

PRFOODS

AS PRFoods

Consolidated Unaudited Interim Report
for 1st quarter of 2016

(translation from Estonian original)

20.05.2016

2016 | Q1

P R F O O D S

Business name	AS PRFoods
Commercial register number	1150713
Address	Viru 19, 10140 Tallinn, Estonia
Phone	+372 603 3800
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Website	prfoods.ee
Main activities	Production and sale of fish products Fish farming
Reporting period	1 January 2016– 31 March 2016
Auditor	AS PricewaterhouseCoopers

TABLE OF CONTENTS

CORPORATE PROFILE.....	4
MANAGEMENT REPORT	7
DESCRIPTION OF MAIN RISKS OF THE GROUP	20
SHAREHOLDER INFORMATION	22
MANAGEMENT AND SUPERVISORY BOARD	22
SHARE AND SHAREHOLDERS	23
CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	27
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	27
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	28
CONSOLIDATED CASH FLOW STATEMENT	29
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	30
NOTES TO THE INTERIM REPORT	31
NOTE 1. SUMMARY OF MATERIAL ACCOUNTING POLICIES	31
NOTE 2. CASH AND CASH EQUIVALENTS	32
NOTE 3. RECEIVABLES AND PREPAYMENTS.....	32
NOTE 4. INVENTORIES.....	32
NOTE 5. BIOLOGICAL ASSETS	33
NOTE 6. PROPERTY, PLANT AND EQUIPMENT	34
NOTE 7. INTANGIBLE ASSETS.....	34
NOTE 8. FINANCE LEASE.....	35
NOTE 9. BORROWINGS	36
NOTE 10. PAYABLES AND PREPAYMENTS	36
NOTE 11. GOVERNMENT GRANTS.....	36
NOTE 12. EQUITY	37
NOTE 13. SEGMENT REPORTING.....	38
NOTE 14. COST OF GOODS SOLD	38
NOTE 15. RELATED PARTY TRANSACTIONS	39
NOTE 16. CONTINGENT LIABILITIES.....	40
NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE.....	40
MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT FOR THE 1 ST QUARTER OF 2016	41

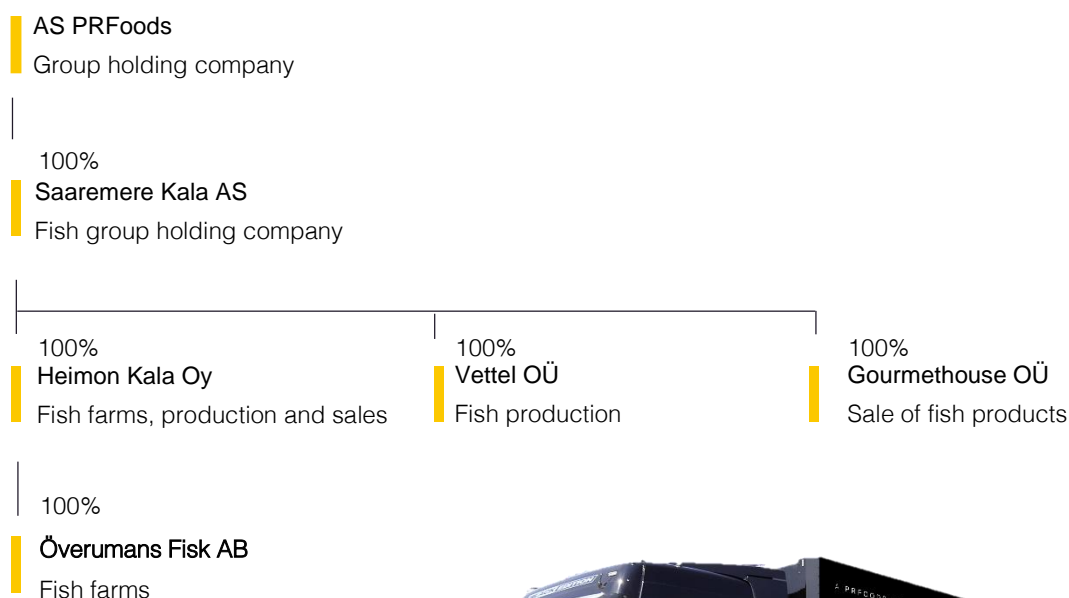
Corporate profile

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

AS PRFoods key market is Finland, where the company is amongst three largest brands. The Group is the biggest fish manufacturer in Estonia. Last year the Group started substantial export outside of Europe to Japan.

Main activity of the Group is fish manufacturing in contemporary production buildings in Renko (Finland) and in Saaremaa (Estonia). Main products are salmon and rainbow trout goods. Approximately 1/3 of the Group fish farms are located in Swedish lakes and in Finland in the area of Turku Archipelago, which assures high quality and reliable delivery. The Group is primarily farming rainbow trout and to a lesser extent whitefish.

Residual 2/3 of the fresh fish, prevalently salmon, is bought from Norway and Denmark. On a smaller scale company also buys in perch, pike, herring, vendace (freshwater whitefish) and Baltic herring.



The most significant trademarks of PRFoods are "Heimon Gourmet" and "Saaristomeren". The Group's other trademarks include "Gurmé" and "Polar Fish", which are marketed in the Baltic States.



MISSION

We wish for people to enjoy our range of products and healthy food. 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.

FUTURE PLANS AND INTENTIONS

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

Additional information about the Group's various risks and assessments and their possible impact on estimated future events is provided in Chapter "Description of main risks of the group". In addition, it includes risk factors that are related to the price volatility of raw fish, impact of re-valuation of biological assets on the company's financial results, diseases that are putting live fish at risk, risks related to weather conditions, environmental risks, risks involved in trade restrictions, risks related to taxation and accounting, reputation risks and legislation risks as well as the political events that are influencing the whole world.

Legislative risks are related to various provisions and articles of the legislation of the business sector of fish industry, including strict regulations imposed on food safety, and laws, competition and anti-corruption rules targeted at water harvesting production and processing as well as other prescriptions not listed above that must be observed.

In drawing up future plans and intentions, the management of PRFoods is taking into account the information it is aware of at the time, based on available information and its best intentions. Actual results may differ significantly from plans because there are many different factors, variables, risks and insecurity which impact their realization.

P R F O O D S

Management Report

Management Report

OVERVIEW OF THE ECONOMIC ACTIVITIES

MANAGEMENT COMMENTARY

The financial results of Q1 2016 are satisfying. In spite of the fact that the Company lost several private labels and HoReCa products from its product portfolio, we managed to keep quarter sales on the same level with the same period on previous year. Price surge of salmon has not yet been transferred to end products since correction of prices in retail market are with inertia, therefore correction of end prices should take place in the second half of the year. The Company's profit before taxes and amortization (EBITDA) improved by half at the same time compared to the same period in previous year. The Group balance sheet is strong which helps us resist unsteady market situation. Additionally, the Company extended the overdraft contract in SEB Bank by a year. The Group has not included any foreign resources or bank loans in its financing activities.

The Group management is sparingly optimistic with the financial year of 2016. The biggest risk is increase in salmon prices, which is a result of deficiency in the international market. Increase in salmon prices remains limited, though, while all of the offerors, including retail market, are forced to increase prices. The main question is how long will the salmon deficiency continue. As a result of problems in Chilean fish farms, the availability of salmon in the world market is estimated to be 10-15 % less on current year. On the other hand, PRFoods sees the current market situation as a beneficial possibility while the second main product of the Group fish breeding, the rainbow trout, has turned out to be more competitive. Rainbow trout is cheaper than salmon and as the salmon grows more expensive the clients will buy cheaper alternatives, including the rainbow trout.

UNAUDITED FINANCIAL RESULTS OF AS PRFOODS, THE 1ST QUARTER OF 2016 COMPARED TO THE 1ST QUARTER OF 2015

- Unaudited consolidated revenue 10.2 million euros, decrease -0.06 million euros, i.e. -0.6%.
- Gross margin 9.5%, decrease -2.6 percentage points.
- Negative impact from revaluation of biological assets -0.4 million euros (1st quarter 2015: negative impact of -1.0 million euros).
- EBITDA from operations 0.2 million euros, decrease -0.2 million euros, i.e. -47.6%.
- EBITDA -0.2 million euros, improvement 0.4 million euros, i.e. 63.2%.
- The operating loss -0.5 million euros, improvement 0.4 million euros, i.e. 39.8%.
- Net loss -0.5 million euros, improvement 0.08 million euros, i.e. 13.9%.

SUMMARY OF FINANCIAL RESULTS: THE 1ST QUARTER OF 2016 COMPARED TO THE 1ST QUARTER OF 2015

EUR mln	Q1 2016	Q1 2015	Change EUR mln	Q1 16 / Q1 15	Q1
Sales	10.2	10.3	-0.1	-0.6%	▼
Gross profit	1.0	1.3	-0.3	-22.2%	▼
EBITDA from operations	0.2	0.4	-0.2	-47.6%	▼
EBITDA	-0.2	-0.6	0.4	63.2%	▲
EBIT	-0.5	-0.9	0.4	39.8%	▲
Net loss	-0.46	-0.54	0.08	13.9%	▲



KEY RATIOS				
Profit & Loss, EUR mln	formula / comment	Q1 2016	Q1 2015	12m 2015
Sales		10.2	10.3	50.3
Gross profit		1.0	1.3	6.8
EBITDA from operations	before one-offs and fair value adjustment	0.2	0.4	2.9
EBITDA	profit (-loss) before interest, tax, depreciation and amortisation	-0.2	-0.6	2.0
EBIT	operating profit (-loss)	-0.5	-0.9	0.9
EBT	Profit (-loss) before tax	-0.6	-0.8	1.1
Net profit (-loss)		-0.5	-0.5	1.2
Gross margin	Gross profit / Net sales	9.5%	12.2%	13.5%
Operational EBITDA margin	EBITDA from operations/Net sales	2.1%	4.1%	5.8%
EBITDA margin	EBITDA /Net sales	-2.2%	-5.9%	4.0%
EBIT margin	EBIT / Net sales	-5.2%	-8.6%	1.7%
EBT margin	EBT / Net sales	-5.5%	-7.4%	2.1%
Net margin	Net earnings / Net sales	-4.5%	-5.2%	2.3%
Operating expense ratio	Operating expenses / Net sales	10.5%	11.3%	10.8%
Balance Sheet, EUR mln	formula	31.03.2016	31.03.2015	31.12.2015
Net debt	Short and Long term Loans and Borrowings - Cash	-3.1	-3.3	-0.6
Equity		22.7	33.1	23.2
Working capital	Current Assets - Current Liabilities	11.0	21.6	11.4
Assets		28.6	39.5	29.5
Liquidity ratio	Current Assets / Current Liabilities	3.7	5.5	3.7
Equity ratio	Equity / Total Assets	79.4%	83.9%	78.8%
Gearing ratio	Net Debt / (Equity + Net Debt)	-15.7%	-11.0%	-2.5%
Net debt-to-EBITDA	Net Debt / EBITDA from operations for the trailing 12 months period	-1.1	-11.2	-0.2
ROE	Net Earnings for the trailing 12 months period / Average Equity	4.5%	-3.2%	4.1%
ROA	Net Earnings for the trailing 12 months period / Average Assets	3.7%	-2.1%	3.4%

CASH POSITION

LIQUIDITY AND SOLVENCY RATIOS				
Ratio	formula	31.03.2016	31.03.2015	31.12.2015
Liquidity ratio	Current Assets / Current Liabilities	3.7	5.5	3.7
Net debt-to-EBITDA	Net Debt / EBITDA from operations for the trailing 12 months period	-1.1	-11.2	-0.2
Debt to total assets	Debt / Total Assets	0.2	0.2	0.2
Equity ratio	Equity / Total Assets	79.4%	83.9%	78.8%
Gearing ratio	Net Debt / (Equity + Net Debt)	-15.7%	-11.0%	-2.5%

At the end of the reporting period the Group had financial funds in the amount of 4.4 million euros (15.3% of the balance sheet volume). As of 31.03.2015, the balance of the financial funds were 4.0 million euros (10.1% of the balance sheet volume). The Company's ability to meet payments is continually good and the financial risk is low. The working capital consisted of 11.0 million euros (31.03.2015: 21.6 million euros).

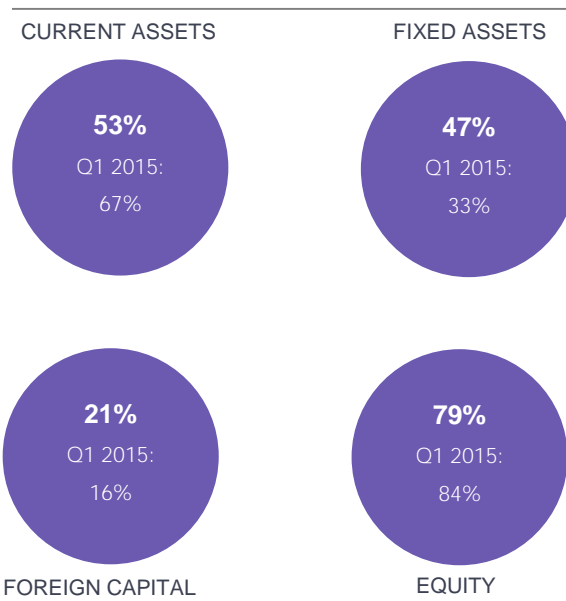
The current ratio showing short-term ability to meet payments was 3.7 as of 31.03.2016 (31.03.2015: 5.5). Net debt was -3.1 million euros as of the closing date (31.03.2015: -3.3 million euros).

Financial gearing showing net debt ratio to gross capital was -15.7% as of 31.03.2016 (31.03.2015: -11.0%). Net debt to EBITDA ratio was -1.1 as of 31.03.2016 (31.03.2015: -11.2). The Group strong balance sheet gives a good position and a hold out to the market fluctuations.

BALANCE SHEET ANALYSIS



AS OF THE END OF THE 1ST QUARTER:



The Group consolidated balance sheet total was 28.6 million euros as of 31.03.2016, decreasing by -10.9 million euros within a year i.e. -27.5%. Decrease in the volume of balance sheet is caused by the decrease in share capital by -11.6 million euros in the end of previous year.

Company's total current assets were 15.0 million euros as of 31.03.2016 and the balance of cash and bank accounts was 4.4 million euros.

Accounts receivable and prepayments decreased -8.9 million euros within a year which is related to outstanding instalments from the sales of daughter companies. The balance of outstanding instalments as of 31.03.2016 was 8.0 million euros.

Inventories have decreased by -1.6 million euros year-on-year due to the decision that purchasing of raw fish in the same volume was not reasonable because of the changed market situation.

Biological assets decreased compared with the same period in previous year by -1.1 million euros because of the changes in production strategy.

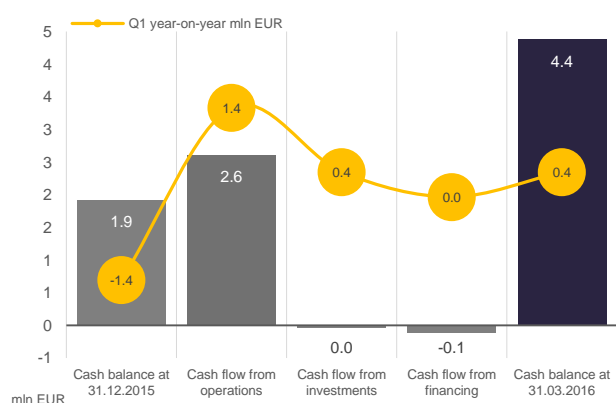
Non-current assets have increased by 0.5 million euros within a year, primarily due to the increase of tangible investment.

Accounts payable and prepayments amounted to 3.6 million euros as of 31.03.2016 (31.03.2015: 4.4 million euros), which have decreased by -0.8 million euros i.e. -18.0% compared with the same period in previous year.

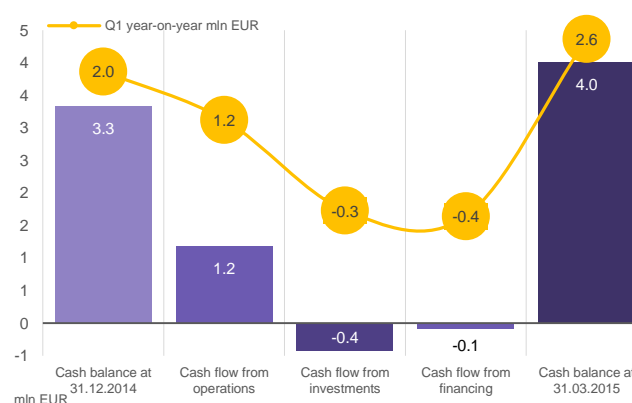
The equity of PRFoods was 22.7 million euros as of 31.03.2016 (79.4% of the balance sheet volume). As of 31.03.2015 the equity was 33.1 million euros (83.9% of the balance sheet volume). The Company's registered share capital as of 31.03.2016 was 7.7 million euros (31.03.2015: 19.3 million euros), decreasing in total of -11.6 million euros. The reduction of the share capital and the related changes were entered in the Business Register on 2 October 2015. The reduction of share capital was related to the adjustment of the Group's capital structure with the goal of bringing the return on equity and other ratios to a more adequate level.

CASH FLOWS

CHANGE IN CASH AND CASH EQUIVALENTS Q1 2016



CHANGE IN CASH AND CASH EQUIVALENTS Q1 2015



The change in Group cash and cash equivalents for Q1 2016 was 2.5 million euros (Q1 2015: 0.7 million euros).

Cash flow from operating activities in Q1 2016 was 2.6 million euros (Q1 2015: 1.2 million euros), increasing compared to the same period in previous year by more than twice - by 1.4 million euros i.e. 122.7%. Cash flow from operating activities was most influenced by the decrease of biological assets in the amount of 2.0 million euros and decrease of receivables in the amount of 1.2 million euros.

Cash flow from investments was 0.0 million euros (Q1 of 2015: -0.4 million euros) and cash flow from financing was -0.1 million euros (Q1 2015: -0.1 million euros).

At present the Group has not used bank loans for financing.

INVESTMENTS

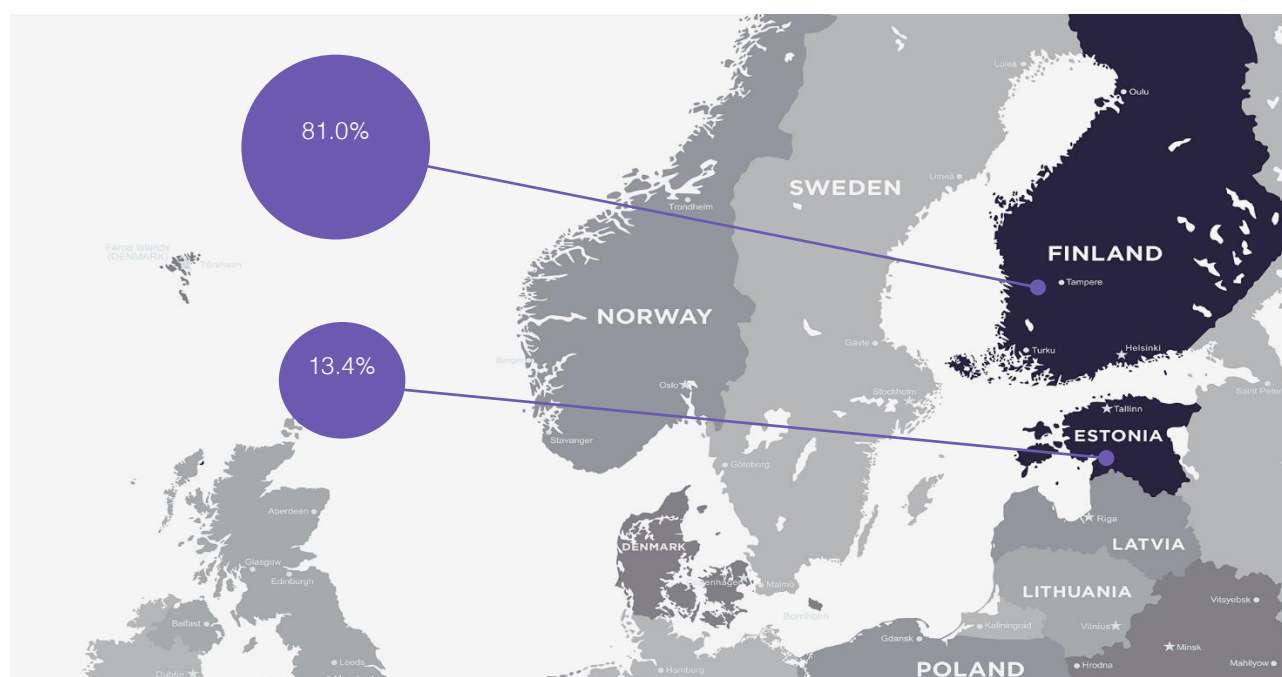
Investments in fixed assets and intangible assets during Q1 2016 were less than usual volume, amounting to 50 thousand euros (Q1 2015: 417 thousand euros). Aquaculture machines and a small van were bought to the fish farming subsidiary located in Sweden.

Larger investments are planned for the second half of the year. The Group is planning to buy packing machines to the fish processing factory located in Finland and **ITM automatic trimming robot** to the factory located in Saaremaa. The volume of investments planned for 2016 is 700 thousand euros.

REVENUE

The main products of the Group are salmon and rainbow trout goods. The Company is mainly known as a seller of fresh fish in Estonia and also the biggest supplier of fish roe in Estonian stores. Last year the Group started marketing fish roe to Japan, where sales volumes are expected to increase in current year.

Export turnover decreased by 0.5 million euros i.e. -5.8% in Q1 2016. Export share of total turnover decreased compared to the same period in previous year in total of -4.7 percentage points. The reason for decrease is the shrinkage of turnover in Finland target market in total amount of 1.0 million euros.



THE SHARE OF TURNOVER IN KEY GEOGRAPHIC AREAS Q1 2016

EUR mln	Q1 2016	Share %	Q1 2015	Share %	Change EUR mln	Q1 16 / Q1 15	Q1
Finland	8.3	81.0%	9.3	90.1%	-0.99	-10.6%	▼
Estonia	1.4	13.4%	0.9	8.7%	0.48	54.1%	▲
Other	0.6	5.6%	0.1	1.3%	0.44	331.6%	▲
Total	10.2	100.0%	10.3	100.0%	-0.06	-0.6%	▼

Finnish revenue decreased by 1.0 million euros i.e. -10.6% which is a result of the loss of several Private Label and HoReCa products. The decrease was slightly compensated by orders from couple of new clients. Finnish market revenue has decreased by -9.1 percentage points compared to the previous period and accounted 81.0% of the total revenue of Q1 2016.

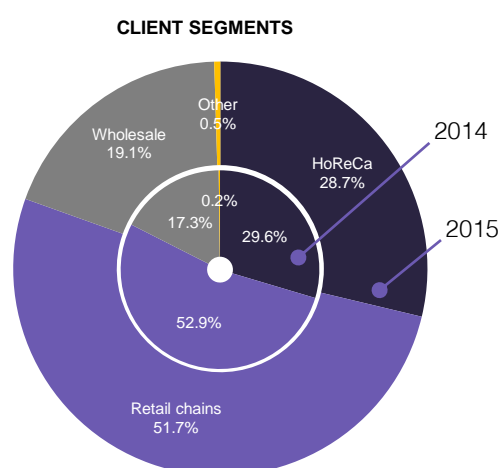
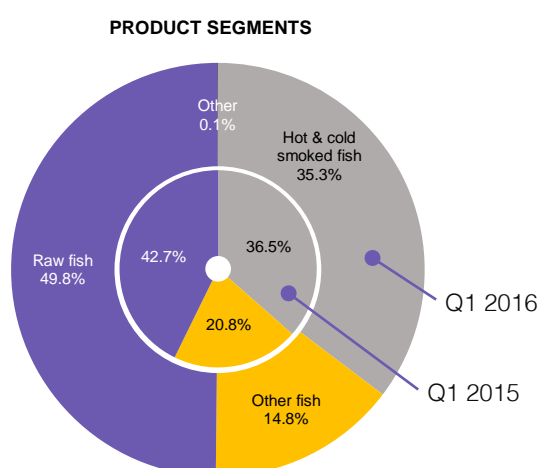
The biggest increase in Q1 2016 came from Estonian market in total of 0.5 million euros. As a result the share of Estonian revenue from total revenue has increased by +4.8 percentage points compared to the same period in previous year. In

PRFOODS

other countries, mostly in Latvia, the revenue increased by 0.4 million euros. The increase of Estonia's and Latvia's market's revenue has mostly been affected by successful fresh fish and fish fillet's marketing.

PRODUCT SEGMENTS							
EUR mln	Q1 2016	Share %	Q1 2015	Share %	Change EUR mln	Q1 16 / Q1 15	Q1
Hot & cold smoked fish	3.6	35.3%	3.8	36.5%	-0.14	-3.8%	▼
Other fish	1.5	14.8%	2.1	20.8%	-0.62	-29.0%	▼
Raw fish	5.1	49.8%	4.4	42.7%	0.69	15.8%	▲
Other	0.0	0.1%	0.0	0.0%	0.01	n/a	
Total	10.2	100.0%	10.3	100.0%	-0.06	-0.6%	▼

The biggest increase in revenue came from raw fish and fillets product group, increasing 0.7 million euros i.e. +15.8%. The biggest decrease in revenue came from other fish products group, decreasing -0.6 million euros i.e. -29.0%. The revenue from smoked products group decreased by -3.8%.



CLIENTS SEGMENTS							
EUR mln	Q1 2016	Share %	Q1 2015	Share %	Change EUR mln	Q1 16 / Q1 15	Q1
HoReCa	2.9	28.7%	3.0	29.54%	-0.10	-3.3%	▼
Retail chains	5.3	51.7%	5.5	52.92%	-0.15	-2.8%	▼
Wholesale	2.0	19.1%	1.8	17.33%	0.17	9.3%	▲
Other retail	0.0	0.5%	0.0	0.21%	0.03	120.3%	▲
Total	10.2	100.0%	10.3	100.00%	-0.06	-0.6%	▼

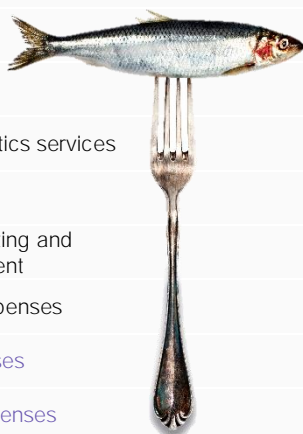
According to the client segments revenue in wholesale sector increased by +9.3% and decreased in both HoReCa and retail chains sector -3.3% and -2.8%, respectfully.

COST ANALYSIS

Sales revenue decreased by -0.06 million euros i.e. -0.6% in Q1 2016. During the same period cost of goods sold increased by 0.22 million euros i.e. 2.4% and its percentage from the revenue increased 2.7 percentage points compared to the same period in 2015.

Main proportion, more than 80%, of costs of goods sold constitutes of raw material (raw fish). The rest is mainly packaging and fish feed costs. The increase in costs of goods sold is due to the increase of raw fish market price. The average market price of salmon increased by 30.8% in Q1 2016 and the average market price of trout increased by 0.2% compared to the same period in 2015.

	Q1 2016	Q1 2015	change		Q1 2016	Q1 2015	change	
	EUR mln	EUR mln	EUR mln	Q1	as % of sales	as % of sales	as % of sales	Q1
Sales	10.24	10.30	- 0.06	▼	100.00%	100.00%		
Cost of goods sold	- 9.26	- 9.04	- 0.22	▼	90.45%	87.81%	-2.64%	▼
materials in production and cost of goods purchased for resale	- 7.46	- 7.23	- 0.23	▼	72.93%	70.18%	-2.75%	▼
labour costs	- 0.76	- 0.76	- 0.00		7.46%	7.41%	-0.05%	▼
depreciation	- 0.26	- 0.23	- 0.03	▼	2.49%	2.24%	-0.25%	▼
other cost of goods sold	- 0.78	- 0.82	0.04	▲	7.57%	7.98%	0.41%	▲
Operating expenses	- 1.08	- 1.17	0.09	▲	10.54%	11.34%	0.80%	▲
labour costs	- 0.39	- 0.37	- 0.02	▼	3.80%	3.64%	-0.16%	▼
transport and logistics services	- 0.40	- 0.38	- 0.02	▼	3.93%	3.72%	-0.21%	▼
depreciation	- 0.05	- 0.05	0.00		0.53%	0.46%	-0.07%	▼
advertising, marketing and product development	- 0.04	- 0.16	0.12	▲	0.40%	1.52%	1.12%	▲
other operating expenses	- 0.20	- 0.21	0.01	▲	1.88%	2.00%	0.12%	▲
Other income/expenses	0.01	0.05	- 0.04	▼	0.12%	0.53%	-0.41%	▼
Financial income/expenses	-0.03	0.12	-0.15	▼	-0.31%	1.16%	-1.47%	▼



Salary costs of production and fish farm personnel accounted for 7.5% of revenue, increasing by 0.1 percentage point i.e. 10 thousand euros.

The percentage of costs of other goods sold from revenue in Q1 2016 was 7.6% (Q1 2015: 8.0%), decreasing by -0.4 percentage point i.e. -47 thousand euros. The composition of other costs of goods sold includes costs on heating, electricity, rent and utility costs as well as auxiliary costs related to fish farming and production.

The percentage of operating costs from revenue has been decreasing year by year. In Q1 2016 the percentage of operating costs from revenue was 10.5%, reducing by 90 thousand euros i.e. -7.7% compared to the same period last year, in total by -0.8 percentage point.

Depreciation costs of fixed assets increased by 31 thousand euros i.e. 0.3 percentage point within a year.

TEAM

We are determined and passionate about what we do. It is our objective to serve our customers through quality and delicious products, offering only the best, most innovative and healthiest choice of food. Being close to consumers, we understand their needs and, by constantly developing our product range, focus on offering products of higher added value. We are competitive in the joint European economic area, we are able to feed the local population with our healthy domestic food and be successful in foreign markets.

PERSONNEL ANALYSIS 2016

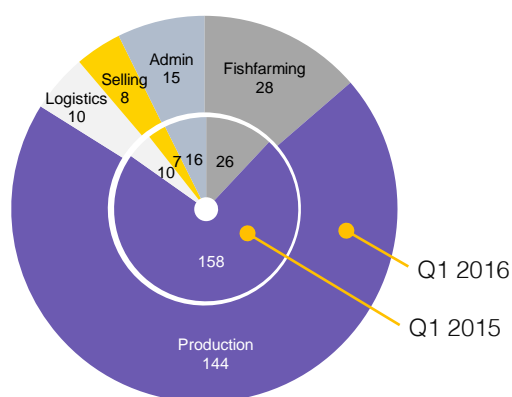
	Q1 2016	Q1 2015	Q1 16 / Q1 15	Q1	12m 2015	Q1 16 / 12m 15	16 / 15
Average number of employees	205	217	-5.5%	▼	217	-5.5%	▼
Finland	38	37	2.7%	▲	41	-7.3%	▼
Estonia	146	159	-8.2%	▼	154	-5.2%	▼
Sweden	21	21	0.0%		22	-4.5%	▼
Payroll expenses (th EUR)	1,153	1,138	1.3%	▼	4,877	n/a	
Monthly average payroll expenses per employee (EUR '000)	1.87	1.75	7.2%	▼	1.87	0.1%	▼

The average number of employees during Q1 2016 was 205 (Q1 2015: 217). Compared to the same period of 2015 the average number of employees reduced by -5.5%.

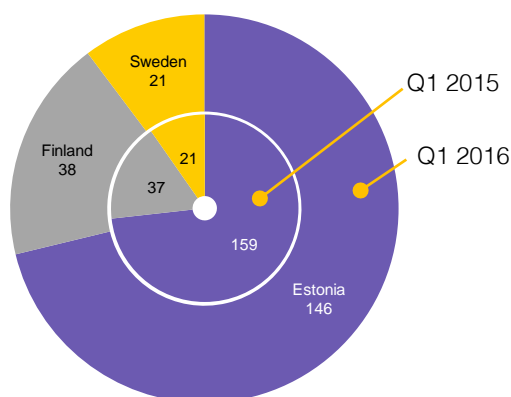
The labour costs in production during Q1 2016 were 0.76 million euros, which was on the same level compared to the same period last year. The labour costs of supportive staff were 0.39 million euros, increasing by 3.7% within a year.

The Group's labour costs during Q1 2016 were 1.15 million euros, increasing by 1.3% i.e. 15 thousand euros compared to the same period last year. The percentage of labour costs from revenue was 11.3% (Q1 2015: 11.0%).

EMPLOYEES ACCORDING TO AREA OF ACTIVITY



EMPLOYEES BY COUNTRY



FISH FARMING

The competitive advantage of the Group is its vertical integration – fish farming, production and sales. About 1/3 of the Group's fish production is harvested in the company's fish farms in the lakes of Sweden and in the archipelago in Turku area in Finland, ensuring that customers receive fast and high quality deliveries. The Group mainly harvests rainbow trout and, in a smaller degree, whitefish (*Coregonus lavaretus*).

Vertical integration means integration towards upstream or downstream of the technological chain which in turn enables the Company to reduce costs in implementing certain phases in fish harvesting. Vertical integration in the value chain of fish business means, in addition to fish harvesting, also having control especially over fish processing and marketing functions. In the fish business, one has to take into account that fish are livestock and quality assurance in technology requires a focus on the whole product lifecycle. In addition to cutting costs, vertical integration enables to reduce risks in fish farming, for instance due to poor quality of feed or base materials and to ensure the volume of raw material required for processing as well as price stability.



Turku Archipelago, Finland
Fish farms of Heimon Kala Oy are located in the archipelago in Turku area in Finland

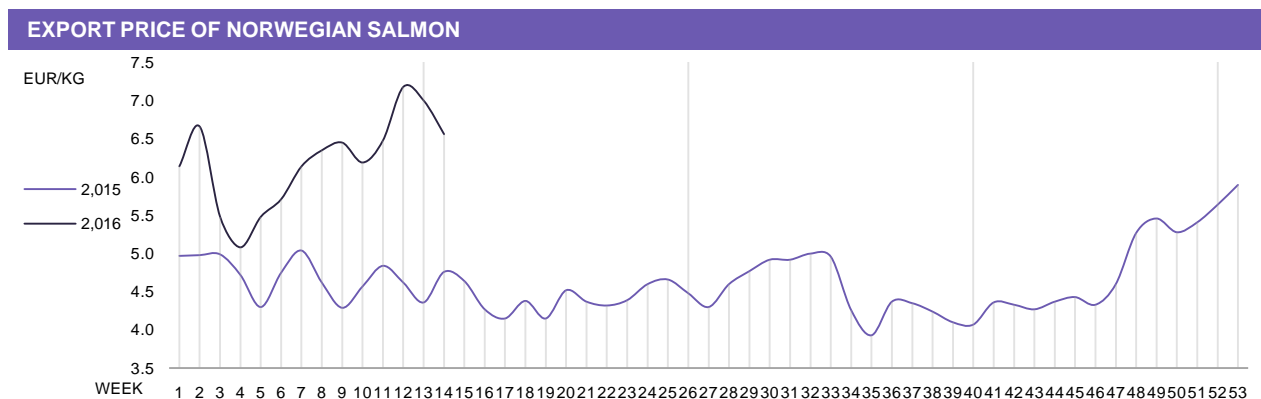
THE MARKET PRICE OF FISH

Large producers establish their production plans for three years in advance since it is difficult and more expensive to use a shorter production cycle in fish farms dependent of market needs. Therefore, the supply of fish in the world market is extremely rigid in the short-term, while market demand is shifting depending on the season. This is causing an imbalance in the supply and demand of fish on the world market which is why the market price of raw fish is always fluctuating.

MARKET PRICE			Change		Change		Change
EUR/KG	31.03.2016	31.03.2015	31.03.16 / 31.03.15	31.12.2015	31.03.16 / 31.12.15	31.12.2014	31.03.15 / 31.12.14
Salmon	7.00	4.76	47.1%	5.90	18.6%	4.80	-0.8%
Rainbow trout	5.40	4.48	20.7%	4.44	21.7%	5.39	-17.0%

As at 31.03.2015 the market price of salmon and trout have increased by 47.1% and by 20.7% respectively. Compared to the position as at 31.12.2015 the market price of salmon increased by 18.6% and the market price for trout increased by 21.7%.

Fish market is extremely dependent on availability and market price of raw fish. The Group compensates the impact of external environment and volatility of salmon price through the changes of Company's production and sales strategy. The Group's main product is rainbow trout, which is cheaper than salmon. Consumers start to buy cheaper salmon species, including rainbow trout, when the market price of salmon increases. In addition, high quality fish which is produced in its own fish farming helps to mitigate the increase of market price of salmon and because of that it is critically important for the Group to have its own fish farming.



Source: [NASDAQ Salmon Index](#)

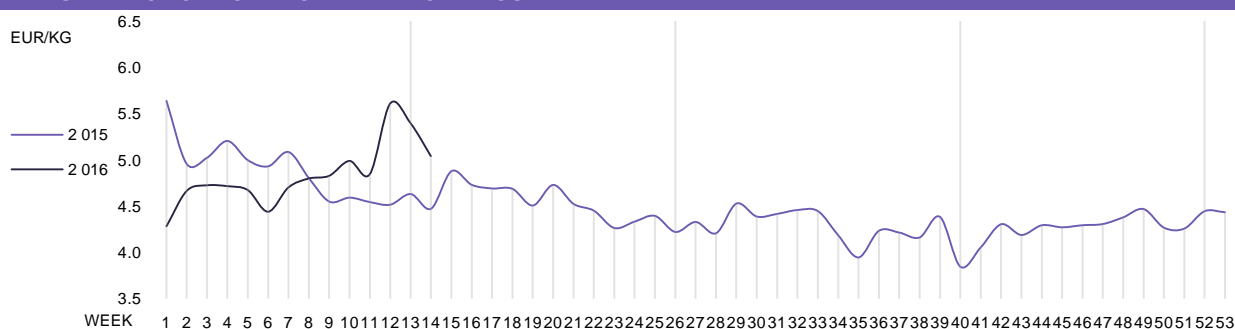
The comparison of average market price formation is presented in the table below:

AVERAGE MARKET PRICE			Change		Change		Change
EUR/KG	Q1 2016	Q1 2015	Q1 16 / Q1 15	12m 2015	Q1 16 / 12m 15	12m 2014	Q1 15 / 12m 14
Salmon	6.12	4.68	30.8%	4.63	32.3%	4.85	-3.6%
Rainbow trout	4.79	4.78	0.2%	4.49	6.6%	5.26	-9.1%

PRFOODS



EXPORT PRICE OF NORWEGIAN RAINBOW TROUT



Source: akvafakta.no

BIOLOGICAL ASSETS

Biological assets include fish stock accounted in fish farms in live weight, including the following species:

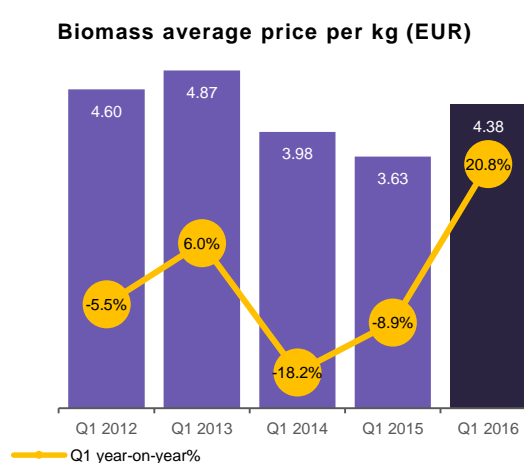
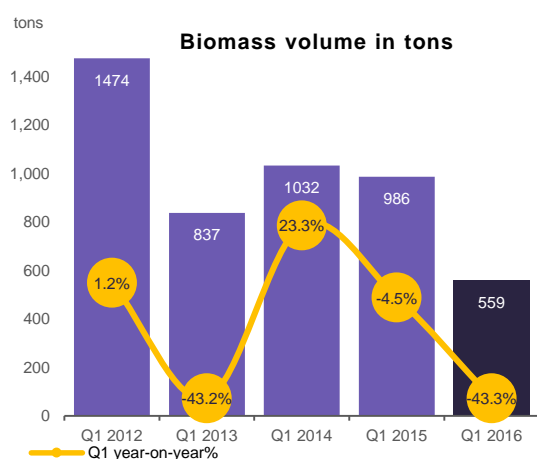
- rainbow trout (*Oncorhynchus mykiss*)
- whitefish (*Coregonus lavaretus*)

The Group uses the Norwegian export statistics for evaluation of the fish stock of rainbow trout (Source: akvafakta.no). For evaluation of the fish stock of whitefish, the monthly market price survey of the Finnish Fish Farmers' Association is used. When the market price of raw fish increases or decreases, so does the value of fish harvested in fish farms of PRFoods, which has a positive or negative impact on the company's financial results. The impact of market price to the company's EBITDA and operating revenue in Q1 2016 was amounting to -31 thousand euros, since as at 31.03.2016 the amount of fish suitable for harvesting was small. In Q1 2015 the impact of market price was -294 thousand euros.

				Change in tons	Change
Change in biological assets in tons	Q1 2016	Q1 2015	12m 2015	Q1 16 / Q1 15	%
Biomass at beginning of the period	1,215	1,563	1,563	-348	-22.3%
Biomass at end of the period	559	986	1,215	-427	-43.3%
Harvested (in live weight)	-653	-557	-2,185	96	17.2%

Biological assets decreased by -427 tons compared to the same period in previous year (-43.3%) and monetary decreasing was -1.13 million euros i.e. -31.5%. The reason for this was the increase of market price, which as at 31.03.2016 is 20.7% higher compared to the market price at 31.03.2015. The aggregate gain of biological assets was negative during the reporting period, amounting to -23 thousand euros (Q1 2015: -544 thousand euros). As at 31.03.2016 the fair value of biological assets was 2.45 million euros (31.03.2015: 3.58 million euros).

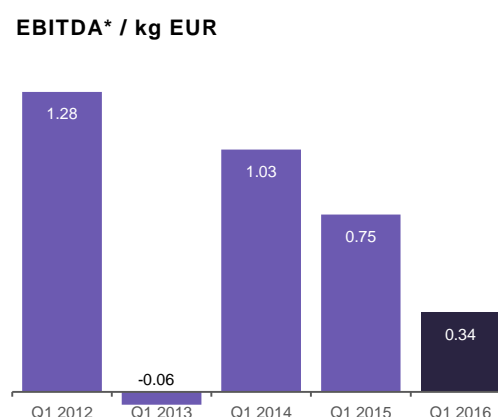
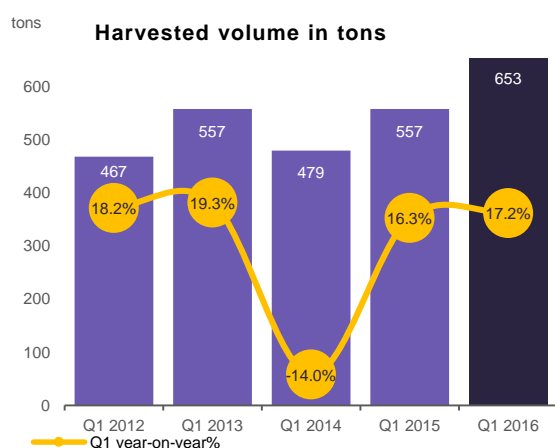
				Change	Change
Biomass volume and average price per kg	Q1 2016	Q1 2015	12m 2015	Q1 16 / Q1 15	%
Biological assets (mln EUR)	2.45	3.58	4.42	-1.1	-31.5%
Biomass volume in tons	559	986	1,215	-427	-43.3%
Average price per kg (EUR)	4.38	3.63	3.64	0.8	20.8%
Fair value adjustment on biological assets (mln EUR)	-0.44	-1.03	-0.89	0.6	-56.8%



Fish is processed in production buildings that belong to Heimon Kala Oy and Vettel OÜ. The Group's own distribution network in Finland and Estonia enables us to ensure rapid and quality supplies to our customers. During the reporting period agricultural produce in the amount of 653 tons was harvested, which has increased 17.2% compared to the same period in previous year.

				Change	Change
Harvested volume	Q1 2016	Q1 2015	12m 2015	Q1 16 / Q1 15	%
Revenue (mln EUR)	10.2	10.3	50.3	-0.1	-0.6%
EBITDA from operations (mln EUR)	0.2	0.4	2.9	-0.2	-47.6%
Harvested volume (tons)	653	557	2,185	96.0	17.2%
EBITDA / kg* (EUR)	0.34	0.75	1.34	-0.4	-55.3%

* before one-offs and fair value adjustment of fish stock



SEASONALITY OF THE BUSINESS

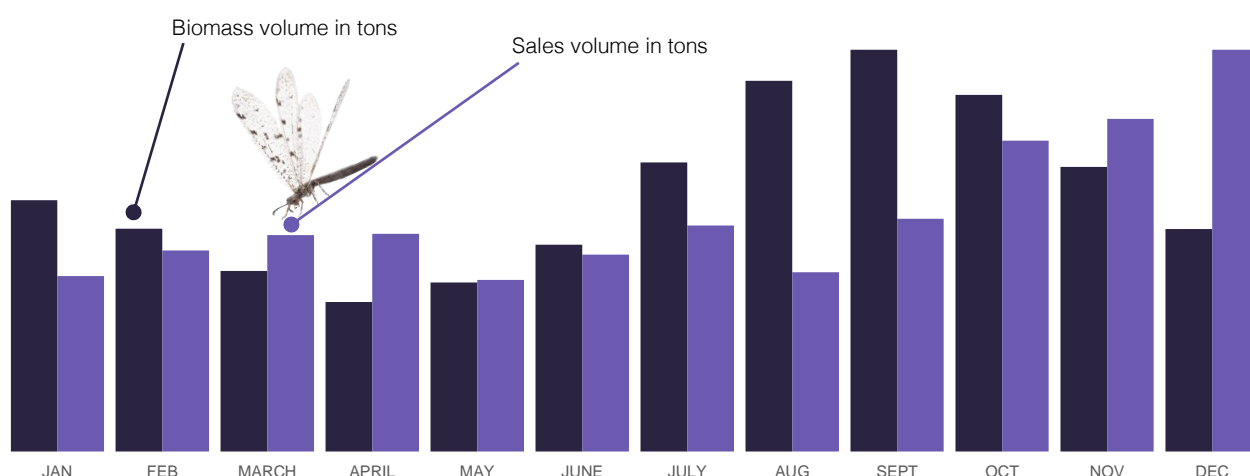
Due to the growth of biomass, the low season in fish farming lasts from November until May, while the high season lasts from June to September. Biomass growth is being influenced by the temperature in seas and lakes. Trout, for instance, grows faster from summer until autumn when the water is warmer.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

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

In the period when cash flow from operations is negative, the Group pays special attention to cash conversion cycle by optimising the use of current assets. For balancing the cash circulation, the Company uses factoring and, if necessary, borrows in the form of overdraft. The volatility level of current assets depends on the specific financial year due to the specific features of seasonal business and is influenced by various factors including high dependence on weather conditions.

SEASONALITY OF THE BUSINESS

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



DESCRIPTION OF MAIN RISKS OF THE GROUP

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.

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.

LIQUIDITY RISK

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

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

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

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

As at 31 March 2016, the Group's working capital was 10,978 thousand euros and as at 31 March 2015 21,568 thousand euros. As at 31 December 2015, the Group's working capital was 11,388 thousand euros.

The management considers it important to monitor liquidity risks; the additional need for capital can be covered by overdraft facilities or by refinancing the loan portfolio. The overdraft facility was not drawn down as at the balance sheet date.

CURRENCY RISK

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

INTEREST RATE RISK

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

CAPITAL MANAGEMENT

The Group's capital consists of borrowings and total equity. As at 31.03.2016 the equity totalled 22,733 thousand euros (31.03.2015: 33,133 thousand euros). The Group's principle is to maintain strong equity base with the purpose of maintaining credibility for shareholders, creditors and the market as well as for ensuring sustainable development of the Company. In the long term, the Company's objective is to increase shareholder income and to ensure the capacity to pay dividends.

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

The Group considers it important to ensure that its equity structure is at the optimum level. Therefore, it is monitored that the Group's equity-to-assets ratio is at least 35% (31.03.2016: 79.4%, 31.03.2015: 83.9%) and that the ratio of interest-bearing liabilities to assets does not exceed 25% (31.03.2016: 4.5%, 31.03.2015: 1.8%). According to the overdraft contract signed with AS SEB Pank, the Company's working capital financing rate cannot fall below 70% and the Group has met this requirement.

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

EUR '000	31.03.2016	31.03.2015	31.12.2015
Total borrowings	1,289	705	1,349
Less: Cash and cash equivalents	4,378	4,001	1,921
Net debt	-3,089	-3,296	-572
Total equity	22,733	33,133	23,221
Total capital (net debt + equity)	19,644	29,837	22,649
Debt to equity ratio	-16%	-11%	-3%

The net debt of Group at 31.03.2016 was negative -3.1 million euros (31.03.2015: negative -3.3 million euros).

SHAREHOLDER INFORMATION

General meeting of shareholders

Annual general meeting of shareholders of AS PRFoods will be held on 26 May 2016 starting at 10:00 at the conference room "Beta" of hotel Radisson Blu Olümpia (address: Liivalaia 33, Tallinn, Estonia). We are committed to full business transparency and therefore the general meeting of the shareholders will be broadcasted and questions will be answered during the broadcast. The meeting will be chaired by the Chairman of the Management Board of AS PRFoods Indrek Kasela who will also distribute information about the issues on the agenda of the general meeting of shareholders. For technical reasons, the participants in the online broadcast cannot execute their shareholders' rights (voting). The online broadcast will be recorded and published at the Company's website www.prfoods.ee.

Additional information on the agenda of the general meeting of shareholders is provided in Note 17.

MANAGEMENT AND SUPERVISORY BOARD

The Management Board of AS PRFoods is comprised of one member. Indrek Kasela serves as the sole member of Management Board since 02.02.2015 pursuant to the Supervisory Board's decision. The Management Board of the company is independent in its day-to-day management of the business, protects the best interests of all shareholders and thereby ensures the company's sustainable development in accordance with set objectives and strategy. The Management Board of the company is also responsible for the functioning of internal control and risk management processes in the company.

The Supervisory Board of AS PRFoods elects Management Board members for a three-year term. The Management Board must be comprised of one to four members pursuant to the articles of association of the company.

Indrek Kasela (born 1971), who holds LL.M (master of laws) degree from New York University (1996), BA degree in law from the University of Tartu (1994) and serves as a member of 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, AS Premia Tallinna Külmoone, Ekspress Grupi AS and a Management Board member of OÜ Transtech Service, OÜ Fine, Wood and Company OÜ, Lindermann, Birnbaum & Kasela OÜ, Managetrade OÜ, Noblessneri Jahtklubi OÜ and Gridio OÜ as well as board member of several companies and NGOs domiciled in the Baltic States and Russian Federation.

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

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

Pursuant to law, a Supervisory Board of a public limited company is a supervisory body responsible for planning the activities of a company, organising its management and supervising the activities of Management Board. According to the Articles of Association of AS PRFoods, the Supervisory Board has three to seven members elected by the General Meeting of shareholders for the term of five years.

Information about the education and career of the members of the Supervisory Board as well as their membership in the management bodies of companies have been published on AS PRFoods website at www.prfoods.ee.

As at 31.03.2016, the members of Management and Supervisory Board and persons/companies related to them hold the shares in the company as indicated below:

Shareholder	number of shares	ownership interest
Chairman of the Supervisory Board until 02.02.2015, Member of the Management Board from 02.02.2015 – Indrek Kasela	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	1,567,917	4.05%

SHARE AND SHAREHOLDERS

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 0.20 euro (nominal value was 10 EEK until 13 April 2011, 0.60 euro until 3 September 2012 and 0.50 euro until 2 October 2015). All shares have equal voting and dividend rights. PRFoods shares do not have an official market maker.

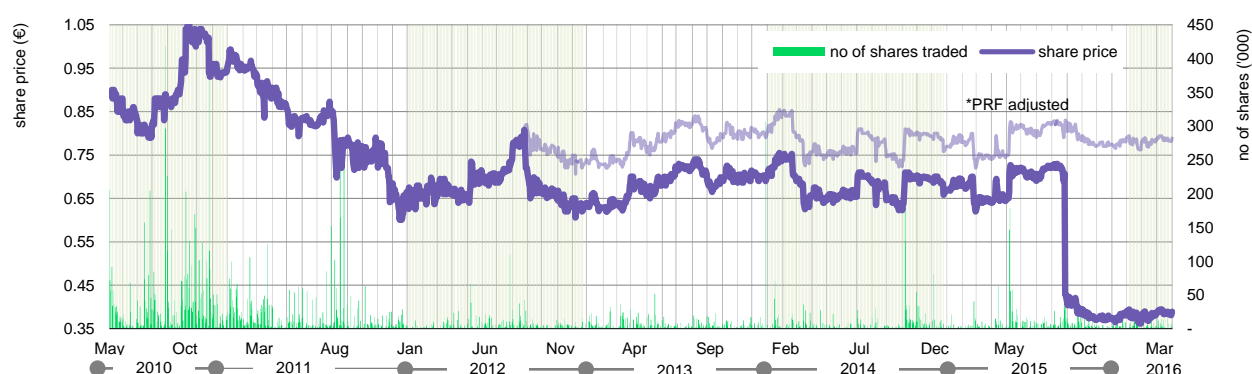
ISIN	EE3100101031	Issued shares	38,682,860
Symbol of share	PRF1T	Listed shares	38,682,860
Market	BALTIC MAIN LIST	Listing date	05.05.2010
Nominal value	0.20 EUR	Minimum quantity of tradable securities	1 share

TRADING HISTORY

Price (EUR)	Q1 2016	Q1 2015	12m 2015
Open	0.390	0.670	0.670
High	0.397	0.700	0.740
Low	0.362	0.620	0.363
Last	0.389	0.640	0.390
Traded volume, thousand	308	221	1,896
Turnover, million	0.12	0.15	1.17
Market capitalization, million	15.05	24.76	15.09

MARKET RATIOS				
Ratios	formula	31.03.2016	31.03.2015	31.12.2015
EV/Sales	(Market Cap + Net Debt) / Sales	0.238	0.467	0.289
EV/EBITDA from operations	(Market Cap + Net Debt) / EBITDA from operations	4.397	72.742	4.971
EV/EBITDA	(Market Cap + Net Debt) / EBITDA	4.950	37.585	7.143
Price/EBITDA from operations	Market Cap / EBITDA from operations	5.532	83.913	5.167
Price/EBITDA	Market Cap / EBITDA	6.228	43.357	7.424
Price-to-Earnings	Market Cap / Net Earnings	12.000	neg	12.796
Price-to-Book	Market Cap / Equity	0.662	0.747	0.650
Market Cap, Net Debt and Equity as of 31.03.2016				
Sales, EBITDA and Net Profit (-Loss) for the trailing 12 months period				

THE DYNAMICS OF THE SHARE PRICE OF PRFOODS (EUR) AND THE VOLUME OF TRANSACTIONS (NUMBER OF SHARES TRADED) DURING THE PERIOD FROM 5 MAY 2010 UP TO 31 MARCH 2016:



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

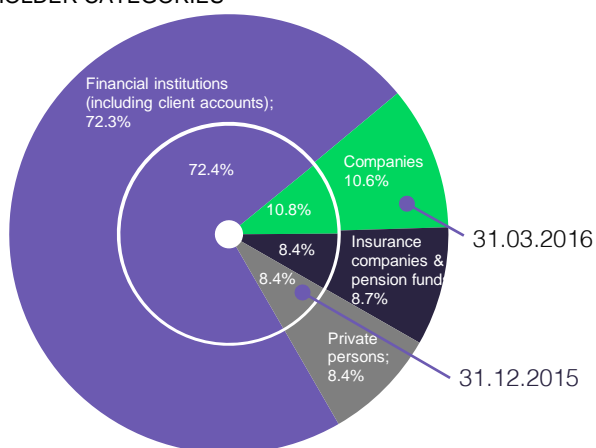
The nominal value of the PRFoods share was decreased by 10 euro cents on 29 August 2012 and by 30 euro cents on 28 August 2015. The nominal value of PRFoods share is currently 20 euro cents. PRFoods has distributed to its shareholders a total amount of 16.9 million euros in dividends and share capital reduction since its shares were publicly listed.

SHAREHOLDERS STRUCTURE

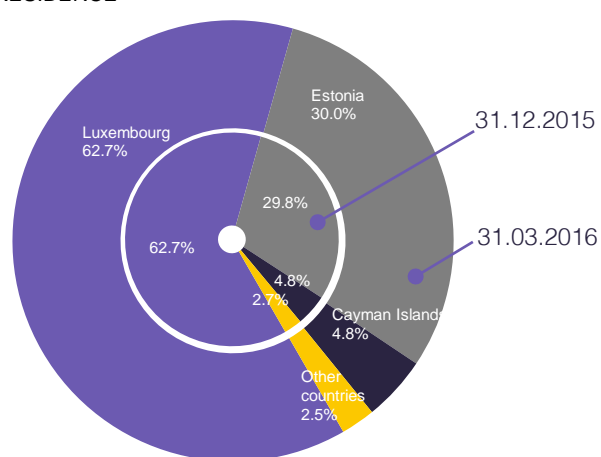
Shareholders of AS PRFoods as at 31.03.2016

1,263 SHAREHOLDERS -2.0% FROM 31.03.2016				
	Number of shares	% of total 31.03.2016	% of total 31.12.2015	Change
ING Luxembourg S.A. (Nominee account)	24,258,366	62.71%	62.71%	-
LHV Pensionifond L	1,765,346	4.56%	4.56%	-
OÜ Rododendron	1,298,705	3.36%	3.36%	-
Ambient Sound Investments OÜ	1,239,116	3.20%	3.20%	-
Firebird Republics Fund Ltd.	1,195,270	3.09%	3.09%	-
Compensa Life Vienna Insurance Group SE	716,058	1.85%	1.58%	105,000
Firebird Aurora Fund, Ltd.	648,220	1.68%	1.68%	-
LHV Pensionifond XL	588,611	1.52%	1.52%	-
OÜ Footsteps Management	503,701	1.30%	1.30%	-
OÜ Freespirit	363,899	0.94%	0.94%	-
Total largest shareholders	32,577,292	84.21%	83.94%	105,000
Other minority shareholders	5,627,551	14.55%	14.95%	- 153,462
Treasury shares	478,017	1.24%	1.11%	48,462
Total	38,682,860	100.00%	100.00%	-

STRUCTURE OF SHAREHOLDERS ACCORDING TO HOLDER CATEGORIES



STRUCTURE OF SHAREHOLDERS ACCORDING TO RESIDENCE



THE DIVISION OF SHAREHOLDERS ACCORDING TO NUMBER OF ACQUIRED SHARES

number of shares	number of shareholders	% of shareholders	total number of shares	% of share
1 ... 1,000	585	46.3%	294,410	0.8%
1,001 ... 10,000	578	45.8%	1,930,986	5.0%
10,001 ... 50,000	68	5.4%	1,312,954	3.4%
50,001 ... 100,000	9	0.7%	600,803	1.5%
More than 100,000	23	1.8%	34,543,707	89.3%
Total	1,263	100.0%	38,682,860	100.0%

P R F O O D S

Interim Accounting Report

Consolidated interim financial statements

Consolidated statement of financial position

EUR '000	Note	31.03.2016	31.03.2015	31.12.2015
ASSETS				
Cash and cash equivalents	(Note 2)	4,378	4,001	1,921
Receivables and prepayments	(Note 3)	2,463	11,393	3,653
Inventories	(Note 4)	5,754	7,387	5,616
Biological assets	(Note 5)	2,451	3,579	4,421
Total current assets		15,046	26,360	15,611
Deferred income tax		138	103	138
Long-term financial investments		161	161	161
Tangible fixed assets	(Note 6)	7,178	6,672	7,427
Intangible assets	(Note 7)	6,109	6,194	6,128
Total non-current assets		13,586	13,130	13,854
TOTAL ASSETS		28,632	39,490	29,465
EQUITY AND LIABILITIES				
Loans and borrowings	(Note 8, 9)	287	196	286
Payables	(Note 10)	3,617	4,412	3,760
Government grants	(Note 11)	164	184	177
Total current liabilities		4,068	4,792	4,223
Loans and borrowings	(Note 8, 9)	1,002	509	1,063
Deferred tax liabilities		152	229	252
Government grants	(Note 11)	677	827	706
Total non-current liabilities		1,831	1,565	2,021
TOTAL LIABILITIES		5,899	6,357	6,244
Share capital		7,737	19,342	7,737
Share premium		16,026	16,026	16,026
Treasury shares		-190	-134	-172
Statutory capital reserve		6	6	6
Currency translation reserve		465	458	471
Retained loss		-1,311	-2,565	-847
TOTAL EQUITY	(Note 12)	22,733	33,133	23,221
TOTAL EQUITY AND LIABILITIES		28,632	39,490	29,465

Consolidated statement of profit or loss and other comprehensive income

EUR '000	Note	Q1 2016	Q1 2015	12m 2015
Sales	(Note 13)	10,235	10,299	50,273
Cost of goods sold	(Note 14)	-9,258	-9,044	-43,509
Gross profit		977	1,255	6,764
Operating expenses		-1,078	-1,168	-5,411
Selling and distribution expenses		-766	-838	-4,033
Administrative expenses		-312	-330	-1,378
Other income/expenses		12	55	406
Fair value adjustment on biological assets	(Note 5)	-444	-1,028	-888
Operating profit (-loss)		-533	-886	871
Financial income		0	148	303
Financial expenses		-32	-29	-105
Profit (-loss) before tax		-565	-767	1,069
Income tax		101	228	110
Net profit (-loss) for the period		-464	-539	1,179
Other comprehensive income (-expense) that might subsequently classified to profit or loss:				
Foreign currency translation differences		-6	17	30
Total comprehensive income (-expense)		-470	-522	1,209
Total comprehensive income (-expense) attributable to:				
Owners of the Company		-470	-522	1,209
Total comprehensive income (-expense) for the period		-470	-522	1,209
Profit (-loss) per share (EUR)	(Note 12)	-0.01	-0.01	0.03
Diluted profit (-loss) per share (EUR)	(Note 12)	-0.01	-0.01	0.03

Consolidated cash flow statement

EUR '000	Note	Q1 2016	Q1 2015	12m 2015
Total cash flow from operations				
Net profit (-loss)		-464	-539	1,179
Adjustments:				
Depreciation	(Note 6, 7)	309	278	1,161
Profit from sale and write off of fixed assets		0	-12	-65
Other non-cash items		-13	39	-242
Changes in receivables and prepayments		1,190	523	544
Changes in inventories	(Note 4)	-138	-824	947
Changes in biological assets	(Note 5)	1,970	2,004	1,162
Changes in payables and prepayments		-206	-277	-966
Corporate income tax paid		-33	-18	-55
Total cash flow from operations		2,615	1,174	3,665
Total cash flow from investments				
Sale of tangible and intangible fixed assets	(Note 6, 7)	0	12	95
Purchase of tangible and intangible fixed assets	(Note 6, 7)	-39	-431	-1,042
Sales of subsidiaries		0	0	8,000
Repayments of loans granted		0	1	4
Interests received		0	0	5
Profit from long-term investments		0	0	1
Total cash flow from investments		-39	-418	7,063
Total cash flow from financing				
Reduction of share capital	(Note 12)	0	0	-11,504
Own shares buy-back	(Note 12)	-18	-17	-156
Capital lease repayments	(Note 8)	-75	-48	-381
Interests paid		-26	-20	-96
Total cash flow from financing		-119	-85	-12,137
Total cash flow		2,457	671	-1,409
Cash and cash equivalents at beginning of year	(Note 2)	1,921	3,330	3,330
Change in cash and cash equivalents		2,457	671	-1,409
Cash and cash equivalents at the end of the period	(Note 2)	4,378	4,001	1,921

Consolidated statement of changes in equity

EUR '000	Share capital	Share premium	Own shares	Statutory capital reserve	Other reserve	Translation reserve	Retained loss	Total equity
Balance at 31.12.2014	19,342	16,026	-117	6	0	441	-2,026	33,672
The own shares repurchase program	0	0	-17	0	0	0	0	-17
Transactions with equity holders of the company	0	0	-17	0	0	0	0	-17
Net loss for the year	0	0	0	0	0	0	-539	-539
Other comprehensive expense	0	0	0	0	0	17	0	17
Total comprehensive expense for the period	0	0	0	0	0	17	-539	-522
Balance at 31.03.2015	19,342	16,026	-134	6	0	458	-2,565	33,133
Balance at 31.12.2015	7,737	16,026	-172	6	0	471	-847	23,221
The own shares repurchase program	0	0	-18	0	0	0	0	-18
Transactions with equity holders of the company	0	0	-18	0	0	0	0	-18
Net loss for the year	0	0	0	0	0	0	-464	-464
Other comprehensive income	0	0	0	0	0	-6	0	-6
Total comprehensive expense for the period	0	0	0	0	0	-6	-464	-470
Balance at 31.03.2016	7,737	16,026	-190	6	0	465	-1,311	22,733

Additional information about equity is disclosed in Note 12.

Notes to the Interim Report

NOTE 1. SUMMARY OF MATERIAL ACCOUNTING POLICIES

AS PRFoods is a company incorporated in Estonia. The interim financial statements dated 31.03.2016 encompass AS PRFoods (hereinafter Parent Company) together with its subsidiaries Saaremere Kala AS in Estonia and the group companies OÜ Vettel, OÜ Gourmet House in Estonia and Heimon Kala Oy in Finland and Överumans Fisk Ab in Sweden (hereinafter also referred to as Group). The Group has a stake in an associate, the Competence Center of Food and Fermentation Technologies (CCFFT). AS PRFoods shares are listed on NASDAQ OMX Tallinn Stock Exchange since 5 May 2010.

The Group's consolidated audited annual report for the financial year that ended on 31 December 2015 is available at the Parent Company's location at Viru 19, Tallinn and on the Parent Company's website www.prfoods.ee.

CONFIRMATION OF COMPLIANCE

The current unaudited consolidated interim report complies with the requirements of international accounting standards IAS 34 "Interim Financial Reporting" on condensed interim financial statements.

While preparing the interim report at hand, the same accounting principles as in the annual report for the financial year ended on 31.12.2015 have been applied. The report does not hold all the information that must be presented in a complete annual report so it should be read together with the Parent Company's audited consolidated annual report for the financial year that ended on 31 December 2015, which is in compliance with international finance reporting standards (IFRS) as adopted by the European Union.

The Management Board approved the publication of this condensed unaudited consolidated interim report on 20 May 2016.

In the opinion of the management, this interim report for 1st quarter of 2016 of AS PRFoods presents correctly and fairly the financial results of the Group as a going concern. Current interim report is neither audited nor reviewed by auditors in any other way and contains only the consolidated reports of the Group.

BASIS OF PREPARATION

The functional currency is euro. The consolidated interim report is presented in thousands of euro and all numerical indicators have been rounded to thousand, if not indicated otherwise. In the report, thousand euro is indicated as an abbreviation EUR '000.

NOTE 2. CASH AND CASH EQUIVALENTS

EUR '000	31.03.2016	31.03.2015	31.12.2015
Cash on hand	9	13	13
Bank accounts	4,369	3,988	1,908
Total cash and cash equivalents	4,378	4,001	1,921

NOTE 3. RECEIVABLES AND PREPAYMENTS

EUR '000	31.03.2016	31.03.2015	31.12.2015
Trade receivables	2,047	3,026	3,197
Allowance for doubtful receivables	-15	-4	-15
Other receivables	3	7,883	7
Prepaid expenses	211	212	134
Prepaid taxes	187	201	180
Other prepayments	30	75	150
Total receivables and prepayments	2,463	11,393	3,653

No write-downs on receivables have been recognised.

A commercial pledge set as collateral for loans also covers receivables (see Note 9).

NOTE 4. INVENTORIES

EUR '000	31.03.2016	31.03.2015	31.12.2015
Raw materials and materials	2,124	3,841	2,488
Work-in-progress	1,352	327	1,158
Finished goods	1,754	2,193	1,302
Goods purchased for sale	479	914	648
Prepayments for inventories and goods in transit	45	112	20
Total inventories	5,754	7,387	5,616

The total value of inventories written off in the 1st quarter of 2016 was 3 thousand euros (in the 1st quarter of 2015: 4 thousand euros). The Group incurred a loss in 2015 in the amount of EUR 195 thousand from the write off of inventories.

A commercial pledge set as collateral for loans also covers inventories (see Note 9).

NOTE 5. BIOLOGICAL ASSETS

EUR '000	31.03.2016	31.03.2015	31.12.2015
Fry	324	139	244
Juveniles	1,988	2,710	1,742
Fish suitable for harvesting	139	730	2,435
Total biological assets	2,451	3,579	4,421

As at 31.03.2016, biological assets totalled 559 tonnes (31.03.2015: 986 tonnes). As at 31.12.2015, biological assets totalled 1,215 tons. In the reporting period, agricultural produce was harvested in the amount of 653 tonnes (in the 1st quarter of 2015: 557 tonnes). In the 2015 agricultural produce was harvested in the amount of 2,185 tonnes.

The Group produces in its fish farms located in Finland and Sweden mainly rainbow trout (*Oncorhynchus mykiss*), and, in a lesser degree, also whitefish (*Coregonus lavaretus*).

CHANGE IN BIOLOGICAL ASSETS			
EUR '000	Q1 2016	Q1 2015	12m 2015
Biological assets at beginning of the period	4,421	5,583	5,583
Purchased	14	23	860
Additions	421	484	5,035
Fair value adjustments	-444	-1,028	-888
Harvested	-1,882	-1,433	-6,156
Written off	-47	-78	-89
Exchange rate differences	-32	28	76
Biological assets at end of the period	2,451	3,579	4,421

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 -23 thousand euros (in the 1st quarter of 2015: -544 thousand euros), comprising of amounts presented under "Additions" and "Fair value adjustments" above. In the 2015 the growth of biological assets was total 4,147 thousand euros.

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 Group classifies such assets measured at fair value as Level 3.

NOTE 6. PROPERTY, PLANT AND EQUIPMENT

EUR '000	31.03.2016	31.03.2015	31.12.2015
Land and buildings			
Cost	5,629	5,267	5,497
Accumulated depreciation	-2,801	-2,544	-2,739
Land and buildings at carrying amount	2,828	2,723	2,758
Machinery and equipment			
Cost	8,771	7,340	8,762
Accumulated depreciation	-4,716	-4,079	-4,520
Machinery and equipment at carrying amount	4,055	3,261	4,242
Other tangible assets			
Cost	574	508	574
Accumulated depreciation	-299	-242	-283
Other tangible assets at carrying amount	275	266	291
Construction in progress, prepayments	20	422	136
Total property, plant and equipment	7,178	6,672	7,427

Property, plant and equipment acquired under the finance lease terms are disclosed in Note 8. Additional information about collateral for loans is disclosed in Note 9.

NOTE 7. INTANGIBLE ASSETS

EUR '000	31.03.2016	31.03.2015	31.12.2015
Goodwill	4,730	4,730	4,730
Trademarks and patents			
Cost	1,085	1,092	1,085
Accumulated amortisation	-501	-446	-487
Trademarks and patents at carrying amount	584	646	598
Immaterial rights			
Cost	859	860	859
Accumulated amortisation	-305	-281	-300
Immaterial rights at carrying amount	554	579	559
Software licenses			
Cost	286	275	286
Accumulated amortisation	-219	-192	-212
Software licenses at carrying amount	67	83	74
Prepayments for intangible assets	174	156	167
Total intangible assets	6,109	6,194	6,128

NOTE 8. FINANCE LEASE

FIXED ASSETS ACQUIRED UNDER FINANCE LEASE			
EUR '000	31.03.2016	31.03.2015	31.12.2015
Machinery and equipment			
Cost	1,560	814	1,708
Accumulated depreciation	-165	-149	-298
Machinery and equipment at carrying amount	1,395	665	1,410
Means of transport			
Cost	489	351	388
Accumulated depreciation	-98	-92	-90
Means of transport at carrying amount	391	259	298
Total property, plant and equipment	1,786	924	1,708

The Group is leasing under financial lease terms fish industry production equipment, fish harvesting equipment, a workboat, a tractor, passenger cars and computers. During the reporting period, fixed assets were leased as financial lease in the total amount of 15 thousand euros (during the 1st quarter of 2015: 0 thousand euros). During the 2015, fixed assets were leased as financial lease in the total amount of 977 thousand euros.

FINANCE LEASE PAYABLES			
EUR '000	31.03.2016	31.03.2015	31.12.2015
Present value of finance lease liability			
Due in less than 1 year	287	196	286
Due between 1-5 years	1,002	509	1,063
Present value of lease payments	1,289	705	1,349
Principal payments in the financial year	75	48	381
Interest expenses in the financial year	6	4	22
Average interest rate	2.24%	2.40%	2.51%

See also Note 6 and 9.

NOTE 9. BORROWINGS

EUR '000	31.03.2016	31.03.2015	31.12.2015
Finance lease liabilities (Note 8)	287	196	286
Total short-term loans	287	196	286
Finance lease liabilities (Note 8)	1,002	509	1,063
Total long-term loans	1,002	509	1,063

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 31.03.2016, 31.03.2015 and 31.12.2015.

Additional information about the prolonging the overdraft agreement is provided in Note 17.

NOTE 10. PAYABLES AND PREPAYMENTS

EUR '000	31.03.2016	31.03.2015	31.12.2015
Trade payables	2,614	3,490	2,322
Payables to employees	588	571	664
Other payables	2	3	2
Tax liabilities, incl.:	413	348	772
Social security tax	142	120	161
VAT	81	116	430
Personal income tax	99	95	82
Corporate income tax	84	10	84
Other taxes	7	7	15
Total payables and prepayments	3,617	4,412	3,760

NOTE 11. GOVERNMENT GRANTS

EUR '000	Q1 2016	Q1 2015	12m 2015
Deferred income from government grants at the beginning of period	883	1,054	1,054
Change in value due to the exchange rates	-1	3	6
Recognition as income during the period	-41	-46	-177
Deferred income from government grants at the end of period	841	1,011	883
incl. income within 1 year	164	184	177
incl. income within 2-17 years	677	827	706

NOTE 12. EQUITY

At 31.03.2016, the Company's registered share capital was 7,736,572 euros. As at 31.03.2015 the Company's registered share capital was 19,341,430 euros. The reduction of the share capital of AS PRFoods and the related changes in the Commercial Register were entered in the Commercial Register at 2 October 2015. The share capital was reduced in accordance with the decision of the General Meeting held at 28 May 2015 through reducing the nominal value of a share by 0.3 euros (30 euro cents), as a result of which the new nominal value of the share of AS PRFoods is 0.2 euros (20 euro cents). The reduction of the share capital was related to the adjustment of the Group's capital structure with the goal of bringing the return on equity and other ratios to a more adequate level.

As at 31.03.2016, the Company had 38,682,860 shares (31.03.2015: 38,682,860 shares), including 478,017 treasury shares (31.03.2015: 193,406 treasury shares). The amount of the minimum share capital as stipulated in the articles of association is 7,000,000 euros and the maximum share capital is 28,000,000 euros. The Articles of Association of the company is available on the website of AS PRFoods www.prfoods.ee.

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 with regards exemptions for buyback 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 31.03.2016, AS SEB Pank has acquired 478,017 shares at an average price of 0.6098 euros per share in the name and on the account of AS PRFoods.

Additional information on the agenda of the annual general meeting of shareholders of AS PRFoods, held at 26th May 2016, is provided in Note 17.

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.

	Q1 2016	Q1 2015	12m 2015
Net profit (loss) attributable to equity holders of the company EUR '000	-464	-539	1,179
Average number of shares (in thousand)	38,683	38,683	38,683
Earnings (-loss) per share (EUR)	-0.01	-0.01	0.03
Earnings (-loss) per share (EUR)	-0.01	-0.01	0.03
Diluted earnings (-loss) per share (EUR)	-0.01	-0.01	0.03

NOTE 13. 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.

Two business segments – the fish segment and other segments - are presented together since the proportion of other segments in business operations is marginal. The proportion of other segments was 0.05% in reporting period and 0.09% in 2015.

SALES BY GEOGRAPHIC REGIONS

EUR '000	Q1 2016	Q1 2015	12m 2015
Finland	8,288	9,275	44,198
Estonia	1,373	891	4,841
Other	574	133	1,234
Total	10,235	10,299	50,273

NOTE 14. COST OF GOODS SOLD

EUR '000	Q1 2016	Q1 2015	12m 2015
Cost of goods purchased for sale	-1,144	-675	-4,074
Materials used in production	-6,320	-6,553	-31,366
Staff costs	-764	-763	-3,376
Depreciation and amortisation	-255	-231	-960
Other costs of goods sold ¹	-775	-822	-3,733
Total cost of goods sold	-9,258	-9,044	-43,509

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 15. 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

GROUP COMPANIES						
Subsidiary	Domicile	Ownership and voting rights %			Area of activity	Owner
		31.03.2016	31.03.2015	31.12.2015		
Saaremere Kala AS	Estonia	100%	100%	100%	Holding company of fish segment	PRFoods AS
Vettel OÜ	Estonia	100%	100%	100%	Production of fish products	Saaremere Kala AS
GourmetHouse OÜ	Estonia	100%	100%	100%	Sale of fish and fish products	Saaremere Kala AS
Heimon Kala Oy	Finland	100%	100%	100%	Fishfarming, processing and sale of fish and fish products	Saaremere Kala AS
Överumans Fisk Ab	Sweden	100%	100%	100%	Fishfarming and sales	Heimon Kala Oy
OOO Hladomagija	Russia	0%	100%	0%	Holding company	PRFoods AS

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

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

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

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 31.03.2016 EUR '000	Payable as at 31.03.2015 EUR '000	Payable as at 31.12.2015 EUR '000
Vettel OÜ	Companies related to members of the Management and Supervisory Boards	Trade payables	0	5	0
	Total		0	5	0

During the reporting period group entities have performed purchase and sales transactions with related parties as follows:

Party EUR '000	Type of transaction	Q1 2016 Purchase	Q1 2016 Sale	Q1 2015 Purchase	Q1 2015 Sale	12m 2015 Purchase	12m 2015 Sale
Companies related to members of the Management and Supervisory Boards	services	4	0	9	0	49	2
	Total	4	0	9	0	49	2

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

Benefits including employment taxes to members of the Management Boards and Supervisory Boards of AS PRFoods and its subsidiaries and other key members of management were as follows:

EUR '000	Q1 2016	Q1 2015	12m 2015
Short-term benefits	114	129	512
Total	114	129	512

The members of the Management and Supervisory Boards are not entitled to any pension-related rights from the company. The members of the Management Boards are entitled to termination benefits. The maximum expense related to payment of termination benefits including taxes totals 205 thousand euros (31.03.2015: 167 thousand euros).

NOTE 16. CONTINGENT LIABILITIES

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

A mortgage was set for the benefit of the Finnish Customs Board in the amount of 84 thousand euros. The purpose of the transaction was a more streamlined organisation of the day-to-day operations by reducing persistent prepayments to the Customs Board.

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

NOTE 17. EVENTS AFTER THE BALANCE SHEET DATE

Prolonging the overdraft facility agreement

The signed annex is prolonging the credit facility for the next year. Overdraft facility agreement signed between the AS PRFoods and AS SEB Bank on 29 April 2016 with the settlement date on 30 April 2017.

Convening of the annual general meeting of shareholders

On 4 May 2016, the Management Board of PRFoods convened an annual general meeting to be held on 26 May 2016.

According to the decision of the supervisory board of AS PRFoods dated the 3rd of May, 2016, the agenda of the annual general meeting along with the proposal of the supervisory board is as follows:

1. Covering the loss from previous years;
2. Approving the Company's 2015 annual report;
3. Deciding on sharing the profit;
4. Appointment of auditor for the financial year 2016 and determining auditor's remuneration;
5. Introducing shares without nominal value and amending the articles of association;
6. Partial change of the resolution of the shareholders of 29 May 2014 resolving acquisition of own shares and determining terms of buy-back programme.

MANAGEMENT BOARD'S CONFIRMATION TO THE CONSOLIDATED INTERIM REPORT FOR THE 1ST QUARTER OF 2016

The Management Board confirms the correctness and completeness of the consolidated interim report for the 1st quarter of 2016 of AS PRFoods and its subsidiaries (together the Group) presented in the pages 7 – 40 hereof and confirms to the best of its knowledge that:

- the activities report of the consolidated interim report presents adequate and fair overview of the development and results of business activities of the Group and the financial position thereof and includes the description of the main risk factors and uncertainties;
- the accounting principles applied in the preparation of the consolidated interim report are in compliance with the International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting as adopted by the European Union;
- the consolidated interim report provides a true and fair overview of the assets, liabilities and financial position of the Group and of the results of its operations and its cash flows.

Member of the Management Board

Indrek Kasela

digitally signed

20 May 2016