shareholder structure

Major shareholders of PRFoods as at 31.12.2014 were:

ING Luxembourg S.A. (Nominee account) -----	62.71%
LHV Pension Fund L-----	4.53%
OÜ Rododendron -----	3.36%
Ambient Sound Investments OÜ -----	3.20%
Firebird Republics Fund Ltd. -----	3.09%
Firebird Aurora Fund, Ltd. -----	1.68%
Compensa Life Vienna Insurance Group SE -----	1.66%
LHV Pension Fund XL-----	1.51%
OÜ Footsteps Management -----	1.31%
Compensa Life Vienna Insurance Group SE -----	1.09%
OÜ Freespirit -----	0.94%

**Distribution according to holder groups
as at 31 December 2014**



The division of shareholders according to number of acquired shares:

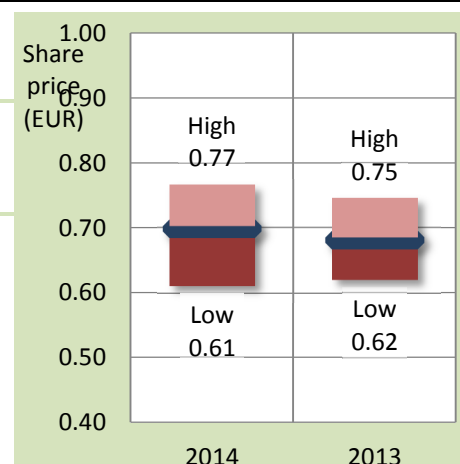
Number of shares	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1..1,000	605	45.0%	308,504	0.8%
1,001..10,000	639	47.5%	2,084,693	5.4%
10,001..50,000	70	5.2%	1,310,260	3.4%
50,001..100,000	26	1.9%	5,235,955	13.5%
More than 100,000	5	0.4%	29,743,448	76.9%
Total	1,345	100.0%	38,682,860	100.0%

As at 31.12.2014, the members of Management and Supervisory Board and persons/companies related to them hold the shares in the company as indicated below:

Shareholder	31.12.2014 number of shares	ownership interest
Chairman of the Management Board until 01.02.2015 – Katre Kõvask	506,943	1.31%
Member of the Management Board until 31.12.2014 – Silver Kaur	365,141	0.94%
Member of the Management Board until 01.02.2015 – Erik Haavamäe	185,242	0.48%
Chairman of the Supervisory Board, Chairman of the Management Board from 02.02.2015 – Indrek Kasela	41,823	0.11%
Member of the Supervisory Board – Kuldar Leis	1,302,166	3.37%
Member of the Supervisory Board, Chairman of the Supervisory Board from 02.02.2015 – Lauri Kustaa Äimä	125,000	0.32%
Member of the Supervisory Board – Vesa Jaakko Karo	90,000	0.23%
Member of the Supervisory Board – Arko Kadajane	8,928	0.02%
Member of the Supervisory Board – Harvey Sawikin	no shares	
Member of the Supervisory Board – Aavo Kokk	no shares	
Total number of shares owned by the members of the Supervisory and Management Board	2,625,243	6.79%

The trading history of the shares from the listing date of 5 May 2010 in the main list of NASDAQ OMX Tallinn Stock Exchange:

	2014	2013	2012	2011
The average number of shares during the trading period (in thousands) ¹	38,683	38,683	38,674	38,664
Opening price (EUR)	0.71	0.64	0.67	0.95
The highest price of the share (EUR)	0.77	0.75	0.81	1.00
The lowest price of the share (EUR)	0.61	0.62	0.61	0.60
Average price of the share (EUR)	0.70	0.68	0.69	0.84
Closing price at the year-end (EUR)	0.67	0.70	0.64	0.64
Number of shares traded (in thousands)	1,891	1,732	1,393	4,564
Turnover (in million EUR)	1.32	1.18	0.97	3.84
Market value (in million EUR)	25.92	27.08	24.76	24.76
Profit per share (EUR)	-0.07	0.02	0.00	-0.01
Dividend per share (EUR) ²	0.01	0.01	0.11	0.01
Dividend rate	1.5%	1.4%	17.2%	1.6%
Dividend / net profit	-14%	41%	5,813%	-70%
Enterprise value / sales ^{3,7}	0.5	0.4	0.4	0.4
Price-to-EBITDA from operations ^{4,7}	66.9	7.0	4.8	4.3
Price-to-EBITDA ^{4,7}	48.2	5.7	7.5	6.0
Price / earnings ratio ^{5,7}	Neg	28.6	338.2	Neg
Price-to-book ^{6,7}	0.8	0.7	0.7	0.6



Nominal value of the share decreased on 29.08.2012 from 60 euro cents to 50 euro cents.

¹ the number of shares has been decreased by the treasury shares

² Year 2012 dividends include capital reduction payments of 0.10 euro per share

³ Market value + Net debt at the year-end / turnover of the period

⁴ Market value at the year-end / EBITDA of the period

⁵ Market value at the year-end / profit of the period

⁶ Market value at the year-end / equity at the year end

⁷ Enterprise and equity value calculations do not take into account non-operating items like investment property and government grants

Indexes

Tallinn Stock Exchange belongs to the world's biggest stock exchange group NASDAQ OMX Group. NASDAQ OMX uses a common classification of indexes for the Nordic and Baltic markets. The NASDAQ OMX Baltic index family includes All-Share, Benchmark, Tradable, and Sector indexes. Indexes are calculated in euros and as price index (PI) and/or as gross index (GI). All indexes are chain-linked and they are always calculated based on the price level of the previous trading day.

Gross index (GI): To reflect the true performance of market, dividends are reinvested in the gross index. The reinvestment is carried out by adjusting the (pi,t-1) in the denominator in the index with subtraction of dividends from this price on the ex-dividend date (t). This adjustment reinvests the dividend in all index constituents in proportion to their respective weights.

Price Index (PI): In a price index, no cash dividend is reinvested in the index. Hence, the price index only yields the performance of stock price movements. The difference in rate of return for the gross and price index is attributable to the dividend yield of the index.

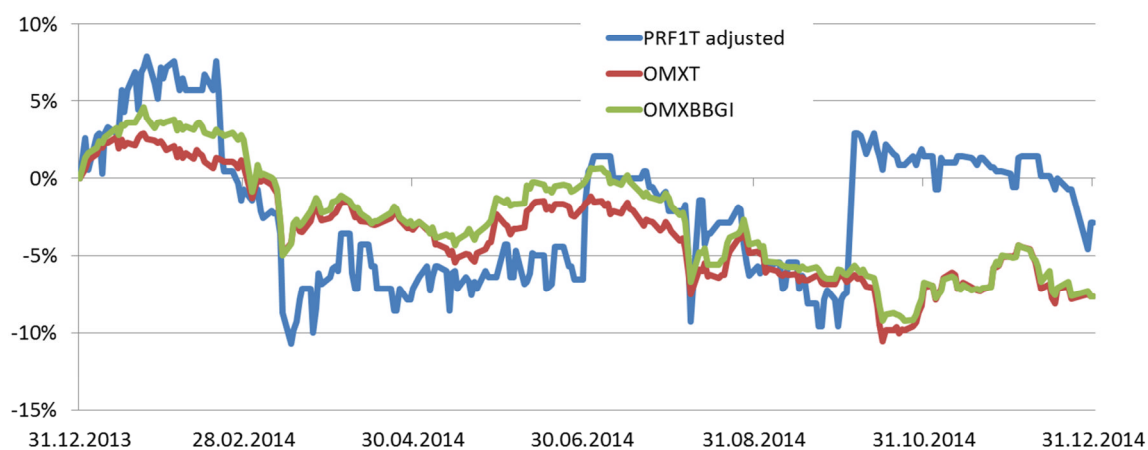
The base date of the All-Share index of the Tallinn Stock Exchange is 3 June 1996 with a base value of 100. The index is calculated in euro and in real time. The base value of all Baltic All-Share and Benchmark indexes is 100 and the base date is 31 December 1999. The index values are disseminated as price index and gross index in euro and with a 60-second interval. The benchmark index OMXBB is revised twice a year, on January 1 and July 1. The benchmark index is calculated as a weight-capped version (called OMXBBCAP) and as uncapped index (OMXBB).

The Sector indexes include all the shares listed on the Main and Secondary lists of the Baltic exchanges (stocks of the companies where a single shareholder controls at least 90% of the outstanding shares are not included). The indexes are calculated for each ICB industry and sector in euros. The base date for the indexes is 30 June 2011, with a base value of 1000. The index values are calculated as price and gross indexes once a day after the market close.

As in March 2014, the share of PRFoods is a constituent of the following All-Share indexes:

index	description	type	abbreviation
OMX Tallinn GI	Tallinn Stock Exchange all-share index	Gross index	OMXT
OMX Baltic PI	All-share index of Baltic exchanges	Price index	OMXBPI
OMX Baltic GI	All-share index of Baltic exchanges	Gross index	OMXBGI
OMX Baltic Benchmark PI	Benchmark index of Baltic exchanges	Price index	OMXBBPI
OMX Baltic Benchmark GI	Benchmark index of Baltic exchanges	Gross index	OMXBBGI
OMX Baltic Benchmark Cap PI	Benchmark index of Baltic exchanges	Price index	OMXBBCAPPI
OMX Baltic Benchmark Cap GI	Benchmark index of Baltic exchanges	Gross index	OMXBBCAPGI
OMX Baltic Consumer Goods PI	Sector index of consumer goods of Baltic exchanges	Price index	B3000PI
OMX Baltic Consumer Goods GI	Sector index of consumer goods of Baltic exchanges	Gross index	B3000GI
OMX Baltic Food & Beverage PI	Sector index of food and beverages of Baltic exchanges	Price index	B3500PI
OMX Baltic Food & Beverage GI	Sector index of food and beverages of Baltic exchanges	Gross index	B3500GI

Annual change of PRFoods share and gross index



The Baltic benchmark index decreased in 2014 by 7.7% (2013: increased by 12.2%) and the Tallinn Stock Exchange all-share index decreased by 7.7% (2013: increased by 11.4%). The decrease of the PRFoods share price, adjusted by dividend payments, during the named period was 2.9%.

Corporate Governance Report

Introduction

The Corporate Governance Recommendations as adopted by the NASDAQ OMX Tallinn Stock Exchange and the Estonian Financial Supervision Authority (hereinafter **CGR**) is an advisory set of rules which provides guidance for conducting corporate governance and is applicable, above all, in respect of companies listed on the NASDAQ OMX Tallinn Stock Exchange.

The compliance with the principles of CGR is binding on the basis of “comply or explain principle”. In other words, the companies listed on the NASDAQ OMX Tallinn Stock Exchange are expected to publish a corporate governance report in the composition of their annual report outlining the principles of CGR which are not complied with accompanied by an explanation for such failure to comply.

As a general rule, AS PRFoods (hereinafter Group) complies with all principles set out in CGR. This report outlines the principles of CGR not fully observed by PRFoods and describes the reasons thereof.

Since 2011, one of the priorities of PRFoods has been the improvement of the quality of the management of the company and the investor relations thereof, including paying more attention to the compliance with the CGR. In the opinion of the management of PRFoods, a remarkable development has been achieved in respect of improving the quality of the management of the company and the investor relations thereof since 2011. Complying with the established quality standards of the management of the company and the investor relations thereof continued during the financial year ended on 31 December 2014.

General Meeting of shareholders



General remarks

The highest governing body of a public limited company is the General Meeting of shareholders. According to law, the General Meetings of shareholders are either ordinary or extraordinary.

The ordinary General Meeting of shareholders is convened by the Management Board once a year within 6 months from the end of financial year. The extraordinary General Meeting of shareholders is convened if (i) the value of net assets of a company falls below a half of its share capital or the minimum requirement of share capital of a public limited company as set out by law; (ii) requested by shareholders whose shares represent at least 20% of the public company's issued share capital; (iii) requested by the Supervisory Board or auditor of company; or (iv) it is clearly in the interests of company.

The notice on convening the ordinary General Meeting of shareholders must be published at least 3 weeks before the meeting is held. In respect of public companies, the same 3-week term applies in respect of extraordinary General Meetings of shareholders.

The competence of the General Meeting of shareholders is defined by law and the Articles of Association. A resolution of the General Meeting of shareholders is required in order to amend the Articles of Association. The resolution to amend the Articles of Association has been adopted if at least 2/3 of the votes represented at the General Meeting have voted in favour thereof.

The General Meeting of shareholders is authorised to adopt resolutions if more than half of the votes represented by the total number shares attend the meeting, provided that the Articles of Association or applicable law do not stipulate a higher quorum requirement.

The resolution is adopted if more than half of the votes represented at the meeting votes in favour of the resolution, provided that the Articles of Association or applicable law do not stipulate a higher majority requirement.

General Meetings of PRFoods shareholders

During the financial year ended on 31 December 2014 there were two General Meetings of shareholders. One was ordinary and the other was extraordinary. The ordinary General Meeting of shareholders of the Group was held on 29 May 2014. The agenda of the ordinary General Meeting of shareholders included, in addition to approving the annual report for the financial year 2013 and resolving the distribution of profit, to decide on the repurchase of own shares and determination of the conditions of the share repurchase programme, appointing the auditor for the financial year 2014 and resolving remuneration payable to the auditor.

Altogether 27 shareholders attended the ordinary General Meeting of shareholders of the Group, the shares of which represented altogether 30,583,232 votes, which represented 79.06% of the entire share capital. Hence, the ordinary General Meeting of shareholders was authorised to adopt resolutions in respect of all the items in the agenda of the ordinary General Meeting of shareholders. In respect of all the items in the agenda of the extraordinary meeting, the resolutions were adopted in accordance with the proposals made by the Supervisory Board. The information on adopting the resolutions and on the content of the resolutions was published after the end of the meeting via the information system of the NASDAQ OMX Tallinn Stock Exchange without delay.

The ordinary General Meeting of shareholders was convened duly and timely. The notices on convening the General Meeting of shareholders were published in accordance with applicable law and the requirements of the Rules of the NASDAQ OMX Tallinn Stock Exchange in one daily newspaper, on the web-page of PRFoods and via the information system of the NASDAQ OMX Tallinn Stock Exchange.

All materials containing information on the items in the agenda of the General Meeting of shareholders were made available to all the shareholders before the meeting in electronic format, at the same time all the shareholders were provided with an opportunity to examine the materials of the General Meeting of shareholders at the location of PRFoods. The notice of convening the General Meetings of shareholders contained, among other information, an overview of the rights of the shareholders to ask questions and to get additional information along with the contact details for exercising those rights. The General Meeting of shareholders was conducted in the manner enabling all the shareholders to participate at the meeting, ask questions and make proposals. The shareholders were provided with an opportunity to make speeches. The Group provides the shareholders with access to the information related to the General Meeting of shareholders also after the meeting – all minutes and resolutions of the General Meeting of shareholders are available on the web-page of PRFoods. The documents of the General Meeting of shareholders are available via the information system of the NASDAQ OMX Tallinn Stock Exchange.

The extraordinary General Meeting of shareholders of the Group was held on 30 October 2014. The agenda of the ordinary meeting of shareholders consisted of two items: sale of a major subsidiary and the amendment to the Articles of Association, where the only amendment was the change in business name.

Altogether 33 shareholders attended the extraordinary General Meeting of shareholders of the Group, the shares of which represented altogether 31,203,962 votes, which represented 80.80% of the entire share capital. Hence, the ordinary General Meeting of shareholders was authorised to adopt resolutions in respect of all the items in the agenda of the ordinary General Meeting of shareholders. In respect of all the items in the agenda of the extraordinary meeting, the resolutions were adopted in accordance with the proposals made by the Supervisory Board. The information on adopting the resolutions and on the content of the resolutions was published after the end of the meeting via the information system of the NASDAQ OMX Tallinn Stock Exchange without delay.

According to the opinion of the management, the Group has during the financial year ended on 31 December 2014 duly complied with all the requirements arising from law, the Rules of the NASDAQ OMX Tallinn Stock Exchange and CGR aiming to ensure that all the shareholders of PRFoods were enabled to get information in respect of the issues placed into the competence of the General Meeting of shareholders, to attend the General Meeting of shareholders and vote at the General Meeting of shareholders. The General Meetings were conducted in a timely and efficient manner. The language of the General Meetings of shareholders was Estonian. The distribution of profit was resolved as a separate issue as required by Section 1.3.4 of CGR.

During the financial year ended on 31 December 2014, the Group did not comply with the requirements set forth in Sections 1.3.2 and 1.3.3 of CGR in the full extent.

Pursuant to Section 1.3.2 of CGR, the General Meeting of shareholders is attended by the members of the Management Board, the Chairman of the Supervisory Board, if possible also members of the Supervisory Board and at least one of the auditors of the company. The ordinary General Meeting of shareholders was attended by members of the Management Board Katre Kõvask, Silver Kaur and Erik Haavamäe. All members of the Supervisory Board attended the ordinary General Meeting of shareholders as representatives of the Supervisory Board: Chairman Indrek Kasela, Vice-Chairman Lauri Kustaa Äimä and members of the Supervisory Board Aavo Kokk, Arko Kadajane, Harvey Sawikin, Jaakko Karo. The auditor of PRFoods did not attend the ordinary General Meeting of shareholders.

In the opinion of the management of the Group, the failure to attend the General Meeting by the auditor has no adverse effect on the interests of the shareholders as prior to the meetings the Supervisory Board had provided the shareholders with its proposals in respect of each item in the agenda of the General Meeting and all the shareholders were granted the opportunity to get additional information in respect of the items in the agenda of the General Meeting prior to the meeting. None of the shareholders took advantage of those rights, which is an evidence of the fact that the shareholders deemed the information and materials made available to them before the meeting to be sufficient and that there was no need for additional information.

According to Section 1.3.3 of CGR, an issuer enables electronic participation at the meeting provided that it has respective technical means and that it is not too cost intensive. It was not possible to attend the ordinary General Meeting of PRFoods via electronic devices for two main reasons. First of all, PRFoods has not used the opportunity to conduct the General Meetings also in an electronic format. Secondly, PRFoods lacks the adequate technical equipment, which would enable to conduct a reliable personal identification of shareholders, transfer of the General Meetings without technical errors and electronic voting to ensure that all shareholders have equal access conditions. None of the shareholders of PRFoods has ever been interested in the possibility to attend the General Meeting of shareholders in an electronic format. The Management Board of PRFoods will analyse the demand on enabling the shareholders to attend the General Meetings of shareholders via electronic devices and if in the opinion of the Management Board there is indeed interest and demand for such possibility and if creating such possibility is

not too cost intensive, the Management Board will consider creating a possibility to attend the General Meetings of shareholders via electronic channels.

Supervisory Board



General remarks

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 Management Board.

According to the Articles of Association of PRFoods, the Supervisory Board has three to seven members elected by the General Meeting of shareholders for the term of five years. Members of the Supervisory Board elect a Chairman 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.

Supervisory Board of PRFoods

At the report preparation moment, the Supervisory Board of PRFoods is comprised of the following members: Lauri Kustaa Äimä (since incorporation), Kuldar Leis (elected on 29 May 2013), Aavo Kokk (elected on 5 May 2009), Harvey Sawikin (elected on 5 May 2009), Vesa Jaakko Karo (elected on 17 August 2009) and Arko Kadajane (elected on 29 May 2012). The terms of office of all the current members of the Supervisory Board will end on 29 May 2018. The Supervisory Board of PRFoods includes four independent members – Aavo Kokk, Vesa Jaakko Karo; Kuldar Leis and Arko Kadajane.

The Chairman of the Supervisory Board is Lauri Kustaa Äimä and the Vice-Chairman of the Supervisory Board is Kuldar Leis.

Lauri Kustaa Äimä (born 1971) holds a Master's degree in Economics from the University of Helsinki has been a member of the Supervisory Board of the company since its foundation and of AS Premia Tallinna Külmoone since 2005. Lauri Kustaa Äimä is the managing director and founding shareholder of Kaima Capital Oy. He serves as a management or Supervisory Board member of AS Tallink Group, Salva Kindlustuse AS and AS Baltika as well as the Lithuanian company UAB Litagra and BAN Insurance in Latvia in addition to several investment companies and funds domiciled in Finland, Estonia and Luxembourg.

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 Board of AS Linda Nektar and Food and Competence Center of Food and Fermentation Technology. He is also a member of supervisory board of Association of the Estonian Food Industry and member of the Management Board of Rododendron OU and Solarhouse OÜ.

Aavo Kokk (born 1964) graduated from Tartu University in 1990, having specialized in journalism, and Stockholm University in 1992, having specialized in banking and finance and has been a member of the Supervisory Board of the company since May 2009. Mr Aavo Kokk is currently the manager and partner of the investment company Catella Corporate Finance (Estonia) and the member of the Supervisory Board of AS Audentes and a member of the Management Board OÜ Synd&Katts.

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

Vesa Jaakko Karo (born 1962) graduated from the Helsinki School of Economics in 1986 with M.Sc. in finance and international marketing and received a licentiate (Econ) degree in economics in 1996. He has been a member of the Supervisory Board of the company since August 2009. Currently he is the partner of Cumulant Capital Fund Management, being the fund manager of Cumulant Capital Northern Europe Fund.

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, a member of the Supervisory Board of AS Saho and a member of the Management Board of OÜ Juniper and of OÜ Portfellihaldur.

The total amount of remuneration paid to the members of the Supervisory Board in 2014 was 59 thousand euros. Remuneration paid to the audit committee consisting of two members is also included in the amount of remuneration paid to the members of the Supervisory Board. In addition to the above-referred remuneration, all the members of the Supervisory Board were reimbursed for their actual and justified costs related to the performing their working assignments.

In accordance with law and the Articles of Association of PRFoods, the meetings of the Supervisory Board are held as frequently as necessary but in any case not less frequently than once in the calendar quarter. In 2014, the Supervisory Board held 7 meetings. In addition to the meetings, the Supervisory Board adopted resolutions without convening a meeting if it was necessary. The Management Board informed the Supervisory Board on a regular basis of the operations and financial status of PRFoods and the Supervisory Board provided the Management Board with necessary directions and support in conducting the everyday business activities of the company.

The members of the Supervisory Board of PRFoods are elected in accordance with the principles of CGR and comply with the requirements applicable in respect of them. All the members of the Supervisory Board perform their duties arising from law and CGR with due care.

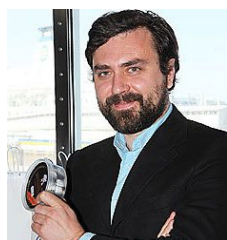
The co-operation and information exchange between the members of the Management Board and the Supervisory Board complies with the requirements of CGR. The Management Board of PRFoods is not aware of any conflict of interests between the interests of the members of the Supervisory Board and the company.

Management Board

General Remarks

Management Board is the representative body of a public limited company being responsible for day to-day management. According to the Articles of Association of PRFoods, the Management Board of PRFoods consists of one to four members elected by the Supervisory Board for the term of three years.

Management Board of PRFoods



Since 01.02.2015 the day-to-day business operations of AS PRFoods are managed by its member of the Management Board **Indrek Kasela** (born 1971), who holds LL.M (master of laws) degree from New York University (1996), BA degree in law from the University of Tartu (1994) and certificate in EU Law from the University of Uppsala and serves as a member of Supervisory Board of several group entities, such as Saaremere Kala AS and Vettel OÜ. He serves as Supervisory Board member of AS Toode, ELKE Grupi AS, EPhaG AS, Salva Kindlustuse AS, AS Ridge Capital and a Management Board member of OÜ Transtech Service, OÜ Fine, Wood and Company OÜ, Lindermann, Birnbaum & Kasela OÜ, Managetrade OÜ and Noblessneri Jahtklubi OÜ as well as board member of several companies domiciled in the Baltic States and Russian Federation.

The Management Board of PRFoods has fully complied with their obligations arising from law and CGR. The Management Board has always acted and is currently acting in the best interests of the company (and its shareholders).

The Management Board has established inside rules for ensuring the confidentiality of undisclosed inside information and acts in strict compliance with those in conducting its everyday business activities. Further, the Management Board assesses business risks of the company on daily basis and takes all necessary steps in order to avoid any adverse effect to the company.

The Management Board acts in compliance with the lawful resolutions of the Supervisory Board. Information Exchange between the Management Board and the Supervisory Board may be described as extensive.

The member of the Management Board does not compete with the company. There is no conflict between the interests of the member of the Management Board (and any person related to the latter) and the company. In 2014, there were no transactions between a member of the Management Board and a person related to the latter, which would have been subject to the consent of the Supervisory Board.

PRFoods does not comply with the requirement to publish the remuneration, bonus system and other payments and benefits received by the members of the Management Board on the web-page of the company (Section 2.2.7 of CGR). PRFoods is of the opinion that such disclosure may impair the rights and interests of the members of the Management Board and the company itself. In 2014, the total gross amount of remuneration paid to the members of the Management Board amounted to 322 thousand euros. Further, breakdown of all amounts paid to the members of the managing bodies is indicated in the Note 30 to the consolidated financial statements of the company. Despite the partial compliance with the named CGR Section, the management of PRFoods is of the opinion that the remuneration paid to the members of the Management Board are in compliance with the tasks and work load of the members of the Management Board and with the economic situation of PRFoods.

Qualifying Holding

The shareholders of PRFoods with a qualifying holding within the meaning of the Securities Market Act are Amber Trust II S.C.A (as at 31.12.2014: 38.29%), Amber Trust S.C.A (13.91%) and KJK Fund SICAV:SIF (10.50%). The shares of PRFoods owned by the aforementioned three shareholders are held in the nominee account of ING Luxembourg S.A.

The share of PRFoods grants the shareholder uniform rights, none of the shareholders has securities of PRFoods granting specific rights of control. According to the knowledge of the management of PRFoods, there are no restrictions of voting rights or agreements that do not arise from law or have not been stipulated in the Articles of Association of PRFoods.

Audit committee

According to the Auditing Activities Act, PRFoods as a public company is under the obligation to have an audit committee. Audit Committee is an advisory body to the Supervisory Board in respect of accounting, auditing, risk management, internal auditing, general supervision, budgeting and legal compliance with the activities of the Supervisory Board.

The Supervisory Board of PRFoods resolved to elect Aavo Kokk as the Chairman of the audit committee and Mairi Paiste as the member of the audit committee.

In 2014, the audit committee has been acting effectively and efficiently and has advised the Management Board and the Supervisory Board in respect of accounting, auditing, risk management, internal auditing, general supervision and budgeting in accordance with the actual necessity.

In 2014, the total gross amount paid as remunerations to the members of the audit committee amounted to 4 thousand euros.

Disclosure of information

PRFoods complies with the CGR rules on disclosure of information and treats the all shareholders equally.

Information is published on website of the NASDAQ OMX Tallinn Stock Exchange and the website of PRFoods (www.prfoods.ee) which is clear in structure and where published information is easy to find. The information is published both in Estonian and English language.

PRFoods has published the financial calendar (Section 5.2 of CGR) as well as all other information which must be accessible to the shareholders on its website (Section 5.3. of CGR).

Reporting

PRFoods prepares financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

According to the requirements of the Commercial Code, PRFoods prepares and discloses the Supervisory Board's report on the annual report.

In disclosing financial information, PRFoods observes the requirements of Estonian legislation and the rules of the NASDAQ OMX Tallinn Stock Exchange.

According to the Commercial Code and the Article of Association of PRFoods, electing the auditor is in the competence of the General Meeting. The General Meeting of PRFoods which was held on 29 May 2014 elected AS PricewaterhouseCoopers to carry out the audit of the financial year of 2014. According to the contract Ago Vilu acts as the leading auditor of PRFoods and Lauri Past acts as the auditor performing the client contract. AS PricewaterhouseCoopers has been the auditor of PRFoods since 2011. Previously the auditor of PRFoods was Grant Thornton Rimess OÜ.

PRFoods ensures the independence of the auditor by arranging rotation of the leading auditor and the auditor performing the client contract according to the valid requirements and good practice.

The auditor is remunerated in accordance with the agreement concluded with the auditing company. PRFoods publishes in the notice on convening the General Meeting of shareholders the information and data required by law and the Articles of Association of PRFoods. According to Section 6.2.1. of CGR, the Supervisory Board discloses the auditor's fee that the issuer has paid or intends to pay to auditor for auditing services. PRFoods has not complied with the aforementioned requirement in the full extent because it is considered as the auditing company's business secret, disclosure of which could substantially damage the competition position of the auditing company.

AS PricewaterhouseCoopers has not submitted a note to the Supervisory Board and the General Meeting of PRFoods concerning the failure to follow the CGR requirements by the Management Board or the Supervisory Board. Therefore, the requirements set forth in Section 6.2.4 of the CGR have not been followed in the full extent. There are two reasons for that – firstly, AS PricewaterhouseCoopers does not have an contractual obligation to submit such note; and, secondly, the auditing company has not in the course of its work detected any circumstances which would be considered failure to comply with the requirements of CGR but that have not been covered in this report.

The Supervisory Board of PRFoods has not identified any deficiencies in the work of the auditor.

Management Board's confirmation to the Management Report

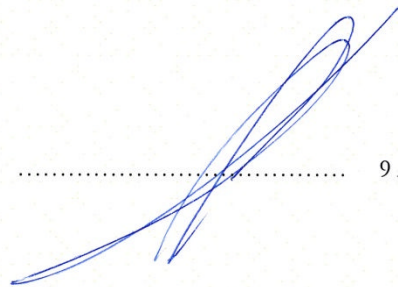
The Management Board acknowledges its liability and confirms to the best of its knowledge that the Management Report provides correct and fair view of the business operations of the group, financial results and financial condition and includes an overview of the material risks related to the group.

The Management Report in the pages 5-24 is the integral part of the consolidated annual report of AS PRFoods.

The Management Board confirms that according to their best knowledge, the financial statements, prepared in accordance with the accounting standards in force, give a true and fair view of the assets, liabilities, financial position and profit or loss of AS PRFoods and the group entities involved in the consolidation as a whole, and the management report gives a true and fair view of the development and results of the business activities and financial position of AS PRFoods and the group entities involved in the consolidation as a whole and contains a description of the main risks and doubts.

Member of the Management Board

Indrek Kasela



..... 9 April 2015

Consolidated financial statements

Consolidated statement of financial position

EUR '000	31.12.2014	31.12.2013	Note
ASSETS			
Cash and cash equivalents	3,330	1,314	(Note 5)
Receivables and prepayments	12,014	8,356	(Note 6)
Inventories	6,563	10,258	(Note 7)
Biological assets	5,583	6,270	(Note 8)
Total current assets	27,490	26,198	
Deferred income tax	103	557	(Note 10)
Long-term financial investments	134	127	
Investments property	0	2,084	(Note 11, 31)
Tangible fixed assets	6,484	12,500	(Note 12)
Intangible assets	6,218	22,373	(Note 13)
Total non-current assets	12,939	37,641	
TOTAL ASSETS	40,429	63,839	
EQUITY AND LIABILITIES			
Loans and borrowings	198	6,035	(Note 16)
Payables	4,493	10,057	(Note 17)
Total current liabilities	4,691	16,092	
Loans and borrowings	555	8,470	(Note 16)
Deferred tax liabilities	457	716	(Note 10)
Government grants	1,054	1,264	(Note 18)
Total non-current liabilities	2,066	10,450	
TOTAL LIABILITIES	6,757	26,542	
Share capital	19,342	19,342	
Share premium	16,026	16,026	
Treasury shares	-117	0	
Statutory capital reserve	6	6	
Other reserve	0	62	
Currency translation reserve	441	748	
Retained earnings	-2,026	1,113	
TOTAL EQUITY	33,672	37,297	(Note 19)
TOTAL EQUITY AND LIABILITIES	40,429	63,839	

The notes on pages 26 to 64 are an integral part of these consolidated annual financial statements.

Consolidated statement of profit or loss and other comprehensive income

EUR '000	2014	2013	Note
Sales	45,863	43,364	(Note 20)
Cost of goods sold	-40,581	-39,192	(Note 21)
Gross profit	5,282	4,172	
Operating expenses	-6,153	-5,536	
Selling and distribution expenses	-3,598	-3,599	(Note 22)
Administrative expenses	-2,555	-1,937	(Note 23)
Other income/expenses	831	801	(Note 26)
Fair value adjustment on biological assets	-571	742	(Note 8)
Operating profit (loss)	-611	179	
Financial income	87	1	(Note 27)
Financial expenses	-844	-932	(Note 27)
Loss before tax	-1,368	-752	
Income tax	-136	-116	(Note 28)
Net loss for the year from continuing operations	-1,504	-868	
Net profit (loss) for the year from discontinuing operations (attributable to equity holders of the company)	-1,310	1,816	
Net profit (loss)	-2,814	948	
Other comprehensive income (expense) that might subsequently be classified to profit or loss:			
Foreign currency translation differences	-308	264	
ind continued operations	-98	-37	
ind discontinued operations	-210	301	
Total comprehensive income (expense) for the period	-3,122	1,212	
Earnings (loss) per share (€)	-0.07	0.02	(Note 29)
ind continued operations	-0.04	-0.02	
ind discontinued operations	-0.03	0.05	
Diluted earnings (loss) per share (€)	-0.07	0.02	(Note 29)
ind continued operations	-0.04	-0.02	
ind discontinued operations	-0.03	0.05	

The notes on pages 26 to 64 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

EUR '000	2014	2013	Note
Continuing operations			
Net profit / loss	-1,504	-868	
<i>Adjustments:</i>			
Depreciation	1,130	1,111	(Note 25)
Profit/loss from sale and write off of fixed assets	0	8	(Note 26)
Other non-cash items	2,372	2,887	
Changes in receivables and prepayments	-142	-653	(Note 6)
Changes in inventories	-1,631	-513	(Note 7)
Changes in biological assets	687	-639	(Note 8)
Changes in payables and prepayments	-237	1,889	(Note 17)
Corporate income tax paid	-231	-129	
Discontinued operations	2,445	878	
Total cash flow from operations	2,888	3,971	
Continuing operations			
Sale of tangible and intangible fixed assets	232	47	
Purchase of tangible and intangible fixed assets	-1,004	-639	(Note 12, 13, 14)
Repayments of loans granted	4	3	(Note 11)
Interests received	1	1	(Note 11)
Profit from long-term investments	3	0	
Net proceeds from sale of subsidiaries	5,928	0	(Note 31)
Discontinued operations	-707	-164	
Total cash flow from investments	4,457	-752	
Continuing operations			
Own shares buy-back	-117	0	(Note 19)
Change in overdraft	-1,835	-24	(Note 16)
Repayments of loans	-1,244	-1,492	(Note 16)
Capital lease repayments	-245	-168	(Note 14)
Dividends paid	-387	-387	(Note 19)
Interests paid	-413	-329	(Note 14, 27)
Discontinued operations	-1,088	-862	
Total cash flow from financing	-5,329	-3,262	
Total cash flow	2,016	-43	
Cash and cash equivalents at beginning of year	1,314	1,357	(Note 5)
Change in cash and cash equivalents	2,016	-43	
Cash and cash equivalents at the end of the period	3,330	1,314	(Note 5)

The notes on pages 26 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

EUR '000

	Share capital	Share premium	Own shares	Statutory capital reserve	Other reserve	Translation reserve	Retained earnings	Total equity
Balance as of 31.12.2012	19,342	16,026	0	6	42	485	553	36,453
Share option programme	0	0	0	0	20	0	0	20
Dividends	0	0	0	0	0	0	-387	-387
Transactions with equity holders of the company	0	0	0	0	20	0	-387	-367
Net profit for the year	0	0	0	0	0	0	948	948
Other comprehensive profit	0	0	0	0	0	264	0	264
Total comprehensive profit for the period	0	0	0	0	0	264	948	1,212
Balance at 31.12.2013	19,342	16,026	0	6	62	749	1 114	37,297
The own shares repurchase program	0	0	-117	0	0	0	0	-117
Share option programme	0	0	0	0	-62	0	62	0
Dividends	0	0	0	0	0	0	-387	-387
Transactions with equity holders of the company	0	0	-117	0	-62	0	-325	-504
Net loss for the year	0	0	0	0	0	0	-2,814	-2,814
Other comprehensive loss	0	0	0	0	0	-308	0	-308
Total comprehensive loss for the period	0	0	0	0	0	-308	-2,814	-3,122
Balance at 31.12.2014	19,342	16,026	-117	6	0	441	-2,026	33,672

The notes on pages 26 to 64 are an integral part of these consolidated financial statements.

Additional information about equity is disclosed in Note 19.

Note 1 General information

PRFoods AS (hereinafter “the Parent Company”) and its subsidiaries (hereinafter jointly referred to as “the Group”) are entities involved in production and wholesale of fish and fish products. PRFoods AS was registered in the Republic of Estonia at 23 December 2008 (registered address: Betooni 4, Tallinn). The shares of PRFoods AS are listed on the NASDAQ OMX Tallinn Stock Exchange and its largest shareholder is Amber Trust II S.C.A (see Note 19). These consolidated financial statements have been authorised for issue by the Management Board at 9 April 2015. Pursuant to the Accounting Act of the Republic of Estonia, the Parent Company’s Supervisory Board approves the annual report and the General Meeting of Shareholders authorises it for issue.

Note 2 Accounting policies adopted in the preparation of the consolidated financial statements

Basis of preparation

The consolidated financial statements of PRFoods AS for the year 2014 have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS).

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

The functional currency of PRFoods AS and presentation currency of the consolidated financial statements is the 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 conformity 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.

Discontinued operations

On 06.10.2014, AS PRFoods, Nordic Foods Holding OÜ and Shiner Macost Ltd entered into agreements for the sale of shares whereby AS PRFoods sold 100% of the shares of the subsidiaries of AS PRFoods, AB Premia KPC and OOO Hladokombinat No 1, and the Russian trademarks owned by AS PRFoods to Nordic Foods Holding OÜ and Shiner Macost Ltd. As a result of the described transaction AS PRFoods sold its entire ice cream and frozen goods business in the Baltic States and Russia.

On 31.10.2014, the transaction of the sale of the business units in the Baltic States described above, in addition to the Russian trademarks owned by AS PRFoods, was completed. The sales transaction involving OOO Hladokombinat No 1 shares was completed on 10.11.2014.

The ice cream and frozen goods business segment and the Russian trademarks owned by AS PRFoods are presented in these financial statements as discontinued operations. In order to enable to evaluate the financial results of continuing operations, the comparative information of 2013 have been restated.

Continuing operations are comprised of production and sale of fish products in Finland and Estonia and fish farming. The most significant trademarks of PRFoods are “Heimon Gourmet”, “Saaristomeren”, „gurmé” and „Polar Fish”.

Adoption of new or amended standards and interpretations

The following new or revised standards and interpretations became effective for the Group from 1 January 2014:

IFRS 12, Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014). The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The amended standard resulted in additional disclosures in the consolidated financial statements, but did not have any impact on measurement of transactions and balances. See Note 9.

The other new or revised standards or interpretations effective from the annual period beginning on 1 January 2014 are not expected to have a material impact on the Group.

New or amended standards and interpretations

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2015, and which the Group has not early adopted:

“Annual Improvements to IFRSs 2012” (effective for annual periods beginning on or after 1 February 2015). IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 15 “Revenue from Contracts with Customers” (Effective for annual periods beginning on or after 1 January 2017; not yet adopted by the EU). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed, The Group is currently assessing the impact of the amendments on its financial statements.

“Disclosure Initiative” - Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Group is currently assessing the impact of the amendments on its financial statements.

The other new or revised standards or interpretations that are not yet effective are not expected to have a material impact on the Group.

Foreign currency translation

Functional and presentation currency

The financial statements of each group 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 the 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 and its Estonian subsidiaries is the euro) are considered as foreign currencies. Foreign currency transactions are translated into the functional currency using the foreign exchange rates of the European Central Bank or a central bank of the respective country prevailing 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 rates of the central bank prevailing 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 prevailing at the date of determining 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 prevailing at the transaction date.

Financial statements of foreign business units

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

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

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

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is 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 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 change of control

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

(c) Disposal of subsidiaries

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

(d) Associates

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

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

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

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

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

Information about Parent Company's separate primary financial statements

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

Segment reporting

Reportable business segments have been identified based on the reports submitted regularly to the Group's chief operating decision maker. The Group's chief operating decision maker, responsible for allocation of resources and evaluation of the results of business segments is the Management Board of the Parent Company that makes strategic decisions. The ice cream and frozen goods business segment is presented in these financial statements as discontinued operations. The Management Board of the parent company of the Group has decided that the two remaining business segments, the fish segment and other segment, hereinafter will be presented together since the proportion of the other segment in the business is marginal. See also Note 20.

Cash and cash equivalents

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

Financial assets

The Group's financial assets have been classified in the following categories: loans and receivables and available-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.

(a) 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.

(b) Available-for-sale financial assets are non-derivative financial assets, which have been designated as held for sale or have not been classified in any other category. Available-for-sale financial assets are carried as non-current financial investments except when the financial asset expires or the Group intends to sell it during 12 months after the end of the reporting period. Available-for-sale financial assets are initially recognised at fair value, including transaction costs. Available-for-sale financial assets are subsequently carried at fair value; gains and losses arising from changes in fair value of available-for-sale financial assets are included in other comprehensive income. If the fair value of a financial asset cannot be measured reliably, they are measured at cost less any impairment losses.

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 original effective interest rate);
- (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 current market rate of return for similar financial assets);

Reversals of impairment losses:

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

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

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

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

Factoring

Factoring is the transfer (sale) of receivables, whereby depending on the type of the factoring contract the buyer has the right to sell the transferred receivable back to the seller within a certain time period (factoring with recourse) 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 (factoring without recourse).

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

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

Derivative instruments

Derivative instruments (interest rate swaps) are carried in the balance sheet at their fair value. Gains and losses on derivative instruments are accounted for in the income statement as income and expenses for the period. The Group does not use special hedge accounting rules described in IAS 39 for recognition of derivative instruments acquired for hedging purposes.

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 factory buildings and equipment, overhaul costs, and the labour cost of factory management).

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 and 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.

Investment property

The property (land or buildings) that the Group (either as an owner or leased under the finance lease terms) holds for earning rental income or for capital appreciation, rather than for use in its own economic activities, is classified as investment property. Investment property is initially recognised in the statement of financial position at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for advisory services, and other transaction costs without which the transaction would not have taken place). Investment property is subsequently carried at fair value which is based on the market value determined annually by independent appraisers, using the prices of transactions involving similar properties (adjusting the estimates to reflect any differences) or using the discounted cash flow method. Fair value adjustments are included in the statement of comprehensive income line "Other income and other expenses". Depreciation is not calculated for investment properties carried at fair value.

Investment properties, for which the fair value cannot be determined reliably, are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised from the statement of financial position upon its disposal or when the asset is withdrawn from use and no future economic benefits are expected from the asset. Gains or losses from derecognition of investment properties are included within other income or other expenses in the statement of comprehensive income of the period when derecognition occurs.

When the purpose of use of investment property changes, the asset is reclassified in the statement of financial position. From the date of the change, the accounting policies of the Group into which the asset has been transferred are applied to the asset.

Property, plant and equipment

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

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

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

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

If an item of property, plant and equipment consists of separately identifiable components with different useful lives, these components are accounted for as separate assets and accordingly, separate depreciation rates are set for them depending on their useful lives.

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

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

Items with unlimited useful lives (land) are not depreciated.

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

Where an asset's recoverable amount (higher of an asset's fair value less costs to sell and value in use) is less than its carrying amount, it is written down immediately to its recoverable amount.

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

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

Items of property, plant and equipment that are expected to be sold within the next 12 months are reclassified as non-current assets held for sale.

Intangible assets

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

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

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

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

Client contracts	5 years
Trademarks	20-25 years
Permits and connection fees	3-50 years
Software licenses	5 years

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

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

Discontinued operations and noncurrent assets (or disposal groups) held for sale

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of selling.

Intra-Group transactions between discontinued and continuing operations are eliminated based on whether the arrangement between the continuing and discontinuing operations will continue subsequent to the disposal. The results of the discontinued operation include only those costs and revenues that will be eliminated from the Group on disposal.

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss. In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or jointly controlled entities that do not result in the group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Impairment of assets

Intangible assets with indefinite useful lives (including goodwill) are not subject to amortisation but they are tested annually for impairment, by comparing their carrying amounts with their recoverable amount. Items of property, plant and

equipment with unlimited useful lives (land) and assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. In the event of such circumstances, the recoverable amount of the asset is assessed and compared with the carrying amount.

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

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

Biological assets

Biological assets are recognised in the statement of financial position when the asset is controlled by the Group, it is expected that future economic benefits associated with the asset will flow to 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*)

The Group primarily farms rainbow trout in its fish farms located in Finland and Sweden, which makes up 97% of its total annual fish volume. The Group uses the Norwegian export statistics for evaluation of the fish stocks of rainbow trout / Source: <http://www.akvafakta.no> /. For valuation of the fish stocks of whitefish, the monthly market price survey of the Finnish Fish Farmers' Association.

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 up to 250 g fry)

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 fry up to fish suitable for harvesting)

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

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

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

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

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

Subsequent expenditure 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 is the lessee

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

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

The Group is 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) are initially recognised at their fair value, less any transaction costs. They are subsequently recognised at amortised cost, using the effective interest rate method.

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

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

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

Provisions and contingent liabilities

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

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

Other obligations whose realisation is not probable or the amount of the obligation cannot be measured with sufficient reliability but which in certain circumstances may become liabilities are disclosed in the notes to the financial statements as contingent liabilities.

Corporate income tax and deferred income tax

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

Estonian entities of the Group

According to the applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on their profits. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. From 01.01.2015 the effective tax rate is 20/80 (previously: 21/79) of the amount paid out as net dividends. As it is the dividends and not the profit that is subject to income tax, no temporary differences between the taxable values and the carrying amounts of assets and liabilities arise, which could give rise to deferred income tax assets and liabilities.

Income tax payable on dividends is recognised as an income tax expense in the statement of comprehensive income and as a liability in the statement of financial position at the time dividends are declared, regardless of the actual payment date or the period for which dividends are paid. An income tax liability is due at the 10th day of the month following the payment of dividends.

Foreign entities of the Group

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

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

As at 1 January 2013 the income tax rate changed in Sweden from 26.3% to 22%. As at 1 January 2014 the income tax rate changed in Finland. The rate applicable until then was 24.5% which was replaced by the rate 20%.

Revenue recognition

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

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

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

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

Share capital

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

Statutory reserve capital

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

Share-based transactions

The fair value of the services provided by the employees to the Group (work contribution) in exchange for shares is recognised as an expense in the statement of comprehensive income and in the line "Other reserve" in equity over the

vesting period (from the date of issue of a convertible bond until the beginning of the conversion period). The fair value of the services received is determined based on the fair value (market price) of equity instruments granted to employees at the grant date. As the employee has the right to convert the convertible bond for the shares only in case of an existing employment relationship under the share-based payment agreement, at each balance sheet date, an estimate is made as to the number of convertible bonds that are expected to vest, and the impact of the revision to original estimates, is recognised as an adjustment of the staff costs and "Other reserve" according to the number of convertible bonds that are expected to vest. Transaction costs attributable to equity transactions related to issue of new shares are deducted from equity on the assumption that they are treated as incremental costs directly attributable to the equity transaction. Upon conversion of convertible bonds into ordinary shares, the amount recognised in the line "Other reserve" (less any directly attributable transaction costs) is reclassified to the equity item "Share capital" and the amount above the nominal value of shares is reclassified in the item "Share premium".

Earnings per share

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

Payables to employees

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

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

Government grants

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

Note 3 Financial risks

The Group's risk management policy is based on the requirements established by regulatory bodies, generally accepted practices and the Group's internal rules. The Group is guided by the principle to manage risks in a manner that ensures an optimal risk to reward ratio. As part of the Group's risk management, all potential risks, their measurement and control are defined, and an action plan is prepared to reduce risks while ensuring the attainment of the Company's financial and other strategic objectives.

The Management Board of the Parent Company has the main role in management of risks. The Supervisory Board of the Parent Company exercises supervision over the measures taken by the Management Board to manage risks. The Group assesses and limits risks through systematic risk management. For managing financial risks, the Group has involved its financial unit that finances the Parent Company as well as its subsidiaries and, directly as a result of that, also manages liquidity risk and interest rate risk.

Financial instruments by category

Financial assets at 31.12.2014	Loans and		Financial liabilities at 31.12.2014	Liabilities at amortised
EUR '000	receivables	Total	EUR '000	cost
Cash and bank (Note 5)	3,330	3,330	Borrowings (Note 16)	753
Trade receivables (Note 6)	3,755	3,755	Trade payables (Note 17)	3,542
Other receivables (Note 6, 31)	8,014	8,014	Other payables (Note 17)	1
Total	15,099	15,099	Total	4,296

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Financial assets at 31.12.2013	Loans and		Financial liabilities at 31.12.2013	Liabilities at amortised
EUR '000	receivables	Total	EUR '000	cost
Cash and bank (Note 5)	1,314	1,314	Borrowings (Note 16)	14,505
Trade receivables (Note 6)	7,585	7,585	Trade payables (Note 17)	7,139
Other receivables (Note 6, 31)	83	83	Prepayments from clients (Note 17)	23
			Other payables (Note 17)	112
Total	8,982	8,982	Total	21,780

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

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

Credit risk

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

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

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

EUR '000

Trade receivables	Not yet due	Not impaired, past due up to 90 days	Not impaired, past due over 90 days	Impaired	Total
31.12.2014	3,549	97	109	4	3,759
31.12.2013	6,073	1,354	157	151	7,736

In 2014, the Group wrote down doubtful receivables in the amount of EUR 56 thousand (2013: EUR 121 thousand), in accordance with the Group's rules for assessing trade receivables on the basis of expected cash flows. The client base of the Group is stable and long-term and up to now the credit history has not given base to write down receivables which are past due up to 90 days.

The Group mostly accepts banks and financial institutions with a rating of "A" as long-term counterparties in Baltic states and Scandinavia. As at 31.12.2014 available funds are held in Danske, SEB, Pohjola and Swedbank banks, whose credit rating according to Moody's Investor Service is „A“. As at 31.12.2013 available funds were held Danske, SEB, Pohjola, Swedbank and UniCredit banks, whose credit rating according to Moody's Investor Service as at 31.12.2013 was „A“.

Trade receivables (not due) by country

At 31 December	2014	2013
Finland	2,354	1,872
Estonia	1,195	2,034
Latvia	0	1,013
Lithuania	0	848
Russia	0	306
Total trade receivables not due	3,549	6,073

See Note 6.

Liquidity risk

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

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

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

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

As at 31 December 2014, the Group's working capital was EUR 22,799 thousand and as at 31 December 2013 EUR 10,106 thousand.

The management considers it important to monitor liquidity risks; the additional need for capital can be covered by overdraft facilities or by refinancing the loan portfolio. The overdraft facility was not drawn down as at the balance sheet date. At 31 December 2013, the balance of the unused overdraft facility was EUR 2,943 thousand.

Analysis of undiscounted financial liabilities by due date:

31.12.2014 EUR '000	less than 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Borrowings	51	161	584	0	796
Trade and other payables	3,529	14	0	0	3,543
Total liabilities	3,580	175	584	0	4,339

31.12.2013 EUR '000	less than 3 months	from 3 to 12 months	from 1 to 5 years	over 5 years	Total
Borrowings	698	5,576	8,698	122	15,094
Trade and other payables	7,221	45	8	0	7,274
Total liabilities	7,919	5,621	8,706	122	22,368

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

Currency risk

Currency risk arises when business transactions, assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group tries to avoid large foreign currency exposures. The main currencies used are SEK and EUR. The Group is exposed to fluctuations of the exchange rate of SEK. The Group has not used any financial instruments to secure itself against currency risks that may arise from business transactions, assets and liabilities in the future. Any income and expenses arising from foreign currency transactions are included in other operating income/expenses or financial income/cost under "Foreign exchange gains/losses".

Financial instruments at 31 December 2014 according to the underlying currency:

EUR '000	EUR	SEK	Total
Cash and bank (Note 5)	3,277	53	3,330
Trade receivables (Note 6)	3,755	0	3,755
Other receivables (Note 6, 31)	8,011	3	8,014
Shares	69	3	72
Total financial assets	15,112	59	15,171
Borrowings (Note 16)	-368	-385	-753
Trade payables (Note 17)	-3,518	-24	-3,542
Total financial liabilities	-3,886	-409	-4,295
Net currency position	11,226	-350	10,876
Possible change in the exchange rate (%)	0.00%	± 5,19%	
Effect of exchange rate change on profit	0	± 18	x

Financial instruments at 31 December 2013 according to the underlying currency:

EUR '000	EUR	LTL	LVL	RUB	SEK	USD	Total
Cash and bank (Note 5)	939	127	172	28	47	0	1,314
Trade receivables (Note 6)	4,445	1,109	1,091	893	47	0	7,585
Other receivables (Note 6, 31)	42	37	1	2	1	0	83
Shares	69	0	0	0	3	0	72
Total financial assets	5,495	1,273	1,265	923	98	0	9,054
Borrowings (Note 16)	-14,179	-58	-246	-3	-20	0	-14,505
Payables to related parties (Note 17)	-1	0	0	0	0	0	-1
Trade payables (Note 17)	-5,642	-419	-609	-322	-121	-25	-7,139
Other payables (Note 17)	-56	-55	0	0	0	0	-111
Total financial liabilities	-19,877	-532	-855	-325	-141	-25	-21,756
Net currency position	-14,382	741	410	598	-44	-25	-12,703
Possible change in the exchange rate (%)	0.00%	0.00%	± 0.60%	± 6.02%	± 0.61%	± 3.31%	
Effect of exchange rate change on profit	0	0	± 2	± 36	± 0	± 1	x

Interest rate risk

In case of long-term loans, the Group uses fixed interest rates and interest rates based on EURIBOR base interest. In managing interest rate risks, possible losses arising from changes in interest rates are regularly compared to the expenses incurred for hedging them. In 2013 the Company partially hedged the floating interest rate risk of a long-term investment loan with two interest rate swap agreements fixing the 3-month EURIBOR in the levels of 0.799% and 0.785% until 17.07.2017. Due to the repayment of the long-term investment loan, in the financial year the abovementioned transactions were prematurely discontinued and therefore Interest Rate Swap instruments are written down.

Mark-to-market value of financial instruments as at 31.12.2013 was EUR -36 thousand and the impact in the financial year on the income statement in the form of financial expense amounted to EUR 112 thousand (2013: EUR 3 thousand). See also Note 27.

If at 31 December 2014 or 31 December 2013, the base interest were 10 basis points lower or higher, interest expenses would be EUR 1 thousand (2013: EUR 8 thousand) higher or lower. Loans with a floating interest rate are linked to EURIBOR (1 to 6-month EURIBOR depending on the instrument). Receivables with floating interest rates are based on 12-month EURIBOR.

An overview of the Group's exposure to interest rate risk at 31 December 2014 and 31 December 2013:

31.12.2014 EUR '000	less than 1 year	over 1 year	Total
Floating interest rate			
Interest bearing receivables	4	0	4
Interest bearing liabilities (Note 16)	198	555	753
Net position	194	555	749
31.12.2013 EUR '000	less than 1 year	over 1 year	Total
Fixed interest rate			
Interest bearing liabilities (Note 16)	1,368	6,938	8,305
Net position	1,368	6,938	8,305
Floating interest rate			
Interest bearing receivables	4	4	8
Interest bearing liabilities (Note 16)	4,669	1,531	6,200
Net position	4,665	1,527	6,192

Capital management

With regard to capital management, the Group's objective is to ensure sustainability of the Group in order to ensure returns for shareholders while preserving an optimal capital structure for reducing capital expenditure. For preserving or improving the capital structure, the Group may regulate the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the debt.

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

	31.12.2014	31.12.2013
	EUR '000	EUR '000
Total borrowings (Note 16)	753	14,505
Less: Cash and cash equivalents (Note 5)	3,330	1,314
Net debt	-2,577	13,191
Total equity	33,672	37,297
Total capital (net debt + equity)	31,095	50,488
Debt to equity ratio	-8%	26%

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 31 December 2014 and 31 December 2013. 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. 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 conformity 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 financial year include:

Assessment of recoverability of trade receivables (Note 3, 6)

The management assesses accounts receivable on the basis of its best knowledge, taking also into account past experience. The Group uses an individual assessment of the amount of the receivables. Generally the receivables shall be deemed to be uncollectible if:

- the buyer does not correspond to the reminder letters from the company;
- the company has submitted the claim against the buyer;
- the buyer is declared bankrupt;
- the owners/shareholders of the buyer or the court has decided to terminate the company's operations.

Estimating the recoverable amount of inventories (Note 7)

The management assesses 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.

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 twice a year, in autumn and spring. 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 Company itself for calculating the biomass. 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 8.6% and which has been taken into account in the valuation of fish inventories.

Valuation of investment properties (Note 11)

The management has used the help of an independent real estate agency to assess the fair value of real estate properties. For estimating the fair value for 2013, the Management Board relies on the evaluation act compiled in January 2014.

Assessment of useful lives of property, plant and equipment (Note 12)

The management has assessed the useful lives of property, plant and equipment, relying on the volume and conditions of production, past experience and future projections.

Assessment of impairment of goodwill and useful lives of intangible assets (Note 13)

As at 31.12.2014 the management has carried out impairment test of goodwill. As a result of the impairment test, no impairment loss on goodwill was recognised in 2014 or 2013.

The management has determined the useful lives of intangible assets considering the business conditions and volumes, past experience in the area, and future outlooks.

Note 5 Cash and cash equivalents

	31.12.2014	31.12.2013
	EUR '000	EUR '000
Cash on hand	11	39
Bank accounts	3,319	1,275
Total cash and cash equivalents	3,330	1,314

Note 6 Receivables and prepayments

	31.12.2014	31.12.2013
	EUR '000	EUR '000
Trade receivables	3,759	7,736
Allowance for doubtful receivables	-4	-151
Other receivables (Note 31)	7,792	79
Prepaid expenses	164	218
Prepaid taxes	303	309
Other prepayments	0	166
Total receivables and prepayments	12,014	8,356

The aging analysis of trade receivables is disclosed in Note 3 and 4. A commercial pledge set as collateral for loans also covers receivables (see Note 16).

	31.12.2014	31.12.2013
	EUR '000	EUR '000
Changes in allowance for doubtful receivables:		
Allowance for doubtful receivables at beginning of the period	-151	-47
Discontinued operations	147	0
Doubtful receivables collected during the reporting period	0	5
Receivables recognised as doubtful receivables during the reporting period	-56	-121
Receivables written off the balance sheet during the reporting period	56	12
Allowance for doubtful receivables at end of the period	-4	-151

Note 7 Inventories

EUR '000	31.12.2014	31.12.2013
Raw materials and materials	3,860	3,144
Work-in-progress	169	200
Finished goods	1,947	3,674
Goods purchased for sale	513	3,142
Prepayments for inventories and goods in transit	74	97
Total inventories	6,563	10,258

In 2014, inventories were written off in the amount of EUR 282 thousand. In 2013, inventories were written off in the amount of EUR 79 thousand. A commercial pledge set as collateral for loans also covers inventories (see Note 4 and 16).

Note 8 Biological assets

	31.12.2014	31.12.2013
	EUR '000	EUR '000
Biological assets		
Fry	282	872
Juveniles	2,089	1,787
Fish suitable for harvesting	3,212	3,611
Total biological assets	5,583	6,270

As at 31.12.2014, biological assets totalled 1,563 (31.12.2013: 1,538) tons. In the financial year, agricultural produce in the amount of 1,686 (2013: 1,617) tons was harvested. Biological assets include the following species: rainbow trout (*Oncorhynchus mykiss*) 97.2% of biomass (2013: 92.7%) and whitefish (*Coregonus lavaretus*) 2.8% of biomass (2013: 7.3%).

Change in biological assets	2014	2013
	EUR '000	EUR '000
Biological assets at beginning of the period	6,270	5,631
Purchased	482	804
Additions	4,963	4,414
Fair value adjustments	-571	742
Harvested	-5,087	-5,145
Written off	-369	-74
Exchange rate differences	-105	-102
Biological assets at end of the period	5,583	6,270

The aggregate gain attributable to the growth of biological assets and the changes in fair value less costs to sell of biological assets amounted to EUR 4,392 thousand (2013: EUR 5,156 thousand), comprising of amounts presented under "additions" and "fair value adjustments" above. In the amount of "additions", the Group has capitalised subsequent expenditures incurred on development of immature biological assets, therefore in the income statement, only the gain/loss from "fair value adjustments" is presented as a separate line.

Group measures biological assets in fair value or acquisition cost.

The fair value of fries is determined by purchase offers and volume of biomass, which on 31.12.2014 was 29 tons (31.12.2013: 128 tons).

If the volume of biomass or the price of purchase offers were 1% higher or lower, the fair value of fries would be respectively EUR 3 thousand higher or lower on the balance sheet date (2013: EUR 9 thousand).

The fair value of juveniles cannot be determined reliably due to the absence of an active market, and they are carried in the statement of financial position at cost. At each balance sheet date, the cost is compared to the net realisable value of the juveniles. On 31.12.2014 management estimated that the net realisable value of juveniles is not relatively lower than the acquisition cost. Therefore in the 31.12.2013 and 31.12.2014 financial statements juveniles were measured in their acquisition cost.

Fish suitable for harvesting is measured at theft fair value, taking into consideration the latest market price for similar assets which is corrected with the influence of existing differences. In order to determine the fair value the Management used the following inputs besides market value:

- Gutting loss 5% (31.12.2013: 5%)
- Harvesting cost 16% (31.12.2013: 16%)
- Volume of biomass 799 tons (31.12.2013: 805 tons)

Group classifies these assets measured in fair value on level 3.

Following is the possible effect to the fair value of fish suitable for harvesting in case of change in inputs (EUR '000):

	Market price		Harvesting cost		Gutting loss		Volume of biomass	
	+1%	-1%	-1pp	+1pp	-1pp	+1pp	+1%	-1%
31.12.2014	+32	-24	+32	-32	+40	-40	+32	-32
31.12.2013	+40	-33	+48	-41	+41	-41	+36	-36

Note 9 Subsidiaries

Subsidiary	Domicile	Ownership interest		Area of activity	Status
		31.12.2014	31.12.2013		
Saaremere Kala AS	Estonia	100%	100%	Holding company of fish segment	continuing operations
Vettel OÜ	Estonia	100%	100%	Production of fish products	continuing operations
GourmetHouse OÜ	Estonia	100%	100%	Sale of fish and fish products	continuing operations
AS Premia Tallinna Külmoone	Estonia	0%	100%	Ice cream production, sale of ice cream and frozen goods	discontinued operations
AB Premia KPC	Lithuania	0%	100%	Sale of ice cream and frozen goods	discontinued operations
Heimon Kala Oy	Finland	100%	100%	Fishfarming, processing and sale of fish and fish products	continuing operations
Överumans Fisk Ab	Sweden	100%	100%	Fishfarming and sales	continuing operations
AS Premia FFL	Latvia	0%	100%	Sale of ice cream and frozen goods	discontinued operations
OOO Khladokombinat No1	Russia	0%	100%	Ice cream production, sale of ice cream and frozen goods	discontinued operations
OOO Khladomagija	Russia	100%	100%	Holding company	continuing operations

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

Note 10 Deferred income tax

Deferred income tax asset EUR '000	Tax losses	Other	Total
Deferred income tax assets as at 01.01.2013	444	30	474
Impact on income statement	110	22	132
Impact on other comprehensive income	-44	-5	-49
Deferred income tax assets as at 31.12.2013	510	47	557
Discontinued operations	-360	-9	-369
Impact on income statement	-75	0	-75
Impact on other comprehensive income	-10	0	-10
Deferred income tax assets as at 31.12.2014	65	38	103

Deferred income tax liability EUR '000	Accelerated income tax amortisation	Fair value adjustment	Other	Total
Deferred income tax liability as at 01.01.2013	793	358	-492	659
Impact on income statement	-721	35	747	61
Impact on other comprehensive income	0	0	-4	-4
Deferred income tax liability as at 31.12.2013	72	393	251	716
Discontinued operations	10	0	-114	-104
Impact on income statement	-14	-125	-6	-145
Impact on other comprehensive income	-10	0	0	-10
Deferred income tax liability as at 31.12.2014	58	268	131	457

See also Note 28.

Note 11 Investment property

	2014 EUR'000	2013 EUR'000
Fair value at beginning of the period	2 084	2 084
Fair value at end of the period	0	2 084

Land and buildings at Peterburi Road 42, Tallinn which are no longer used in the company's operations are included within investment property. The fair value method is used to account for investment property. The Group classifies the financial instrument recorded in fair value into level 3.

The fair value of investment property is based on an independent expert's opinion issued in January 2014. The independent expert's opinion, also serving as a basis of judgement for The Board of Management, uses the residual market value method whereby the potential market value/revenues from rent after the completion of the construction are estimated, and the amount is reduced by the expenditures necessary to develop the property. The valuation also relies on the assumption that the detailed planning for the property has been authorized and approved. The valuation made by the expert is based on the property's potential to serve as a commercial property, considering its location and the current market situation, and does not account for the potential value, which could be arrived at with the maximum space usage set forth in the building permit, that implies for a 5-6 storey business premises.

Following inputs have been used to determine the fair value of investment property:

- Capitalization rate - value is based on comparative transactions made between 2010-2013 and takes into consideration the location, condition and nature of the object; 9.0%
- Construction price per square meter - value is based on the bid prices for construction of similar buildings and expert opinion; 605 EUR/m² (2012 546 EUR/m²) - includes incidental expenses
- Rental price per square meter - value is based on rents of similar shopping centers at the time of evaluation and takes into account the nature, location and planned condition of the estimable object; 7,0 EUR/m².

Following is the possible effect on the fair value of investment property in case of change of inputs (EUR'000):

	Construction price		Rental price		Capitalisation rate	
	+5%	-5%	+5%	-5%	+0,5pp	-0,5pp
2013	-242	+242	+362	-362	-381	+426

In 2014, costs directly related to the management of the property amounted to EUR 0 thousand (2013: EUR 7 thousand). In the reporting period, rental income earned on investment properties totalled EUR 5 thousand (2013: EUR 5 thousand) and is included in income from discontinued operations. See Note 31.

Note 12 Property, plant and equipment

EUR '000	Land and buildings	Machinery and equipment	Other tangible assets	Constuction in progress, prepayments	Total
Residual value as of 31.12.2012	4,894	7,164	367	74	12,499
Acquired during the period	16	2,272	84	153	2,525
Assets sold and written off	0	-81	0	0	-81
Re-classification	1	0	4	-5	0
Unrealised currency effect	-27	-90	-1	0	-118
Depreciation	-370	-1,845	-110	0	-2,325
Residual value as of 31.12.2013	4,514	7,420	344	221	12,500
Unrealised currency effect	-32	-96	-2	-5	-135
Acquired during the period	310	1,514	100	408	2,332
Re-classification	0	8	0	-8	0
Depreciation	-348	-1,515	-92	0	-1,955
Assets sold and written off	-20	-113	-10	-110	-253
Divestment of subsidiaries	-1,770	-3,854	-88	-293	-6,004
Balance at 31.12.2014	2,654	3,365	253	213	6,484

Continuing operations

EUR '000	Land and buildings	Machinery and equipment	Other tangible assets	Constuction in progress, prepayments	Total
Residual value as of 31.12.2013	2,632	3,496	241	160	6,529
Unrealised currency effect	-32	-56	-1	-5	-94
Acquired during the period	310	765	70	168	1,313
Depreciation	-236	-752	-48	0	-1,036
Assets sold and written off	-20	-89	-9	-110	-228
Balance at 31.12.2014	2,654	3,364	253	213	6,484

Discontinued operations

EUR '000	Land and buildings	Machinery and equipment	Other tangible assets	Construction in progress, prepayments	Total
Residual value as of 31.12.2013	1,882	3,923	103	62	5,971
Unrealised currency effect	0	-40	0	0	-40
Acquired during the period	0	749	29	239	1,017
Re-classification	0	8	0	-8	0
Depreciation	-112	-763	-44	0	-919
Assets sold and written off	0	-24	-1	0	-25
Divestment of subsidiaries	-1,770	-3,854	-88	-293	-6,004
Balance at 31.12.2014	0	0	0	0	0

As at 31.12.2014, the cost of fully depreciated non-current assets still in use is EUR 1,412 thousand (31.12.2013: EUR 1,006 thousand). See also Note 4, 25 and 31.

Property, plant and equipment acquired under the finance lease terms are disclosed in Note 14. Additional information about collateral for loans is disclosed in Note 16.

Note 13 Intangible assets

EUR '000	Goodwill	Trademarks and patents	Immaterial rights	Software licenses	Pre-payments	Total
Balance as of 31.12.2012	19,942	1,649	563	187	207	22,548
Acquired during the period	0	9	0	53	32	94
Re-classification	0	0	0	36	-36	0
Unrealised currency effect	0	-1	0	-4	-3	-8
Depreciation	0	-105	-28	-129	0	-262
Balance as of 31.12.2013	19,942	1,552	535	145	200	22,373
Unrealised currency effect	0	-4	0	-6	-4	-14
Acquired during the period	0	296	28	19	83	426
Depreciation	0	-98	-29	-76	0	-203
Assets sold and written off	0	0	0	-4	0	-4
Divestment of subsidiaries	-15,212	-1,087	-1	-61	0	-16,361
Balance at 31.12.2014	4,730	659	533	17	279	6,218

Continuing operations

EUR '000	Goodwill	Trademarks and patents	Immaterial rights	Software licenses	Pre-payments	Total
Balance as of 31.12.2013	4,730	718	531	28	200	6,207
Unrealised currency effect	0	-4	0	0	-4	-8
Acquired during the period	0	0	28	6	83	117
Depreciation	0	-55	-26	-13	0	-94
Assets sold and written off	0	0	0	-4	0	-4
Balance at 31.12.2014	4,730	659	533	17	279	6,218

Discontinued operations

EUR '000	Goodwill	Trademarks and patents	Immaterial rights	Software licenses	Pre-payments	Total
Balance as of 31.12.2013	15,212	834	4	117	0	16,167
Unrealised currency effect	0	0	0	-6	0	-7
Acquired during the period	0	296	0	13	0	309
Depreciation	0	-43	-3	-63	0	-109
Divestment of subsidiaries	-15,212	-1,087	-1	-61	0	-16,361
Balance at 31.12.2014	0	0	0	0	0	0

The parent company has carried out an impairment test for goodwill of AS Saaremere Kala Group as at 31 December 2014 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, the average valuation multiples of the industry have been applied to the actual financial indicators of subsidiaries. For goodwill tests of AS Saaremere Kala the multiples used were EV/Sales¹ 0.7 and EV/EBITDA² 8.9 which both were assigned 50% weight.

The recoverable amount determined as a result of the test conducted on 31 December 2014 and 2013 is higher than the carrying amount. If the following changes were made in the multiples 2014: -18% (2013: -13%) then the recoverable amount would be equal to the carrying amount in the balance sheet:

¹ Entity Value/Sales

² Entity Value/EBITDA

Note 14 Finance lease

	Machinery and equipment
EUR '000	
Cost as at 31.12.2014	1,165
Accumulated depreciation as at 31.12.2014	-246
Carrying amount as at 31.12.2014	919
Cost as at 31.12.2013	3,221
Accumulated depreciation as at 31.12.2013	-623
Carrying amount as at 31.12.2013	2,598

In the financial year, property, plant and equipment were purchased under the finance lease terms in the total amount of EUR 416 (2013: EUR 358) thousand.

	2014 EUR '000	2013 EUR '000
Principal payments in the financial year	245	831
Interest expenses in the financial year	23	42
Average interest rate	1.13%	2.50%
Finance lease liabilities at 31 December, incl.:	753	2,095
Due in less than 1 year	198	565
Due between 1-5 years	555	1412
Due after 5 years	0	120
Minimum finance lease payments:		
Due in less than 1 year	212	607
Due between 1-5 years	584	1476
Due after 5 years	0	122
Total	796	2,205
Future interest expense of finance lease	-43	-110
Present value of finance lease liability	753	2,096

See also Note 12, 16 and 31.

The Group leases under the finance lease the work ship of fish farming, a tractor, production equipment, vehicles and computers.

Note 15 Operating lease

The Group leases motor vehicles, warehouse premises, waters, office premises, software and equipment.

	Land and buildings	Machinery and equipment	Motor vehicles	Total
Operating lease payments				
EUR '000				
Operating lease expense in 2014	172	41	42	257
Future lease payments under non-cancellable lease agreements:				
Due in less than 1 year	113	35	16	164
Due between 1 and 5 years	237	94	15	346
Due after 5 years	11	3	0	14
Total	361	132	31	524

	Land and buildings	Machinery and equipment	Motor vehicles	Total
Operating lease payments				
EUR '000				
Operating lease expense in 2013	132	34	55	221
Future lease payments under non-cancellable lease agreements:				
Due in less than 1 year	74	31	31	136
Due between 1 and 5 years	210	85	67	362
Due after 5 years	16	0	0	16
Total	300	116	98	514

Note 16 Borrowings

EUR '000	31.12.2014	31.12.2013
Finance lease liabilities (Note 14)	198	563
Overdraft	0	1,957
Investment loans	0	3,515
Total short-term loans (Note 3)	198	6,035
Finance lease liabilities (Note 14)	555	1,532
Investment loans	0	6,938
Total long-term loans (Note 3)	555	8,470
ind. payable within 1-5 years	555	8,350
ind. payable after 5 years	0	120

In the course of the disposal of the ice cream and frozen goods business in Russia and the Baltic States, the investment loan and bank overdraft of PRFoods were repaid to SEB in full.

At 29.12.2014 AS PRFoods and AS SEB Pank entered into a bank overdraft agreement, according to which a credit limit of 5,000 thousand euros for AS PRFoods was agreed. The term of the overdraft facility is 30.04.2016 and the interest rate is 3 month EURIBOR + 1.7%. The bank overdraft is secured by a mortgage of 10.1 million euros and a commercial pledge of 4.0 million euros.

The overdraft was not used as at 31.12.2014.

Note 17 Payables and prepayments

	31.12.2014	31.12.2013
	EUR '000	EUR '000
Trade payables	3,542	7,139
Payables to employees	612	1,196
Payables to group entities and shareholders (Note 30)	0	1
Interest payables	0	53
Prepayments from clients	0	23
Other payables	1	58
Tax liabilities, incl.:	338	1,586
Social security tax	159	365
VAT	73	926
Personal income tax	83	190
Corporate income tax	10	54
Other taxes	13	51
Total payables and prepayments	4,493	10,057

Note 18 Government grants

	2014	2013
	EUR '000	EUR '000
Deferred income from government grants at the beginning of period	1,264	1,479
Change in value due to the exchange rates	-18	-13
Recognition as income during the period (Note 26)	-192	-202
Deferred income from government grants at the end of period	1,054	1,264
ind. income within 1 year	190	202
ind. income within 2-17 years	864	1,062

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Note 19 Equity

As at 31.12.2014, the Company had 38,682,860 shares (31.12.2013: 38,682,860), including 167,441 treasury shares (31.12.2013: 0 treasury shares).

From 01.07.2014, the Company initiated a repurchasing programme of its own shares in accordance with the resolution of the general meeting held at 29.05.2014 and pursuant to the Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

At the general meeting of shareholders held on 29 May 2014, it was resolved to repurchase up to 500,000 of the company's own shares and established the conditions of the share repurchase programme. On 30.06.2014, the management board of AS PRFoods entered into a service contract with AS SEB Pank to conduct the share repurchase programme.

As at 31.12.2014, AS SEB Pank in the name and on the account of AS PRFoods has acquired 167,441 shares at an average price of 0.6971 euros per share.

At 17 January 2014 ended the last subscription period of the stock option programme and the entire stock option programme. In the course of the option program the members of management bodies and key employees of PRFoods and its subsidiaries were entitled to subscribe for the shares of the company's stock at the price of EUR 0.83 per share. No shares of PRFoods were subscribed in the course of the option programme. The volume of the option programme was 900,000 shares and the estimated expense of the option programme for the 3-year period is EUR 61,581. The offset entry of the contingent cost of the stock option plan has been recognised under the line "Other reserve" in the statement of financial position of PRFoods. At 17.01.2014, "Other reserve" was transferred to the retained earnings.

At the General Meeting of Shareholders, held at 29 May 2014, it was decided to pay dividends from retained earnings in the amount of EUR 387 thousand or EUR 0.01 per share. The list of the shareholders entitled to receive dividends was fixed as at 29 August 2014 at 23.59 and the dividends were paid out on 3 September 2014.

Basic earnings per share are calculated by dividing the net profit for the reporting period attributable to shareholders of the parent company by the weighted average number of shares of common stock outstanding (excluding treasury shares).

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

Shareholder	31.12.2014 number of shares	31.12.2014 ownership interest	31.12.2013 number of shares	31.12.2013 ownership interest
ING Luxembourg S.A., holds the shares of the following shareholders:				
Amber Trust II S.C.A	14,813,540	38.295%	14,813,540	38.295%
Amber Trust S.C.A	5,381,370	13.912%	5,381,370	13.912%
KJK Fund SICAV:SIF	4,063,456	10.504%	4,063,456	10.504%

Earnings per share are presented in Note 29.

Note 20 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 geographic areas. Reports by business 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.

The ice cream and frozen goods business segment is presented in these financial statements as discontinued operations. In addition to the sales declines in the ice cream and frozen goods segments, the revenue of the other business segment also declined (other business segment revenue in 2014: continuing and discontinued operations 2.8 million euros or 2.9% of revenue, only continuing operations 0.3 million euros or 0.6% of revenue). As a result of the foregoing, the management board of the parent company of the Group has decided that the two remaining business segments of continuing operations, the fish segment and other segment, hereinafter will be presented together since the proportion of the other segment in the business is marginal.

The Management Board of the Parent Company regularly monitors information concerning inventories and biological assets of the business segments.

Sales by geographic regions	2014	2013
	EUR '000	EUR '000
Finland	39,541	35,871
Estonia	5,245	6,253
Other	1,076	1,240
Total	45,862	43,364

Non-current assets by location	2014	2013
	EUR '000	EUR '000
Finland	5,126	4,565
Estonia	5,027	14,937
Latvia	0	4,513
Lithuania	0	7,754
Russia	6	3,342
Sweden	2,543	1,846
Total	12,702	36,957

Non-current assets, except for financial assets and investments in associates

Revenue from clients whose sales are higher than 10% of consolidated revenues:

	2014	2013
	EUR '000	EUR '000
Client 1	18,462	18,570
Client 2	14,709	13,060
Total	33,171	31,630

Note 21 Cost of goods sold

	2014	2013
	EUR '000	EUR '000
Cost of goods purchased for sale	-2,558	-4,525
Materials used in production	-30,281	-27,844
Staff costs (Note 24)	-3,353	-3,027
Depreciation and amortisation (Note 25)	-938	-894
Other costs of goods sold ¹	-3,451	-2,902
Total cost of goods sold	-40,581	-39,192

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

Note 22 Sales and marketing expenses

	2014	2013
	EUR '000	EUR '000
Advertising, merchandising, marketing and product development	-704	-734
Transportation and logistics services	-1,608	-1,587
Staff costs (Note 24)	-676	-672
Rent of warehouse premises	-15	0
Depreciation and amortisation (Note 25)	-135	-134
Utilities	-117	-126
Other lease expenses (excl. warehouse premises and cars)	-33	-39
Other sales and marketing expenses ¹	-310	-307
Total sales and marketing expenses	-3,598	-3,599

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

Note 23 General and administrative expenses

	2014	2013
	EUR '000	EUR '000
Staff costs (Note 24)	-1,067	-1,221
Depreciation and amortisation (Note 25)	-57	-83
Consulting and advisory services	-820	-135
Information and communication services	-75	-55
Legal services	-161	-31
Transportation expenses	-81	-116
Business trips and costs of entertaining guests	-59	-74
Other general and administrative expenses 1	-235	-222
Total general and administrative expenses	-2,555	-1,937

¹ Other general and administrative expenses include subcontracted services, advisory fees, IT expenses, staff-related costs and other expenses.

Note 24 Staff costs

	2014	2013
	EUR '000	EUR '000
Wages and salaries	-4,004	-3,862
Social security tax and other labour taxes	-1,092	-1,038
Option programme expense	0	-20
Total staff costs (Notes 21, 22, 23)	-5,096	-4,920
Number of employees at end of the period	223	212
<u>Average number of employees during the year</u>	<u>217</u>	<u>197</u>

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".

Note 25 Depreciation and amortisation

	2014	2013
	EUR '000	EUR '000
Depreciation (Note 12)	-1,036	-995
Amortisation (Note 13)	-94	-116
Total depreciation and amortisation (Notes 21, 22, 23)	-1,130	-1,111

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

Note 26 Other income and expenses

	2014	2013
	EUR '000	EUR '000
Gain/loss on disposal and write-off of non-current assets	0	-8
Income from government grants (Note 18)	192	202
Insurance compensation	46	22
Claim for compensation	751	462
Other income	206	218
Other expenses	-364	-95
Total other income/expenses	831	801

Note 27 Finance income and costs

	2014	2013
	EUR '000	EUR '000
Interest income	66	0
Other finance income	21	0
Foreign exchange gains / losses	-349	-623
Interest expenses	-264	-301
Other finance costs	-231	-7
Total	-757	-931

Note 28 Income tax expenses

	2014	2013
	EUR '000	EUR '000
Profit (loss) before tax (consolidated)	379	-1,668
Income tax calculated at applicable tax rates	101	-334
<i>Impact to calculated income tax of:</i>		
income tax expense on dividends	103	103
expenses not deductible from taxable income (+)	14	247
tax-free income and tax incentives	-2	0
tax losses used (-)	-75	0
tax losses carried forward (+)	65	88
Income tax expense / -income	206	105
Deferred income tax expense / -income (Note 10)	-70	11
Effect on income statement	136	116

Negative accounting tax loss is primarily attributable to the revaluation of biological assets.

Note 29 Earnings per share

Earnings per share have been calculated by dividing the net profit attributable to the shareholders of the Parent Company by the average number of shares for the period.

	2014	2013
Net profit (loss) attributable to equity holders of the company EUR '000	-2,814	948
Average number of shares (in thousand)	38,683	38,683
Earnings (loss) per share (EUR)	-0.07	0.02

As the effect of potential ordinary shares is insignificant, the diluted earnings per share equal basic earnings per share. As at 31 December 2014, the company had 38,682,860 shares (31.12.2013: 38,682,860). See also Note 19.

Note 30 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 board of group entities
- close family members of the persons mentioned above and the companies related to them

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In the financial year, group entities have performed purchase and sales transactions as follows (see also Note 17):

Party	Type of transaction	2014 Purchase	2014 Sale	2013 Purchase	2013 Sale
EUR '000					
Companies related to members of the Management and Supervisory Board	services	525	2	54	2
	Total	525	2	54	2

Management estimates that all related party transactions have been concluded at market prices and at market conditions.

As at the balance sheet date, there were no receivables from related parties. As at the balance sheet date, the balances of the Group's payables to related parties were as follows:

Company	Creditor	Payables and prepayments	Payable as at 31.12.2014	Payable as at 31.12.2013
			EUR '000	EUR '000
Vettel OÜ	Nõukogu- ja juhatuse liikmetega seotud ettevõtted	Trade payables (Note 17)	0	1
	Total		0	1

Remuneration of the members of the Management and Supervisory Boards of AS PRFoods and its subsidiaries and other key members of the management team:

	2014 EUR '000	2013 EUR '000
Short-term benefits	776	847
Termination benefits	0	35
Total	776	882

The members of the Management and Supervisory Boards are not entitled to any pension-related rights from the Company. The members of the Management Board are entitled to termination benefits. The maximum expense related to payment of termination benefits totals EUR 167 thousand (2013: EUR 121 thousand).

Note 31 Discontinued operations

On 06.10.2014, AS PRFoods, Nordic Foods Holding OÜ and Shiner Macost Ltd entered into agreements for the sale of shares whereby AS PRFoods sold 100% of the shares of the subsidiaries of AS PRFoods, AB Premia KPC and OOO Hladokombinat No 1, and the Russian trademarks owned by AS PRFoods to Nordic Foods Holding OÜ and Shiner Macost Ltd. As a result of the described transaction AS PRFoods sold its entire ice cream and frozen goods business in the Baltic States and Russia.

The general meeting of shareholders held on 30.10.2014 approved the sales transaction of the major subsidiary of AS PRFoods, AB Premia KPC, in accordance with the terms of the sales transaction of the major subsidiary of AS PRFoods, which were made available to the shareholders at the time that the extraordinary meeting of shareholders was called.

On 31.10.2014, the transaction of the sale of the business units in the Baltic States described above, in addition to the Russian trademarks owned by AS PRFoods, was completed. The sales transaction involving OOO Hladokombinat No 1 shares was completed on 10.11.2014.

The ice cream and frozen goods business segment is presented in these financial statements as discontinued operations.

Consolidated income statement of discontinued operations

	2014	2013
	EUR '000	EUR '000
Discontinued operations		
Sales	50,633	56,173
Cost of goods sold	-32,326	-36,740
Gross profit	18,307	19,433
Operating expenses	-14,375	-17,125
Selling and distribution exp	-12,516	-14,787
Administrative expenses	-1,859	-2,338
Other income/expenses	-293	-287
Operating profit	3,639	2,022
Financial income	205	4
Financial expenses	-140	-230
Profit before tax	3,704	1,795
Income tax	8	21
Profit from discontinued operations	3,712	1,816
Loss on disposal of subsidiaries	-5,023	0
Net profit (loss) for the year from discontinuing operations	-1,310	1,816

Assets and liabilities of discontinued operations

EUR '000	Assets and liabilities at date of disposal	31.12.2013	Note
ASSETS			
Cash and cash equivalents	993	343	
Receivables and prepayments	5,808	4,529	(Note 6)
Inventories	5,534	5,325	(Note 7)
Total current assets	12,335	10,198	
Deferred income tax	361	369	(Note 10)
Long-term financial investments	6,966	0	
Investments property	2,084	2,084	(Note 11)
Tangible fixed assets	6,004	5,971	(Note 12)
Intangible assets	16,361	16,166	(Note 13)
Total non-current assets	31,776	24,590	
TOTAL ASSETS	44,111	34,788	
EQUITY AND LIABILITIES			
Loans and borrowings	1,656	2,145	(Note 16)
Finance lease liabilities	490	436	(Note 14)
Payables	6,593	5,383	(Note 17)
Total current liabilities	8,739	7,965	
Loans and borrowings	2,266	0	(Note 16)
Finance lease liabilities	1,136	1,077	(Note 14)
Deferred tax liabilities	126	114	(Note 10)
Total non-current liabilities	3,528	1,191	
TOTAL LIABILITIES	12,267	9,155	
Net assets of discontinued operations	31,844	25,632	

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Purchasing analysis	EUR '000
Disposal of subsidiaries	Total
Net assets of disposed subsidiaries	31 844
Sales price	27 109
Discounted to present value	-288
Loss on disposal of subsidiaries	5 023
Proceeds from sale of ownership	
Proceeds from the sale up to 31.12.2014	19 109
Cash on bank accounts of disposed subsidiaries	-993
Offsetting with bank loans and intra group payables	-12 188
Total cash proceeds from sale of ownership up to 31.12.2014	5 928

The price of the sale transaction amounts to a total of 27,109 thousand euros. Parties have agreed that the purchase price will be paid in three instalments as follows:

- 19,109 thousand euros of the purchase price was paid at the closing of the transaction;
- 4,000 thousand euros of the purchase price will be paid after the expiry of 6 months from the closing date of the transaction;
- 4,000 thousand euros of the purchase price will be paid after the expiry of 12 months from the closing date of the transaction.

The receivable of 8,000 thousand euros is presented at discounted present value. The negative impact of discounting on the result of the sale transaction is 288 thousand euros in total.

The receivables of the second and third instalments of AS PRFoods are guaranteed by Shiner Macost Ltd, the pledge of shares in Nordic Foods Holding AS and a mortgage on registered real estate belonging to Premia Tallinna Külmoone AS (located at Peterburi tee 42, 42a, 42b and 42c).

Note 32 Events after the balance sheet date

Changes in the governing bodies of AS PRFoods and its subsidiary

At 12.12.2014, Silver Kaur, Member of the Management Board of AS PRFoods, submitted to the Supervisory Board of AS PRFoods the notice of his resignation from the Management Board. The date of resignation was 31.12.2014.

At 21.01.2015, Members of the Management Board of AS PRFoods Katre Kõvask (Chairman of the Management Board) and Erik Haavamäe submitted notices of their resignation to the Supervisory Board of AS PRFoods. Both of the members of the Management Board resigned from the Management Board at 01.02.2015.

The resignation of the members of the Management Board of AS PRFoods was agreed in the course of negotiations of the sale of the ice cream and frozen goods business in Russia and the Baltic States. As a result of the resignation of the members of the Management Board, Indrek Kasela, Chairman of the Supervisory Board, also resigned from the Supervisory Board of AS PRFoods in order to assume the role in the day-to-day management of AS PRFoods as Chairman of the Management Board. Indrek Kasela submitted the relevant notice of resignation addressed to the general meeting of AS PRFoods to the Management Board of AS PRFoods at 23.01.2015. The date of resignation of Indrek Kasela was 31.12.2014. Indrek Kasela assumed the position of Chairman of the Management Board of AS PRFoods and Lauri Kustaa Äimä assumed the position of Chairman of the Supervisory Board at 02.02.2015.

As a result of changes in the governing bodies of the parent company of the AS PRFoods group, Katre Kõvask and Erik Haavamäe were also removed from the governing bodies of the subsidiaries of the group. Both of the former executives Katre Kõvask and Erik Haavamäe were members of the Supervisory Board of subsidiaries Saaremere Kala AS and Vettel OÜ. All of the members of the Supervisory Board of Saaremere Kala AS were removed and the Supervisory Board is now comprised of three members: Indrek Kasela, Lauri Kustaa Äimä and Kuldar Leis. The Supervisory Board of Vettel OÜ is now also comprised of three members and the members are Indrek Kasela (who continues in his current role as member of the Supervisory Board) and Lauri Kustaa Äimä and Margus Rebane are replacing the former members Katre Kõvask and Erik Haavamäe.

In addition to the changes made in the governing bodies of the Estonian entities, Katre Kõvask and Erik Haavamäe were removed from the Management Board of the Finnish subsidiary Heimon Kala Oy. Effective from 02.02.2015, the Management Board of Heimon Kala Oy will consist of two members and the members are Indrek Kasela and Margus Rebane.

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

	31.12.2014	31.12.2013
	EUR '000	EUR '000
Cash	3,011	0
Short-term financial investments	1,886	2,605
Receivables and prepayments	11,264	3,296
Total current assets	16,161	5,901
Investments in subsidiaries	10,378	36,372
Long-term financial investments	3,306	6,222
Property, plant and equipment	16	142
Intangible assets	0	838
Total non-current assets	13,700	43,574
Total assets	29,861	49,475
Loans	22	3,353
Payables and prepayments	571	5,763
Total current liabilities	593	9,116
Loans	0	7,035
Total non-current liabilities	0	7,035
Total liabilities	593	16,151
Share capital	19,342	19,342
Share premium	16,026	16,026
Statutory capital reserve	6	68
Treasury shares	-117	0
Retained losses	-5,989	-2,112
Total equity	29,268	33,324
Total liabilities and equity	29,861	49,475

Statement of comprehensive income

	2014	2013
	EUR '000	EUR '000
Revenue	296	422
Cost of goods sold	0	-1
Gross profit	296	421
Sales and marketing expenses	0	-4
Administrative and general expenses	-1,699	-945
Other income/expenses	-222	4
Operating loss	-1,625	-524
Gain (loss) on subsidiaries and associates	-1,903	0
Finance income	852	988
Finance costs	-836	-987
Loss before income tax	-3,512	-523
Income tax	-40	-103
Net loss for the period	-3,552	-626
Total comprehensive loss	-3,552	-626

Cash flow statement

	2014	2013
	EUR '000	EUR '000
Cash flows from operating activities		
Net loss	-3,552	-626
<i>Adjustments:</i>		
Depreciation	81	93
Loss on sale and write off of fixed assets	8	1
Loss on disposal of subsidiaries	1,914	0
Income from associates	-11	0
Other non-cash items	-74	13
Changes in receivables and prepayments	34	-103
Changes in payables and prepayments	139	130
Corporate income tax paid	-40	-102
Net cash used in operating activities	-1,501	-594
Cash flows from investing activities		
Sale of tangible and intangible fixed assets	90	48
Purchase of tangible and intangible fixed assets	-9	-22
Sales of subsidiaries	6,921	0
Change in cash pool account	-1,656	-546
Loans granted	-748	-869
Repayments of loans granted	1,501	1,613
Dividends received	237	0
Interests received	423	851
Net cash used in investing activities	6,759	1,075
Cash flows from financing activities		
Change in overdraft	-1,835	-24
Change in cash pool account	2,032	1,946
Repayments of loans	-1,244	-1,492
Capital lease repayments	-101	-78
Own shares buy-back	-117	0
Dividends paid	-387	-387
Interest paid	-595	-444
Net cash generated from financing activities	-2,247	-479
Total cash flow	3,011	2
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of year	0	0
Net change in cash and cash equivalents	3,011	2
Foreign exchange losses	0	-2
Cash and cash equivalents at the end of the period	3,011	0

Statement of changes in equity

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

EUR '000

	Share capital	Share premium	Own shares	Statutory capital reserve	Other reserve	Retained earnings	Total equity
Balance at 31 December 2012	19,342	16,026	0	6	42	-1,099	34,317
Carrying amount of interests under control and significant influence							-33,239
Value of interests under control and significant influence under the equity method							35,376
Adjusted unconsolidated equity at 31 December 2012							36,454
Fair value cost of option programme	0	0	0	0	20	0	20
Dividends	0	0	0	0	0	-387	-387
Comprehensive expense for reporting period	0	0	0	0	0	-626	-626
Total change	0	0	0	0	20	-1,013	-993
Balance at 31 December 2013	19,342	16,026	0	6	62	-2,112	33,324
Carrying amount of interests under control and significant influence							-36,372
Value of interests under control and significant influence under the equity method							40,345
Adjusted unconsolidated equity at 31 December 2013							37,297
Share option programme	0	0	0	0	-62	62	0
The own shares repurchase program	0	0	-117	0	0	0	-117
Dividends	0	0	0	0	0	-387	-387
Comprehensive expense for reporting period	0	0	0	0	0	-3,552	-3,552
Total change	0	0	-117	0	-62	-3,877	-4,056
Balance at 31 December 2014	19,342	16,026	-117	6	0	-5,989	29,268
Carrying amount of interests under control and significant influence							-10,378
Value of interests under control and significant influence under the equity method							14,782
Adjusted unconsolidated equity at 31 December 2014							33,672

Statement of the Management and Supervisory Boards

The Management Board has prepared the management report and consolidated financial statements of AS PRFoods for the year ended 31 December 2014.

Member of the Management Board Indrek Kasela April 9, 2015

The Supervisory Board of AS PRFoods has reviewed the annual report prepared by the Management Board which consists of the management report, consolidated financial statements, profit allocation proposal of the Management Board and independent auditor's report, and approved it for presentation at the General Meeting of Shareholders.

Chairman of the Supervisory Board Lauri Kustaa Äimä April , 2015

Vice-Chairman of the Supervisory Board Kuldar Leis April , 2015

Member of the Supervisory Board Harvey Sawikin April , 2015

Member of the Supervisory Board Aavo Kokk April , 2015

Member of the Supervisory Board Jaakko Karo April , 2015

Member of the Supervisory Board Arko Kadajane April , 2015



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS PRFoods (former name AS Premia Foods)

We have audited the accompanying consolidated financial statements of AS PRFoods (former name AS Premia Foods) and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, cash flow statement and statement of changes in equity for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS PRFoods (former name AS Premia Foods) and its subsidiaries as of 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Ago Vilu'.

Ago Vilu
Auditor's Certificate No. 325

A handwritten signature in blue ink, appearing to read 'Lauri Past'.

Lauri Past
Auditor's Certificate No. 567

9 April 2015

** 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.*

LOSS ALLOCATION PROPOSAL

As at 31.12.2014, the retained earnings of AS PRFoods Group totalled EUR 2,026 thousand.

The Management Board of AS PRFoods proposes to the General Meeting of Shareholders to reduce Retained Earnings by the amount of the Net loss for the financial year.

Member of the Management Board

Indrek Kasela

..... April 9, 2015

