

Company AS PRFoods
Type Company Release
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Attachments:

- Annex 1 - Comparison table.pdf (<http://oam.fi.ee/en/download?id=6006>)
- Annex 2 - Voting Ballot.docx (<http://oam.fi.ee/en/download?id=6007>)
- Annex 3 - Proxy for Exercising the Voting Right.docx (<http://oam.fi.ee/en/download?id=6008>)
- Lisa 1 - Võrdlustabel.pdf (<http://oam.fi.ee/en/download?id=6009>)
- Lisa 2 - Hääletussedel.docx (<http://oam.fi.ee/en/download?id=6010>)
- Lisa 3 - Volikirja blankett.docx (<http://oam.fi.ee/en/download?id=6011>)

Currency

Title Conclusion of the sale and purchase agreement of Heimon Kala Oy and proposal for a

On 09.02.2021, the subsidiary of AS PRFoods Saaremere Kala AS signed a share sale agreement, for the transfer of 100% of the shares in Heimon Kala Oy to Nordic Fish Oy. Nordic Fish Oy is the parent company of one of Finland's largest fish farming companies, Nordic Trout Ab, and is owned by the Hukkanen family and Kalaneuvos Oy, which in turn is one of Finland's largest and best-known fish industry companies. The transaction is subject to the approval of the shareholders of AS PRFoods and shareholders voting will be carried out for this without convening a meeting. PRFoods will now focus on the development of fish farming in Sweden and Estonia with the aim of becoming the largest fish farmer in the region.

Purpose of the transaction and impact on AS PRFoods activities

PRFoods has stated in the past that its aim is to exit from loss-making units and activities. In Finland, restructuring and an asset sale were carried out. "We are delighted that Heimon Kala Oy has returned to the ownership of Finnish family business and industry leader. In spite of the difficult effects of the corona period on Heimon Kala Oy's financial results, the Heimon Kala brand is one of the best known in Finland and we believe that the combination of the buyer's Kalaneuvos brand and the Heimon Kala brand will have a long-term positive impact on the Finnish market," said Indrek Kasela, management board member of AS PRFoods. "The Finnish unit was our only loss-making unit and the strategic decision to exit from this business had been planned earlier. After lengthy process, we believe we have found the best new owner for our Finnish business, and we wish them and our employees every success in a new corporate family. AS PRFoods is very pleased with the development of its other



subsidiaries, especially with the growth of the Estonian retail market, and we are planning to introduce a new brand this year, which will emphasise our Saaremaa origin. Also, John Ross Jr has recovered very quickly from the effects of corona. Above all, credit must go to our fish farming division, under the leadership of Margus Rebane, which has been our real profit centre throughout our operations. I would count as our greatest achievement, in addition to the strong profitability of our fish farming business, the fact that, in partnership with Biomar, the world's leading fish feed manufacturer, we have developed Blue Impact, the most environmentally friendly fish feed in the Baltic Sea, and all the fish we farm today already carry the Blue Impact label as the most environmentally friendly farmed fish. Given that we have recently received approval to multiply our Swedish farming capacity, we are focusing our attention and investment on Sweden this year. We have also reached a stage in the expansion of our fish farming in Saaremaa where we hope to at least quadruple our current capacity by 2023 at the latest, and in the future, we hope to get at least 5,000 tonnes of additional capacity from Estonia as well. The restoration of fish farming in Estonia is a very significant achievement because, in addition to significant exports, it would finally give Estonian consumers year-round access to local fish in industrial volumes. As we did not see the possibility to increase the farming capacity in Finland, it was more rational to sell both production and fish farming in Finland, especially considering that in the conditions of sharply increased raw material prices, there was no prospect in the short or long term of an independent Finnish unit to achieve similar profitability levels in par with other units of PRFoods. PRFoods was once a pioneer in the consolidation of the Finnish fish market, and we are pleased that the Hukkanen family is taking over this baton from us and wish them once again success in this".

Transaction between unrelated parties, interests of management

The acquirer of Heimon Kala Oy, Nordic Fish Oy, is owned by the Hukkanen family (90%) and their company Kalaneuvos Oy (10%) and its ultimate beneficiaries are the Hukkanen family, which has a long history in the fish industry and is active in fish processing, wholesale, import and export through its company Kalaneuvos Oy.

The proposed transaction does not qualify as a related party transaction under the rules of the NASDAQ Tallinn Stock Exchange.

The members of the management board and the supervisory board of AS PRFoods have no personal interest in the proposed transaction.

Conditions precedent

The sale of Heimon Kala Oy, a subsidiary of Saaremere Kala AS (which is a subsidiary of AS PRFoods) is deemed a significant transfer of a subsidiary within the meaning of the NASDAQ Tallinn Stock Exchange Rules and, accordingly, the sale of shares in Heimon Kala Oy is subject to approval by the general meeting of shareholders of AS PRFoods. Consequently, the management board of AS



PRFoods hereby proposes the adoption of the resolution of the general meeting of shareholders without convening a meeting (see notice below) and provides further information on the transaction.

In addition to the approval of the general meeting of shareholders, the completion of the proposed transaction is subject to the fulfilment of certain conditions precedent, including the following: (a) the approval of the sale and purchase agreement by the supervisory boards of AS PRFoods and Saaremere Kala AS; (b) the approval of the noteholders of AS PRFoods to delate pledge of the shares and real estate mortgage of Heimon Kala Oy; (c) cancellation of the pledge of the shares of Heimon Kala Oy and cancellation of mortgages (including SEB Bank's consent to the pledge of the shares and the cancellation of the mortgage) and the redemption or initiation of the cancellation of the existing commercial mortgage bonds issued by Heimon Kala Oy; (d) the absence of material adverse changes in the condition of Heimon Kala Oy and absence of breaches of contractual obligations by the seller and the issuance of the relevant confirmation to the buyer; (e) the fulfilment of certain obligations to guarantee the purchase of young fish and to extend a certain lease agreement, the change of the business name of Heimon Kala OÜ, re-registration of the heimonkala.ee domain name and as well as Saaristomeren Paras Kalapaikka trademark in the name of the buyer; (f) confirmation of the bank financing arranged by the buyer for the transaction; and (g) any liabilities between Heimon Kala Oy on one hand and companies belonging to AS PRFood's group on the other having been settled; and (h) the approval of the transaction by the buyer's board of directors. Failure to comply with the conditions precedent within the time limits will entitle the purchaser, and in case of conditions precedents (a), (b), (f) and (h) described above, the seller to withdraw from the share sale agreement. In the event the conditions precedent are not satisfied within time limit as a result of a wilful or grossly negligent breach by the seller of its obligations under the sale agreement, Saaremere Kala AS undertakes to cover the buyer's costs up to an amount of EUR 300,000.

The transfer of the shares in Heimon Kala Oy also requires the issuance by AS PRFoods of a first demand guarantee to the acquirer Nordic Fish Oy to secure the liabilities of the seller (Saaremere Kala AS). AS PRFoods also undertakes to comply with a non-competition and non-solicitation clause with respect to Heimon Kala Oy for a period of two years.

Sales price and payment terms, difference between acquisition and transfer price

The sales price of the shares in Heimon Kala Oy is EUR 1 plus an additional sales price of up to EUR 500,000. Whether the additional sales price will become due, and the exact amount of the additional sales price will depend on whether the fish farming permits applied for from the Finnish Regional State Administrative Agency (AVI) are approved and on the maximum approved usage of feed. An additional sales price of EUR 500,000 will be due if the respective permits are issued with the maximum approved usage of feed of 994,167 kg. If the maximum approved usage of feed is between 0 and 994,167 kg, the additional sales price will be determined linearly between 0 and EUR 500,000. The additional



sales price shall be paid within 45 days of the decision of the Finnish Regional State Administrative Agency.

The sales price was agreed on the basis of Heimon Kala Oy's financial performance, net working capital and net debt as at 31.12.2021. Estimated Enterprise Value at time of signing is 6.6 million Euros.

The total acquisition price of the shares in Heimon Kala Oy was EUR 10,337,609. Therefore, the difference between the acquisition price and the transfer (sales) price of the shares is EUR 9,837,608 - EUR 10,337,608 (the transfer price is lower accordingly), depending on the fulfilment of the conditions of the additional sales price of the shares.

Economic outturn and audited accounts table

Pursuant to the NASDAQ Tallinn Stock Exchange Rules (Requirements for Issuers), the issuer must publish the financial results of the significant subsidiary for the three preceding financial years together with the audited financial statements for a two year period in comparison table format. The relevant information is set out below.

Heimon Kala Oy's audited unconsolidated (at the time of publishing this notice Heimon Kala Oy does not have any subsidiaries) financial information for the previous three financial years:

In thousands of euros	2018/2019	2019/2020	2020/2021
Turnover	50 508	47 155	47 238
Net profit (-loss)	861	-165	-2 728
Dividend per share	-	-	-
Regular net profit (-loss) per share of Heimon Kala Oy (diluted net profit per share is the same)	14.4	-2.7	-45.5
Regular net profit (-loss) per share of AS PRFoods	-0.04	-0.04	-0.13
Diluted net profit (-loss) per share of AS PRFoods	-0.04	-0.04	-0.11

The audited financial statements of Heimon Kala Oy for the last two financial years together with the financial statements for the period 01.07.21-31.12.21 reviewed by KPMG in accordance with the International Standard on Review Engagements (ISRE) 2410 are attached to this notification as a separate document in the form of a comparative table. As Heimon Kala Oy is a Finnish company, the



table is provided as an unofficial English translation prepared on the basis of the Finnish original documents.

After the end of the last financial year, Heimon Kala Oy closed its Kokkola plant. Apart from what has been mentioned in this notice, there have been no other significant changes in Heimon Kala Oy's business activities since the end of the last financial year.

Overview of loans

According to the NASDAQ Tallinn Stock Exchange Rules (Requirements for Issuers), the issuer is required to disclose information on loans taken by material subsidiaries.

As of the date of this announcement, Heimon Kala Oy has a valid loan agreement with Keski-Pohjanmaan Osuuspankki with a loan balance of EUR 130,000 as of 31.01.22. The loan was taken out in 2016 and the last loan payment is due in August 2022.

In addition, Heimon Kala Oy has liabilities from a leasing contract with OP Yrityspankki Oyj totalling EUR 58,822, and VAT arrears totalling EUR 1,004,249 with scheduled payments.

Shareholder structure

Saaremere Kala AS is the sole shareholder of Heimon Kala Oy, owning a total of 60 Heimon Kala Oy shares with a nominal value of EUR 168.188 each.

Significant legal and arbitration proceedings

Heimon Kala Oy has pending legal proceedings with former CEO Jarkko Alho, who has filed a claim for termination pay of EUR 110,000 against Heimon Kala Oy in connection with the termination of his contract as a member of the management board. The arbitral tribunal terminated the claim on technical grounds and Mr Alho brought the action before the district court. At the time of filing this notice, the district court has not yet decided whether the case will be decided in court or in arbitration. Heimon Kala Oy is contemplating claiming damages from J.Alho.

Heimon Kala Oy is not involved in any other legal or arbitration proceedings that could have a material impact on its business or the business of AS PRFoods.

Agreements with AS PRFoods

The proposed transaction will result in three agreements between the companies of the PRFoods Group and Heimon Kala Oy, which will remain in force until 31.08.2022:

a) a supply agreement between Heimon Kala OÜ (business name to be changed) and



Heimon Kala Oy for the production of certain products in Estonia and sale of products to Finnish customers until 31.08.2022,

b) an agreement for the rights of use of the Heimon and Heimon Kala brands in Estonia for the sale and distribution of products;

c) a transitional services agreement between Saaremere Kala AS and Heimon Kala Oy.

The purpose of the agreements is to ensure the continuation of the PRFoods Group's business activities and the continuation of the sales of the products on the Finnish market at the current level until the end of August 2022.

Members of the Management Board

Elias Lehtinen is the Chief Executive Officer of Heimon Kala Oy and other members of the management board are Indrek Kasela and Margus Rebane.

All these persons will resign from their positions in connection with the transaction.

Proposal for a resolution of the general meeting of shareholders without convening a meeting

The Management board of AS PRFoods (registration code 11560713, address Harju County, Tallinn, Central City District, Pärnu mnt 141, 11314; ISIN EE3100101031) proposes to the shareholders to adopt the shareholders' resolutions without convening a meeting pursuant to § 299(1) of the Commercial Code.

Please send any questions regarding the draft resolutions to the e-mail address investor@PRFoods.ee or to the address of AS PRFoods Pärnu mnt 141, 11314 Tallinn, Estonia, no later than 25.02.2022. Relevant questions and answers will be published on the website of AS PRFoods www.prfoods.ee (<http://www.prfoods.ee>). The list of shareholders with voting rights will be fixed as at the close of business on 09.02.2022 in the Nasdaq CSD settlement system. As of the date of publication of this notice, the share capital of AS PRFoods amounts to EUR 7,736,572. AS PRFoods has 38,682.860 ordinary shares, each share entitling to 1 vote at the general meeting. Voting is possible in the period from 10.02.2022 to 25.02.2022 (inclusive). If a shareholder abstains from voting, he/she will be deemed to have voted against the resolution. The voting ballot is available on the website of AS PRFoods www.prfoods.ee (<http://www.prfoods.ee>).

Shareholders have the following options to cast their votes:

(i) By submitting the ballot paper, completed and digitally signed by the shareholder entitled to vote or by his/her proxy, or by submitting a paper ballot, signed and scanned, by e-mail to investor@prfoods.ee (<mailto:investor@prfoods.ee>) during the voting period.

(ii) By submitting the paper ballot, completed and signed by the shareholder entitled to vote or his/her authorised representative, or by sending it to the



office of AS PRFoods at Pärnu mnt 141, 11314 Tallinn, Estonia, in such a way that it arrives no later than 17:00, 25.02.2022.

The voting form submitted by e-mail must be digitally signed in order to enable the identification of the shareholder. If the paper ballot is signed and scanned and sent by e-mail or if the paper ballot is sent by post, a copy of the page of the shareholder's or shareholder's representative's identity document (e.g. passport or ID-card) containing the personal data (including the date of expiry of the document) must be sent together with the paper ballot. The shareholder's proxy must additionally submit a valid power of attorney in a form that can be reproduced in writing in Estonian or English. The shareholder may use the proxy form available on AS PRFoods website www.prfoods.ee (<http://www.prfoods.ee>). In the case of a shareholder who is a legal entity registered in a foreign country, please submit a copy of the extract from the relevant foreign commercial register, which proves the representative's right to represent the shareholder (statutory power of attorney). The extract must be in English or translated into Estonian or English by a sworn translator or by an official deemed equal with a sworn translator.

The proposals of the management board regarding the resolutions to be adopted, approved by the supervisory board on 09.02.2022, are as follows:

1. Sale of Heimon Kala Oy by Saaremere Kala AS

To approve the sale of 100% of the shares of Heimon Kala Oy, registry code 0426956-8 in the Finnish commercial register, by the subsidiary of AS PRFoods Saaremere Kala AS to Nordic Fish Oy, registry code in the Finnish commercial register 2707158-9.

1. Issue of a first claim guarantee

To approve the issue of first demand guarantee by AS PRFoods to Nordic Fish Oy for securing of the obligations of Saaremere Kala AS arising under the share sale agreement.

As of the publication of this notice, shareholders may access the materials of the general meeting, draft resolutions and other documents of the general meeting on the website of AS PRFoods at www.prfoods.ee (<http://www.prfoods.ee>) and on the website of the Estonian branch of NASDAQ CSD SE at www.nasdaqbaltic.com (<http://www.nasdaqbaltic.com>).

Resolutions adopted by the shareholders will be disclosed in the form of a stock exchange release and on the website of AS PRFoods in accordance with § 299(1) (6) of the Commercial Code.

Indrek Kasela

AS PRFoods
Member of the Management Board



Phone: +372 452 1470
investor@prfoods.ee (mailto:investor@prfoods.ee)
www.prfoods.ee (http://www.prfoods.ee/)

