AS PREMIA FOODS

OFFERING
AND
LISTING PROSPECTUS

OFFER PERIOD:
22 APRIL 2010 – 29 APRIL 2010

PRICE RANGE:
EEK 12.80 – EEK 16.20

GLOBAL LEAD MANAGER
AND BOOK-RUNNER:
AS SWEDBANK

DATED:
21 APRIL 2010

AS PREMIA FOODS OFFERING UP TO 14,500,000 ORDINARY SHARES OFFER PRICE RANGE EEK 12.80 (EUR 0.818) – EEK 16.20 (EUR 1.035) OFFER PERIOD 22 APRIL 2010 – 29 APRIL 2010

AS Premia Foods ("*the Company*"), a limited liability company incorporated in Estonia, is publicly offering up to 14,500,000 ordinary shares ("*Offer Shares*") for sale to retail and institutional investors in Estonia in connection with the issue of new ordinary shares ("*New Shares*"). Such public offering is hereinafter referred to as the "*Retail Offering*".

Simultaneously with the Retail Offering, the Offer Shares will be privately offered to institutional investors in and outside of Estonia ("*Institutional Offering*"). Such private offering will not constitute a public offering of the Offer Shares under the laws of any jurisdiction. The private offering to international institutional investors will be made on the basis of a separate offering circular and therefore this document ("*Prospectus*") relates only to the Retail Offering. The Retail Offering and the Institutional Offering are hereinafter together referred to as the "*Offering*".

In connection with the Offering, the Company has applied for the listing of all its shares in the Main List of the NASDAQ OMX Tallinn Stock Exchange on the basis of this Prospectus. It is estimated that trading in shares of the Company on the NASDAQ OMX Tallinn Stock Exchange will commence on or about 5 May 2010.

The Offer Shares are offered at a price which will fall within the price range indicated above. The final price of the Offer Shares will be determined at the end of the offer period and will be the same for all investors who choose to participate in the Offering with the exception of preferential allocation to Management (as defined below) and employees, for further details please see "*Preferential Allocation to Management and Employees*" under "*Terms and Conditions of the Retail Offering*". Note that the Company reserves the right to change the conditions of this Offering, including the number of the Offer Shares that are being offered and the price range.

By participating in the Offering, you acknowledge that investing in shares involves risks. While every care was taken to ensure that this Prospectus presents a fair and complete overview of the risks related to the Offer Shares and the Offering (please see section entitled "*Risk Factors*" below), the value of your investment may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus.

Global Lead Manager and Book-runner:
AS SWEDBANK

DATED
21 April 2010

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INTRODUCTORY INFORMATION

The Retail Offering is conducted in accordance with and governed by the Estonian laws implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and in accordance with the Commission Regulation No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC. Before reading this Prospectus, please take notice of the following important introductory information.

LIABILITY IN CONNECTION WITH THE OFFERING

The Person Responsible. The person responsible for the information given in this Prospectus is AS Premia Foods (registered address Betooni 4, Tallinn, 11415, Estonia, the *"Company"*). AS Premia Foods accepts responsibility for the fullness and correctness as of the date hereof of the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

AS Premia Foods
Management Board:

Kuldar Leis	Katre Kõvask	Silver Kaur	Andri Avila
			

Limitations of Liability. Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Furthermore, the Global Lead Manager (as defined hereafter) expressly disclaims any liability based on the information contained in this Prospectus, the summary of this Prospectus or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Prospectus or disseminated by the Company in connection with the Offering may be construed to constitute a warranty or representation, whether express or implied, made by the Global Lead Manager to any third parties. In addition to the above, the Global Lead Manager accepts no responsibility or liability for the equal treatment of Management and employees in the allocation and settlement process of the Offer Shares in accordance with the provisions of the preferential allocation to the Management and employees as described under Section *"Preferential Allocation to Management and Employees"*.

Neither the Company nor the Global Lead Manager will accept any responsibility for the information pertaining to the Offering, the Company or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Offering or otherwise.

By participating in the Offering, you agree that you are relying on your own examination and analysis of this Prospectus (including the financial statements of the Company which form an indispensable part of this Prospectus) and any information on the Company that is available in the public domain. You also acknowledge the risk factors that may affect the outcome of such investment decision (as presented under *"Risk Factors"* below).

Please note that in the case of a dispute related to this Prospectus or the Offering, the plaintiff may have to resort to the jurisdiction of the Estonian courts and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect of this Prospectus or other relevant documents.

PRESENTATION OF INFORMATION

Approximation of Numbers. Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values etc) are presented with such precision which is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the financial statements of the Company, to the extent that the relevant information is reflected therein.

Currencies. In this Prospectus, financial information is presented either in Estonian kroons ("EEK"), the official currency of the Republic of Estonia, or euros ("EUR"), the official currency of the EU Member States participating in the European Economic and Monetary Union. The exchange rate between euro and the Estonian kroon is fixed at 15.6466 Estonian kroons for 1 euro. Information that has been originally available in other currencies was converted to euros or Estonian kroons as of the date for which such information is expressed to be valid. With respect to state fees, taxes and similar country-specific values, information may from time to time be expressed in currencies other than EEK or EUR. Such currencies may include the United States Dollar

("USD"), the Latvian Lat ("LVL"), the Lithuanian Litas ("LTL"), the Swedish Krona ("SEK") and the Russian Rouble ("RUB"). The exchange rates between the aforementioned currencies and euro may change from time to time.

Dating of Information. This Prospectus is drawn up based on information which was valid as of 31 December 2009. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Company, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 31 December 2009, this is identified by either specifying the relevant date or by the use of expressions "the date of this Prospectus", "to date", "until the date hereof" and other similar expressions, which must all be construed to mean the date of this Prospectus (21 April 2010).

Documents on Display. For the life of this Prospectus, the following documents (or copies thereof), where applicable, may be inspected: (a) the Articles of Association of the Company; (b) all reports, letters, and other documents, historical financial information, any part of which is included or referred to in this Prospectus, as well as (c) the historical financial information of the Group for each of the three full financial years preceding the date of this Prospectus. To the extent that such documents are not reflected in this Prospectus with reasonable fullness and do not in the sole discretion of the Company constitute business secrets of the Company, physical inspection of the documents will be arranged at the offices of the Company or by electronic post at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. The above does not apply to the Articles of Association of the Company and the annual reports of the Company which are publicly available from the Estonian Commercial Register at all times. All the documents in display as described herein may be obtained from the web-site of the Company at www.premiafoods.eu in Section *"Investor Relations"*.

Third Party Information and Market Information. For portions of this Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets in which the Company and its subsidiaries operate is based on the best assessment made by the Management. With respect to the industry in which the Company and its subsidiaries are active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While every reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant. Information on market shares is presented based on the overall revenue, unless specifically indicated otherwise.

Updates. The Company will update the information contained in this Prospectus only to such extent and at such intervals and by such means as required by the applicable law or considered necessary and appropriate. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

Table of Definitions. In this Prospectus, capitalized terms have the meaning ascribed to them hereunder, with the exception of such cases where the context evidently requires to the contrary. Terms are listed in alphabetical order and the list is limited to the terms which are considered to be of more importance. Other terms may be defined elsewhere in the Prospectus.

Company	AS Premia Foods (whereas a reference to "us", "our" and "we" should be construed to represent a reference to the Company)
ECRS	Estonian Central Register of Securities
FFL	AS "Premia FFL"
FFLS	SIA "F.F.L.S"
Global Lead Manager	AS Swedbank
GH	Gourmethouse OÜ
Group	The Company and any of its subsidiaries
HK	Heimon Kala OY
Issue	The issue of the New Shares of the Company
Institutional Offering	The offering of the Offer Shares to institutional investors worldwide in reliance on certain exemptions found in the national securities legislation of each relevant country, which does not constitute a public offering of the Offer Shares
KPC	AB "Premia KPC"
Management	The Management Board of the Company
New Shares	New shares of the Company to be issued in connection with this Offering
Offering	The Retail Offering and the Institutional Offering together

Offer Shares	The Shares of the Company that are being offered to investors in the course of the Offering
Offer Period	The period within which investors will have the opportunity to submit Subscription Undertakings
Offer Price	The final price per each Offer Share, which shall be determined in accordance with the terms and conditions of the Offering; "Offer Price Range" shall mean the range within which the Offer Price may fall
ÖF	Överumans Fisk AB
PTKH	AS Premia Tallinna Külmhoone
Prospectus	This registration document
SF	Skärgårdshavets Fisk AB
SMK	Saaremere Kala AS
Subscription Price	The price at which investors participating in the Retail Offering may subscribe for the Offer Shares, being the upper limit of the Offer Price Range or EEK 16.20
Subscription Undertaking	An order submitted by an investor for the purchase of the Offer Shares in accordance with the terms and conditions of the Offering
Retail Offering	The public offering of the Offer Shares to investors in Estonia
Summary	Summary of this Prospectus
Section	A section of this Prospectus
Shares	The Offer Shares and other existing shares of the Company
TCS	OÜ TCS Invest
Vettel	Vettel OÜ

FINANCIAL AND OPERATIONAL INFORMATION

The consolidated financial information for the Company is prepared from 1 January 2009, as the Company was established in December 2008. Upon foundation, the shares of the Company were held by PTKH, which resolved the issuance of the new shares to the shareholders of SMK and KPC on 30 December 2008. The new shares of the Company were paid for entirely with non-monetary contributions, consisting of shares of SMK and KPC. Prior to the completion of the issuance of new shares in January 2009, the existing shares of the Company, which were held by PTKH, were sold to the subscribers of the shares of the Company.

The Company has applied the international financial reporting standards (*"IFRS"*) as adopted by the European Union in its accounting from 1 January 2009. IFRS has been consistently applied by the subsidiaries of the Company for the whole period covered by the historical financial information presented in this Prospectus.

The financial information for the years 2007 and 2008 is based on pro forma consolidation of IFRS consolidated financial results of SMK and consolidated financial results of KPC. The historical audited annual financial statements for SMK were originally prepared for financial year ending on 30 June. Therefore, the pro forma consolidated financial information considers SMK financial results for the same financial year period as KPC, ending 31 December.

The consolidated report contains the financial indicators of the Group, which have been consolidated line by line. Subsidiaries are consolidated starting from the date the dominant influence or joint control was transferred to the group and their consolidation is terminated from the date the group lost the dominant influence or joint control. For the purposes of the consolidated report, a subsidiary is a company whose activities are controlled by a parent company. A subsidiary is deemed as controlled by the parent company if a parent company holds over 50% of the voting shares in the subsidiary either directly or indirectly or is otherwise capable of controlling the operating or financial policies of the subsidiary. Subsidiaries use the same accounting principles as the parent company. All intra-group transactions, receivables and liabilities as well as retained earnings and losses on transactions concluded between the group companies have been fully eliminated from the annual accounts. Retained losses are not eliminated if they basically represent impairment. New subsidiaries are recognised in the consolidated annual accounts using the purchase method. The cost of acquisition of companies recognised pursuant to the purchase method is allocated to the fair values of assets, liabilities and contingent liabilities as of the date of acquisition. The proportion of acquisition cost that exceeds the fair value of assets, liabilities and contingent liabilities acquired is recognised as goodwill. Goodwill reflects the part of the historical cost paid for such assets of the acquired company which cannot be differentiated and recognised separately. If fair value exceeds the acquisition cost, the difference is immediately recognised in full as income received during the period (in the income statement on the *"General administrative expenses"* account).

In order to consolidate KPC and SMK from the beginning of the reporting period as well as for the sake of greater disclosure, the data for the opening balances of 31 December 2008 are stated on a pro forma basis as if the acquisitions of KPC and SMK have been both carried out before the balance date of 31 December 2008. The financial information for the years 2007 and 2008 is based on pro forma consolidation of IFRS consolidated financial results of SMK and KPC. SMK and KPC have been consolidated line by line as if these two consolidation groups acted under joint control together. Intra-group transactions have been eliminated in the process of pro forma consolidation. Subsidiary GH has been incorporated into the group since 1 July 2007 and FFL since 31 October 2007, i.e from the dates the group acquired control in these companies.

The historical audited annual financial statements for SMK were originally prepared for financial year ending 30 June. All annual reports of SMK for the periods 24 October 2006 – 30 June 2007, 1 July 2007 – 30 June 2008 and 1 July 2008 – 31 December 2009 have been prepared in accordance with IFRS. First two accounting periods have been audited by Ernst & Young Baltic AS and last one by Alliott Kangust OÜ. Annualized data for pro forma consolidation of the Company has been derived from audited annual accounts of SMK. Derivation process of annualized data from the audited accounts has been controlled and approved by the auditor.

KPC consolidated audited annual report for the financial year ended on 31 December 2007 has been prepared in accordance with local GAAP and for year 2008 in accordance with IFRS. Both reports have been audited by UAB Ernst & Young Baltic. Data for the Company's 2007 and 2008 pro forma consolidation has been obtained from 2008 IFRS consolidated report annexed to this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements (notably under Sections entitled *"Summary" "Risk Factors"*, *"Dividend Policy"*, *"Operations"* and *"Results of Operations and Outlook"*). Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

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

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

USE OF THIS PROSPECTUS

This Prospectus is prepared solely for the purposes of the Retail Offering and may not be construed as a warranty or a representation to any person not participating or not eligible to participate in the Retail Offering. No public offering of Shares is conducted in any jurisdiction other than Estonia and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law. You may not use this Prospectus for any other purpose than for making the decision to participate or refrain from participating in the Retail Offering. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission from the Company. Please see *"Offering and Transfer Restrictions"* for more information.

SUMMARY

This Summary is not the prospectus for the public Offering and the listing of our Shares and should be read merely as an introduction to the same. This Summary summarizes the facts and circumstances that we, in accordance with the best judgement of the Management, consider important with respect to our business and the public Offering of our Shares. Any decision to participate in the Offering and invest in our Shares should be based by each investor on the Prospectus as a whole and not merely on this Summary. This Summary is available also in Estonian language, while the entire English-language Prospectus will not be translated to Estonian or any other language. Prospective investors are cautioned that where a claim relating to the information contained in the Prospectus (or this Summary) is brought before a court, the plaintiff investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus before court proceedings are initiated. We accept civil liability in respect of this Summary solely in the case where this Summary is found to be misleading, inaccurate or inconsistent when read together with the Prospectus as a whole. Please note that a summary of the Prospectus is also available as a separate document in Estonian language. Such separate document is not merely a translation of this Summary and includes more information that this Summary. It is made available to potential investors in the same manner and through the same channels as the Prospectus. Documents that serve as basis for this Summary are available for inspection on terms indicated under Section entitled "Introductory Information" above.

INTRODUCTION TO OUR BUSINESS

We are a leading branded foods processing company, operating in the Baltic states as well as in Finland and Sweden, producing and trading in frozen goods, ice cream, fish and fish products, and fish farming.

Being the oldest ice cream producer and market leader in the Baltic states in the ice cream and frozen food market, we are also in strong second position in chilled packed fish market in Finland. The most famous trademarks of the Group include "Premia", "Väike Tom", "Regatt", "Vau", "Maahärra" in Estonia, "Bravo", "Klasika" and "Natali" in Latvia and Lithuania, "Heimon Gourmet" and "Saaristomeren Kala" in Finland, "Bueno!" and "Polar Fish" in the Baltics. The Group's pan-Baltic presence and good reputation as a capable and reliable distributor, has made our Group companies attractive business partners for the producers of various frozen food brands distributed by the Group (e.g. "Aviko", "Hortex", "Esva" etc). The Group has also proven itself as a committed partner for private label operators, i.e. retail chains, in the Baltics and Finland.

Over the recent years, the Group has had aggressive growth strategy via expansion on current markets and has entered new ones. This has given us the benefit of understanding international operations and the importance of skilled and motivated management team.

The Group's total revenues in the 12 months ended on 31 December 2009 were EEK 1,075 million (EUR 68.7 million). The turnover of the first quarter of 2010 grew by 5% reaching an amount of EUR 15 million (EEK 235 million). Approximately 2/3 of the turnover of the Company is gained from export of goods.

Currently, the Group is expanding its new market segments in Finnish and Baltic market for fish products, and continues to build on its leadership in Baltic ice cream market. Significant development is expected in St. Petersburg area post acquisition of OOO Khladokombinat No 1. The Company's management and team have actively worked with the current management of Khladokombinat No 1 already for the past two years and has developed in-depth knowledge and expertise in the ice cream market of North-Western Russia.

STRUCTURE OF THE GROUP

The Company (AS Premia Foods) is a limited liability company, established in Estonia in December 2008 by AS Premia Tallinna Külmhoone (PTKH) with the purpose of creating a holding company for the group consolidating various food companies. The Group has three business lines – (i) ice cream; (ii) frozen food; and (iii) fish and fish products. The ice cream and frozen food business lines of the Group are represented mainly by the Estonian company PTKH, the Lithuanian company AB "Premia KPC" (KPC) and the Latvian company AS "Premia FFL" (FFL) (95%). Additionally, two holding companies – the Estonian company OÜ TCS Invest (TCS) and the Latvian company SIA "F.F.L.S" (FFLS) – belong to this part of the Group. The fish and fish products business line of the Group is represented by the Estonian companies Saaremere Kala AS (SMK), Vettel OÜ (Vettel) and Gourmethouse OÜ (GH) (75.7%), the Finnish company Heimon Kala OY (HK) and the Swedish companies Överumans Fisk AB (ÖF) and Skärgårdshavets Fisk AB (SF).

STRATEGY

The Group's strategic goal is to become the leading company in deep frozen and chilled food processing and sales in the Baltic, Scandinavian and North-West Russian area. In order to achieve this goal, the Group focuses on expansion, exploring synergies and increasing efficiency.

The expansion includes the following measures:

- Acquisition of enterprises and trademarks with the purpose of strengthening or expanding business activities in target markets;
- Utilising existing trademarks for new product categories;
- Launch of new trademarks for new product categories;
- Strengthening the trademark "Premia" as a corporate brand and communicating its characteristics in all target markets;
- Strengthening and expansion of strong existing trademarks with the focus on "Premia" as umbrella brand;
- Taking full advantage of the existing production capacity to support the entry into new markets;
- Taking full advantage of the existing marketing and sales know-how to expand the sales of frozen foods and ice cream in Finland and the sales of chilled fish products in the Baltics, as well as to deploy common principles on designing the product portfolio in the Baltics, Finland and Russia.

To increase efficiencies, the following measures will be applied:

- Continuous optimisation of production units;
- Taking advantage of increased bargaining power in order to obtain better purchase prices from suppliers of raw materials, packaging, logistics, etc;
- Continuous optimisation of product portfolio in all markets.

COMPETITIVE ADVANTAGES

The success of the Group in the Baltic, Scandinavian and Russian markets and its continuing expansion is driven by certain competitive advantages that we believe to hold over our peers.

The expansion includes the following measures:

- **Strong brands.** The Group holds and operates a strong portfolio of well-recognised and trusted brands in all areas of operation of the Group. The Group's flagship brand "Premia", which was launched originally as a product brand for ice cream business line, has become a corporate brand, which has earned the trust and recognition of consumers and business partners, as well as of the wider public. At the same time, many of the Group's product brands are consumer favourites in the relevant product segments, for instance "Heimon Gourmet" in the Finnish fish and fish products market, "Maahärra", "Natali", "Bueno!" and "Polar Fish" in the Baltic frozen foods market, "Väike Tom", "Premia", "Põhjatäht", "Vau", "Regatt", "Eskimo", "Aurora", "Bravo" and "Klasika" in the Baltic ice cream market. The Group also owns well-recognised trademarks in St.Petersburg, which gives remarkable competitive advantage in this ice cream market.

- **Professional management and team.** The Group's management and majority of other members of the Group's team have ample experience in the food industry, allowing to cope with any day-to-day matters efficiently and expediently, and quickly adapt to market developments. As the management team gathers members with both international and local experience (derived from working with multiple markets on an everyday basis), the management's wide contact network and established reputation facilities the business process and setting up relations with new business partners.

- **Modern production units.** Most of the production units of the Group, such as the fish processing units of HK in Uusikaupunki, Finland, and of Vettel in Saaremaa, Estonia, the ice cream factory of PTKH in Tallinn, Estonia, and the fish breeding facilities in Sweden and Finland, have been recently built or renovated and meet the highest European standards. This ensures the efficiency of production and high quality of products.

- **High-quality products.** The Group has a wide product portfolio, consisting of high-quality and well-recognised products in all markets. The Group's products have won the consumer's trust and the loyalty of consumers to the Group's products is noticeable in all markets. Such consumer loyalty is of particular significance in the Scandinavian markets, where consumers are generally more conservative and where trust towards novel producers takes years to establish.

- **Advanced IT systems.** The scale of the Group's operations allows us to take advantage of high-standard, better, more sophisticated and correspondingly more expensive IT systems which ensure stable operations and integration of all Group entities. This in turn provides the management with the constant availability of current and precise information on the operations and results of the Group. Moreover, from the operational side, it allows meeting the clients' expectation with respect to orders and deliveries, as the access to current integrated stock data facilitates stock management and production planning.

- **Diversification of risks between various countries and product groups.** The Group operates in a range of different product and geographical markets and moreover, has a wide product portfolio within all markets. This reduces the Group's vulnerability to various industry and business risks and hence, helps to diversify risks.

- **Vertical integration.** The Group enjoys the benefit of vertical integration in various business lines. This is most apparent, but also most important for the fish and fish products business line, where the Group's own fish breeding operations help to secure the constant availability of high standard input, the Group's own processing facilities secure the quality and flexibility of production and the Group's own distribution system procures the market access. Similarly, the pan-Baltic distribution network secures the market access to the Group produced ice cream and branded frozen food products.

- **Financial Strength.** The Group has strong balance sheet and cash flow and maintained solid financial position also during the recent crises. Group companies have never defaulted on payables or debt servicing and maintain low debt gearing. The Group has financially strong and liquid core shareholders.

- **Transparency of operations.** The Group enjoys a justified reputation for the transparency and legitimacy of operations. We are determined to continue adhering to the highest business ethics standards and regulatory compliance.

MANAGEMENT AND EMPLOYEES

In accordance with the Estonian law, the operational management of the Company is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is eligible to represent the Company on the basis of the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board. The highest corporate body of the Company is the General Meeting of shareholders.

The Management Board of the Company currently consists of four members, whose authorities are valid for three years since appointment. According to the Articles of Association of the Company, the Management Board may have from one to four members. Currently, the members of the Management Board of the Company are Mr Kuldar Leis (chairman of the Management Board), Ms.Katre Kõvask, Mr Silver Kaur and Mr Andri Avila.

According to the Articles of Association of the Company, the Supervisory Board consists of three to six members who are appointed by the General Meeting of shareholders for a period of five years. Currently, the members of the Supervisory Board of the Company are Mr Indrek Kasela (chairman of the Supervisory Board), Mr Lauri Kustaa Äimä, Mr Erik Haavamäe, Mr Aavo Kokk, Mr Harvey Sawikin and Mr Jaakko Karo.

As at 31 December 2009, the Group employed in total 581 employees.

ADVISERS AND AUDITORS

The principal legal counsel to the Company is AS Advokaadibüroo Lepik & Luhaäär LAWIN (address Niguliste 4, 10130, Tallinn, Estonia).

In accordance with the resolution of the General Meeting of shareholders of the Company, dated 17 August 2009, the auditor of the Company is Alliott Kangust OÜ (address Narva mnt 5, 10117, Tallinn, Estonia).

CAPITALIZATION AND INDEBTEDNESS

For information on capitalization and indebtedness of the Company, please refer to the Section entitled *"Capitalization"*.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

The primary purpose of the Offering is to strengthen the equity position of the Company and to further support the Group's growth strategy and expansion of its business in its core markets in the Baltics, Scandinavia and North-West Russia. The Offering is expected to broaden the shareholder base with Estonian retail and international institutional investors and create the necessary conditions for the listing of Shares on the Main List of the NASDAQ OMX Tallinn Stock Exchange.

The aggregate net proceeds to be received by the Company from the Offering are expected to be used partially for the additional investments into expansion of operations in St. Petersburg region in Russia. Namely, as the date of this Prospectus, PTKH has acquired the trademarks of ZAO Khladokombinat No 1. Now the Company is finalizing its expansion in St. Petersburg region by acquiring OOO Khladokombinat No.1, fully owned subsidiary of ZAO Khladokombinat No 1. OOO Khladokombinat No 1 has recently taken over all ice cream operations and assets of ZAO Khladokombinat No 1. A part of the proceeds will be used to repay part of the Group's outstanding debt to commercial banks and shareholders loans. Finally, a part of the proceeds will serve as reserve for the purposes of further developments. For information on use of proceeds, please refer to the Section entitled *"Use of Proceeds"*.

RELATED PARTY TRANSACTIONS

The Group companies have entered into several related party transactions that are customary commercial relations between group companies that are mainly done on arms length basis. For information on related party transactions, please refer to the Section entitled *"Business Overview"*.

RISK FACTORS

Our operations inevitably involve certain risks and contingencies. Before investing in Shares, prospective investors are strongly advised to consider the Section entitled *"Risk Factors"* for a comprehensive overview of the circumstances which we regard as having the potential to affect the results of our operations (and, correspondingly, the value of the Shares) in the future. In particular, such circumstances may be related to the Estonian investment climate, to the public offering and listing of the Offer Shares, to certain company-specific aspects of our operations, to the geographic markets in which we do business or to the industry in which we operate. Prospective investors are cautioned that though every effort was exerted to make proper mention of every material risk of which we are aware, our operations could still be affected by other circumstances which are either not known or not considered material at this time. The trading price of the Offer Shares could decrease as a result of realisation of such risks.

SHARES AND SHAREHOLDERS

As at the date of this Prospectus, the registered share capital of the Company is EEK 241,828,600. It is divided into 24,182,860 ordinary Shares with the nominal value of EEK 10 each. The ISIN code of Shares is EE3100101031.

All shareholders of the Company have equal voting rights. Prior to the Offering, the Company is controlled by Amber Trust II S.C.A., which holds 53.8% of the shares of the Company. Together with Amber Trust S.C.A., which holds 22.3% of the shares of the Company, Amber Trust II S.C.A. and Amber Trust S.C.A. hold 76.1% of the shares of the Company prior to the offering.

Amber Trust S.C.A. (launched in 2002) and Amber Trust II S.C.A. (launched in 2005) are private equity funds domiciled in Luxembourg and regulated by Luxembourg's *Commission de Surveillance du Secteur Financier.* Danske Capital Finland Ltd. and Firebird Private Equity Advisors LLC act as joint investment advisors of the aforesaid funds with equal rights and responsibilities. The funds' objective is to generate long-term capital gains by making investments primarily in the Baltic States.

Please turn to the Section *"Share Ownership"* for further details on the minority shareholders in the Group companies.

DIVIDENDS

The Offer Shares will give rights to dividends declared by the Company (if any) for the financial year beginning on 1 January 2009 and for the subsequent financial years. So far, the Company has been re-investing most of its earnings in order to maintain the strategy of expansion.

OFFERING

The Company is publicly offering the Offer Shares for sale to individual and institutional investors in Estonia, as well as privately to institutional investors in and outside Estonia. The offering made publicly to individual and institutional investors in Estonia (*"Retail Offering"*) is conducted in accordance with the laws of Estonia implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC and in accordance with the Commission Regulation No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC, as an initial public offering of Shares of the Company. The offering privately made to institutional investors worldwide (*"Institutional Offering"*) is targeted to pre-determined professional investors and does not constitute a public offering of Shares under the laws of any jurisdiction. The Retail Offering and the Institutional Offering together constitute the Offering. A summary of the main terms of the Offering follows (while the complete set of conditions applicable to the Offering may be found in the Prospectus:

Offering	In the course of the Offering, up to 14,500,000 Offer Shares are being offered by the Company for sale. The total number of Offer Shares may be changed. In order to conduct the Offering, the General Meeting of shareholders of the Company has passed on 21 April 2010 a resolution on conditional issue of the New Shares. Such conditional issue of the New Shares is expected to be registered in the Estonian Commercial Register on or about 29 April 2010. The above-mentioned resolution of the General Meeting of shareholders of the Company grants the Management of the Company the right to issue the New Shares. The Retail Offering constitutes a public offering of Shares in Estonia. The Institutional Offering constitutes a private offer of Offer Shares outside the United States to institutional investors in reliance on Regulation S under the Securities Act.

Shares	The share capital of the Company currently consists of 24,182,860 ordinary Shares with the nominal value of EEK 10 each. A total of up to 14,500,000 New Shares will be issued in the course of the Offering. Upon completion of the Offering, and assuming that all Offer Shares and New Shares are subscribed, there will be a total of 38,682,860 Shares issued and outstanding with the nominal value of EEK 10 each. This will result in the aggregate share capital of EEK 38,828,800 consisting of 38,682,860 Shares with the nominal value of EEK 10 each. The Offer Shares and the New Shares rank *pari passu* with all the remaining Shares of the Company.
Offer Period	The Offer Period commences on 22 April 2010 and ends on 29 April 2010.
Offer Price Range	The Offer Price Range is EEK 12.80 (EUR 0.818) to EEK 16.20 (EUR 1.035) per Offer Share. The Offer Price Range may be changed during the book-building process directed at institutional investors in the course of the Institutional Offering. The final Offer Price will be based on the results of such book-building process. The Offer Price will be the same for all investors participating in the Retail Offering or the Institutional Offering.
Percentage of the Total Issued Share Capital Being Offered in the Offering	The Offer Shares represent approximately 37.5% of the share capital of the Company following the completion of the Offering and provided that the number of Offer Shares is not changed.
Listing	An application has been made for Shares to be listed on the NASDAQ OMX Tallinn Stock Exchange. Trading in Shares on the Tallinn Stock Exchange is expected to commence on 5 May 2010.
Settlement	It is expected that the delivery of the Offer Shares will be made on or about 4 May 2010 through the facilities of the Estonian Central Register of Securities (*"ECRS"*) (but in any case no later than 5 May 2010).
Lock-up Agreements	The Company and its shareholders have agreed that, without the prior written consent of AS Swedbank, shareholders will not dispose of any Shares owned by them or enter into transactions similar in nature at any time or any securities however convertible into Shares during the period commencing on the last day of the Offer Period and ending 360 days after the commencement of trading in the Shares on the NASDAQ OMX Tallinn Stock Exchange.
Voting Rights	Each Offer Share carries and, upon registration with the Estonian Commercial Register, each New Share will carry one vote at the General Meetings of shareholders of the Company.
Dividend Rights	The Offer Shares entitle and, upon registration with the Estonian Commercial Register, the New Shares will entitle holders of the same to any future dividends beginning from any dividend declared for the financial year commenced on 1 January 2009.
Use of Proceeds	The aggregate net proceeds to the Company from the issuance of the new Shares in the Offering, after the deduction of fees and expenses payable in connection with the issue of new Shares and the Offering, are estimated to reach approximately EEK 201 million based on the midpoint of the Offer Price. The aggregate net proceeds to be received by the Company from the Offering are expected to be used for as indicated in this Summary and Prospectus. See "*Reasons for the Offering and Use of Proceeds*" for more details.
Selling and Transfer Restrictions	Sales and transfers of the Offer Shares will be subject to certain restrictions. See the Prospectus for more details.
ISIN Code of the Shares	The ISIN code of the Shares is EE3100101031.
Trading Code of the Shares	The trading code of the Shares on the Tallinn Stock Exchange is expected to be "PRF1T".
Global Lead Manager	The Global Lead Manager of the Offering is AS Swedbank.

INFORMATION AVAILABLE FOR INSPECTION

The following documents (or copies thereof), where applicable, may be inspected: (a) the Articles of Association of the Company; (b) all reports, letters, and other documents, historical financial information, any part of which is included or referred to in this Prospectus, as well as (c) the historical financial information of the Company for each of the two full financial years preceding the date of this Prospectus. To the extent that such documents are not reflected in this Prospectus with reasonable fullness and do not in the sole discretion of the Company constitute business secrets of the Company, physical inspection of the documents will be arranged at the offices of the Company or by electronic post at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. The above does not apply to the Articles of Association of the Company and the annual reports of the Company which are publicly available from the Estonian Commercial Register at all times. All the documents in display as described herein may be obtained from the web-site of the Company at www.premiafoods.eu in Section *"Investor Relations"*.

LISTING AND TRADING

At the date hereof, no securities issued by the Company are admitted to trading on any regulated market. The purpose of the Offering, among other things, is the subsequent listing of all the Shares on the NASDAQ OMX Tallinn Stock Exchange. The Company has applied for the conditional listing of all its Shares in the Main List of the NASDAQ OMX Tallinn Stock Exchange. It is estimated that trading in shares of the Company on the NASDAQ OMX Tallinn Stock Exchange will commence on 5 May 2010.

KEY DATES

The following are indicative the key dates in the progress of the Offering:

21 April 2010	The Extraordinary General Meeting of Shareholders of the Company adopted the conditional resolution to increase the share capital of the Company by granting the Management the right to issue the New Shares
22 April 2010	Offer Period commences
29 April 2010	Offer Period concludes
3 May2010	Offer Price and allocation of Offer Shares is determined and published
4 May 2010	Settlement of Offer Shares
5 May 2010	Trading in Shares of the Company commences on the NASDAQ OMX Tallinn Stock Exchange

SUMMARY FINANCIAL INFORMATION

The tables below present certain selected financial data as of the end of financial years on 31 December 2007, 2008 and 2009. The information presented below has been derived from the pro forma consolidation of audited consolidated financial statements of SMK and KPC for years 2007 and 2008 and from the audited consolidated financial statements of the Company for year 2009.

	12 months ended 31.12		
	2007	**2008**	**2009**
	pro forma	*pro forma*	*actual*
INCOME STATEMENT INFORMATION	(in EEK millions unless otherwise stated)		
Revenue	995.4	1,210.2	1,075.0
Operating profit	72.7	10.2	39.4
Profit before income tax and minority interests	49.6	-30.8	10.2
Net profit for the financial year	43.1	-25.3	10.0
BALANCE SHEET INFORMATION			
Current assets	384.7	413.3	385.6
Non-current assets	561.7	615.0	597.5
Cash and cash equivalents	21.8	19.7	19.6
Total assets	946.4	1028.3	983.1
Total liabilities	668.5	602.4	549.0
Interest-bearing liabilities	425.3	328.2	309.3
Equity	277.9	425.9	434.1
CASH FLOW INFORMATION			
Cash flow from operating activities	n.a.	21.9	36.6
Cash flow from investing activities	n.a.	84.0	-5.0
Cash flow from (used in) financing activities	n.a.	-108.0	-28.6
PER SHARE INFORMATION			
Average number of shares	n.a.	n.a.	1,221,042
Earnings per share (EPS), EEK	n.a.	n.a.	8.19
RATIOS AND INDICATORS			
EBITDA	117.6	75.2	97.1
EBITDA margin, %	11.8%	6.2%	9.0%
Operating profit margin, %	7.3%	0.8%	3.7%
Return on investment (ROI), %	n.a.	1.4%	5.3%
Return on equity (ROE), %	n.a.	-6.9%	2.5%
Return on assets (ROA), %	n.a.	1.0%	3.9%
Equity ratio, %	29.4%	41.4%	44.2%
Capital expenditure	64.5	35.1	10.6
Number of employees	659	647	581

	12 months ended 31.12		
	2007	**2008**	**2009**
	pro forma	*pro forma*	*actual*
INCOME STATEMENT INFORMATION	(in EUR thousands unless otherwise stated)		
Revenue	63,619	77,348	68,703
Operating profit	4,645	650	2,516
Profit before income tax and minority interests	3,170	-1,971	650
Net profit for the financial year	2,757	-1,617	639
BALANCE SHEET INFORMATION			
Current assets	24,583	26,414	24,643
Non-current assets	35,901	39,308	38,185
Cash and cash equivalents	1,392	1,259	1,254
Total assets	60,484	65,722	62,828
Total liabilities	42,726	38,501	35,083
Interest-bearing liabilities	27,178	20,974	19,767
Equity	17,758	27,221	27,745
CASH FLOW INFORMATION			
Cash flow from operating activities	n.a.	1,398	2,340
Cash flow from investing activities	n.a.	5,371	-317
Cash flow from (used in) financing activities	n.a.	-6,902	-1,825
PER SHARE INFORMATION			
Average number of shares	n.a.	n.a.	1,221,042
Earnings per share (EPS), EUR	n.a.	n.a.	0.52
RATIOS AND INDICATORS			
EBITDA	7,513	4,807	6,203
EBITDA margin, %	11.8%	6.2%	9.0%
Operating profit margin, %	7.3%	0.8%	3.7%
Return on investment (ROI), %	n.a.	1.4%	5.3%
Return on equity (ROE), %	n.a.	-6.9%	2.5%
Return on assets (ROA), %	n.a.	1.0%	3.9%
Equity ratio, %	29.4%	41.4%	44.2%
Capital expenditure	4,124	2,241	680
Number of employees	659	647	581

EBITDA = earnings before financial items, tax, depreciation & amortization
EBITDA margin, % = EBITDA / net sales
Operating profit margin, % = operating profit / net sales
ROI = operating profit / average (interest-bearing liabilities + equity + minority interest)
ROE = net profit / average shareholders' equity
ROA = operating profit / average total assets
Equity ratio = (shareholders equity + minority interests) / total assets

RISK FACTORS

This overview of the various risk factors related to the Company's business represents what we, in accordance with the best judgement of the Management, consider to be of material importance in relation to our present and future operations. While we consider the following to be a fair, full and comprehensive disclosure of all relevant risk factors, this overview (either in conjunction with the Summary or alone) is not a substitute for the rest of the Prospectus and should not be perceived as such. We stress that a full and accurate assessment of our operations may only be made on the basis of the entire Prospectus. Furthermore, the operations of the Company may be affected by risks that are either not known or have not materialised by the date of this Prospectus. Should such risks emerge, the value of the investment made in Shares of the Company may suffer.

RISKS RELATED
TO THE ESTONIAN INVESTMENT CLIMATE

GENERAL RISKS RELATED TO ESTONIA

Estonian market is an emerging one and therefore it is subject to greater risks than more mature markets, including legal, economic and political risks. Throughout two previous decades Estonia has experienced significant political, legal and economic changes and extensive liberalisation driven by transition from the Soviet Union rule and plan economy to independence and market economy.

Estonian accession to the EU in 2004 resulted in significant social and economic changes and extensive reforms in its legal and regulatory framework. For that reason, volume of Estonian legislation and other regulations has increased significantly and the respective tendency is ongoing due to the obligation to apply and implement EU law. Such new regulatory framework remains in vast part untested in courts and no clear and unified administrative and court interpretation practice has evolved.

RISKS RELATED TO CURRENT MARKET SITUATION IN ESTONIA

The worldwide financial crisis has had significant adverse impact on the Estonian economy. According to the Estonian Statistics Board, GDP decreased in 2009 14.1%. In 2010, the decrease of economy is expected to slow down in a stable manner and the growth of economy is expected to restore in the second half of 2010.

RISKS RELATED TO THE LEGAL AND REGULATORY ENVIRONMENT IN ESTONIA

Estonian legal framework has recently undergone significant changes, including general corporate, securities market and bankruptcy laws. Most of such changes relate to adoption of the EU law. Although such amendments bear an upside of unifying Estonian legal framework for doing business with the legal framework as applicable in the territory of the EU; the law as amended will be interpreted and enforced by Estonian courts. As at today, Estonian courts are lacking unified practice in majority of legal issues and therefore it is rather difficult to estimate results of cases being brought before Estonian courts. Above all such unpredictability concerns laws and regulations as amended to implement the EU law. Such lack of unified practice could result in adverse effect in enforcing rights of Estonian enterprises.

Significant changes in the legal and regulatory environment in Estonia may be triggered by the on-going financial crises. Essence and impact of such changes to the Estonian economy is not predictable.

RISKS RELATED TO ESTONIAN TAX REGIME

As a general note, Estonian tax laws and regulations have not been in force for long time, as compared to more developed market economies. Therefore, interpretation of the laws may cause problems and uncertainties due to ambiguity of some laws and regulations and non-existent or unclear enforcement practice. Differing opinions regarding the interpretation of some legal acts exist within tax authorities, which in turn, cause uncertainties to companies operating in Estonia. Due to such uncertainties, the Group's tax position could be challenged by tax authorities and could lead to significant sanctions and interests charges to the Group.

CURRENCY RELATED RISKS

Estonia joined the Exchange Rate Mechanism (ERM II) in June 2004, as a result of which the central exchange rate for Estonian national currency (EEK) against the euro was fixed. The Estonian kroon is pegged to the euro at the fixed rate of EEK 15.6466 for EUR 1.

Under ERM II, the three countries' currencies must not deviate by more than 15% up or down against the euro from the agreed rates. It is currently unclear when Estonia starts using euro notes and coins; nevertheless, it has been speculated to take place in 2011 (in the light of the current financial crises such term may be in jeopardy).

A delay in the transition to the euro may ultimately lead to a drop in consumer confidence and the overall decline in the growth rates of the Baltic economies. When completed, the transition to the euro in the Baltic States may pose a currency exchange risk which may materialise through changes in the current exchange rates between national currencies and the euro.

RISKS RELATED
TO THE OFFERING AND THE LISTING

AN ACTIVE MARKET FOR THE SHARES MAY NOT DEVELOP

Prior to this Offering, there has been no public market for the Shares. The Company cannot provide any assurance an active trading market for Shares will emerge, develop or be sustained after the completion of the Offering. The Offer Price will be determined through negotiations among the Global Lead Manager, the Company and the shareholders of the Company. This initial Offer Price may vary from the market price of the Shares after the Offering. If you purchase any Shares, you may not be able to resell those Shares at or above the Offer Price.

The price of the Shares after this Offering may be volatile and may fluctuate significantly in response to numerous factors including the actual or anticipated fluctuations in the quarterly and annual results of the Company and those of its publicly-held competitors; industry and market conditions; mergers and strategic alliances in the food industry; changes in laws and regulations; shortfalls in the operating results of the Company or its competitors compared to levels forecast by investment analysts; public announcements concerning the Company or its competitors; global and regional economic conditions and the general state of securities markets. Many of these factors may be beyond the control of the Company and are difficult or impossible to predict.

VOLATILITY AND LIMITED LIQUIDITY OF STOCKS LISTED ON THE NASDAQ OMX TALLINN STOCK EXCHANGE

Application has been made to the NASDAQ OMX Tallinn Stock Exchange for Shares to be admitted to trading on the NASDAQ OMX Tallinn Stock Exchange's market for listed securities. Though every effort will be made to ensure that listing will occur, the Company cannot provide any assurance that Shares will be admitted to trading.

The average daily trading turnover on the NASDAQ OMX Tallinn Stock Exchange from 1 January to 31 December 2009 was EUR 1,070,780. As at 31 March 2010, total of 15 companies were listed on the NASDAQ OMX Tallinn Stock Exchange. As at 31 March 2010, the two largest companies in terms of market capitalization, AS Tallink Grupp and AS Tallinna Vesi, represented approximately 43% of the NASDAQ OMX Tallinn Stock Exchange's aggregate market capitalization of approximately EUR 1,456 million. Consequently, the NASDAQ OMX Tallinn Stock Exchange is substantially less liquid and more volatile than established markets such as those in other countries with highly developed securities markets. The relatively small market capitalization and low liquidity of the NASDAQ OMX Tallinn Stock Exchange may impair the ability of shareholders to sell Shares on the NASDAQ OMX Tallinn Stock Exchange, which could increase the volatility of the price of Shares. The delisting of any of the large companies listed on the NASDAQ OMX Tallinn Stock Exchange would be likely to have a negative effect on the market capitalization and liquidity of the NASDAQ OMX Tallinn Stock Exchange as a whole.

Since the NASDAQ OMX Tallinn Stock Exchange is characterised by relatively low investor activity, the impact of individual transactions on the market price of securities may be significant. Lower investor activity may lead to wider spreads between the bid and ask prices and a correspondingly lower liquidity of traded securities.

PAYMENT OF DIVIDENDS

The Company is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends. The Management's recommendations for the distribution of profit will be based on financial performance, working capital requirements, reinvestment needs and strategic considerations which may not necessarily coincide with the short-term interests of all shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Company's shareholders.

ANALYSTS MAY STOP PUBLISHING RESEARCH OR REPORTS ON THE COMPANY

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

MAJOR SHAREHOLDERS

Despite the Offering, the Company will remain under the control of the private equity funds Amber Trust S.C.A, Amber Trust II S.C.A and DCF Fund II Baltic States. Following the completion of the Offering Amber Trust funds and DCF Fund II Baltic States will hold approximately 52.5% of the Shares of the Company. With the holding of more than 50% plus one share in the Company, Amber Trust funds and DCF Fund II Baltic States will be able to adopt a vast range of the corporate decisions that are in the competence of the General Meeting of shareholders of the Company (see more under *"General Corporate Information and Shares – Rights of Shareholders"*) or block such decisions.

BUSINESS RISKS

MANAGEMENT OF EXPANSION

The Group has so far pursued the strategy of constant expansion into a new product and geographic markets. This has allowed to maintain exceptional rates of growth in terms of revenues, as well as to benefit from the increasing effects of scale economy in multiple areas such as IT, purchases of equipment and marketing. The Management expects that the Group will continue to grow through organic expansion of its operations and through further acquisitions. The further growth may require expansion into new geographic markets in the region and client segments in the existing and new markets, as well as development of new products and business lines. The rapid growth of the Group may lead to administrative and structural difficulties. Managing an increasing amount of local entities, each operating in a different economic and legal environment, will pose a challenge for the executive team of the Group and may ultimately result in higher administration costs and a slower rate of expansion. At the same time, the top management of the Group already possesses considerable experience in running international operations and expanding the business of the Group into new markets. It is becoming an increasingly international team of professionals which is hoping to be able to sustain the current speed of growth in the observable future.

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

RECENT ACQUISITIONS AND RESTRUCTURINGS

The Group has acquired several new subsidiaries (FFL, GH, Saaristomeren Kala Oy), divested some Finnish assets and subsidiaries and gone through several mergers and re-structurings over the last three years. While the Management is confident that integration will proceed smoothly, certain unforeseen difficulties cannot be excluded which may have a short-term effect on the results of the operations.

The share and assets purchase agreement related to such M&A transactions have contained customary sets of warranties and representations, for which the sellers in the respective transactions agreed to be liable. Should any breach of warranties and representations become apparent by the Group, the Group may be claimed damages by the counterparties of such transactions. At the same time, should any breach of warranties and representations become apparent by the counterparties, the Group may incur damages and may have to go through litigation or arbitration proceedings to claim compensation for the damages. Such disputes may have an adverse effect on the Group's financial position.

DEPENDENCY ON KEY PERSONNEL

Much of the success of the Group in the Baltic and Finnish markets is owing to the outstanding internal management capability developed over the years. The management personnel of the Company and the management of the local subsidiaries is comprised of experienced and motivated professionals, many of whom have dedicated substantial parts of their professional careers to the Group. A departure of any key manager, in addition to potentially benefiting the competitors of the Group, would also have the effect of inflicting limited but noticeable damage on the quality of management and motivation. Hiring equivalent management personnel would entail inevitable costs and would not necessarily be immediately possible.

STRINGENT COVENANTS IN FINANCING AGREEMENTS

Several Group entities have entered into financial arrangements (loans, leasing, overdraft, factoring) with various financial institutions. Such financing agreements subject the Group to rather stringent covenants, restrictions and obligations (among other things, further financing, payment of dividends, changes in the Group' corporate structure or the nature of business, etc requires the consent of the financial institutions). In case of default, the financial institutions may unilaterally change the interest rates, claim contractual penalty or immediate repayment.

Compliance with some of the financial covenants may be a matter of interpretation, which is for there is a risk that the Group may be at default with some of financing agreements according to the creditor's judgements at times. At the same time, most of the financing agreements contain cross-default provisions. In general, cross-default provision is a provision in a loan agreement that puts a borrower or any related party to it in default if the borrower defaults on another obligation arising from the same or other loan or financing agreement. The exact content of cross-default provisions may be different in different agreements. Such cross-default clauses expose the Group to default risks on performance under other agreements with the financial institutions in question.

Failure to comply with the financing agreements (for instance if immediate repayment is demanded) could result in the enforcement of securities given by the Group, including the mortgages on the immovables owned by the Group or the commercial pledges on the assets of the Group.

DEPENDENCY ON THE CASH FLOWS FROM SUBSIDIARIES

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

INTEREST RATES

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

FOREIGN CURRENCY FLUCTUATIONS

The Group has exposure to fluctuations in currency exchange rates. The Group's consolidated reporting currency is Estonian kroon, but part of its revenues is earned in euros, Latvian lats, Lithuanian litas, Swedish krona and Russian roubles. Therefore, significant changes in the movements of currency exchange rates could have a significant adverse effect in the results of operations and the financial position of the Group. In the Management's view, in the light of the current economic situation, the currency risk is mostly noticeable with respect to the Latvian lats.

RISKS RELATED TO OPERATIONS IN FOREIGN MARKETS

LOCAL CONNECTIONS TAKE TIME TO DEVELOP

The Group has plans to continue the expansion to new markets and market segments. New markets in the region are to a significant extent based on the established reputation and personal relations between the various market participants, which may pose challenges to the Group's expansion plans. Moreover, conducting international business involves numerous risks, such as the need to adapt a large number of different laws and regulations, as well as business cultures, foreign exchange fluctuations and general difficulties in operating in a new market such as enforcing contracts. However, the Management expects such risks to be lowered over time, as the local management becomes more accustomed to the local market and as the Group hires more local professionals to assist in everyday operations.

LACK OF RELIABLE MARKET INFORMATION

The expansion into the Russian market is somewhat affected by the lack of reliable information on the condition of the markets. Such information often needs to be collected from unverifiable or unreliable sources or through own research. Strategic management decisions in relation to such markets may therefore have to be made in the absence of adequate data which may from time to time prove essential.

SPECIFIC RUSSIAN MARKET RELATED RISKS

The political situation in Russia since early 1990-s has been very unstable with frequent conflicts between the president and the parliament. That has negatively affected the business and investment climate. Therefore, investments in Russia are more exposed to political risk compared to countries with developed business and investment climate , i.e., risk related to possible changes in government policies or priorities (war, nationalisation, confiscation, introduction of restrictions or embargo, thus unforeseeable consequences in the changes in political direction) that could result in losses or decrease in profits. Investments to Russia are also exposed to the currency risk referred to above. Further, instability of economic environment and increase of the prices of raw materials may affect the Group's operations in the Russian market.

INDUSTRY-SPECIFIC RISKS

COMPETITIVE MARKETS

The food industry in general is characterised by highly competitive market structures, accommodating an ample number of market players, including small niche producers as well as large enterprises, in most segments.

The fish and fish processing industry depends, on the one hand, on the availability of fresh fish at competitive prices, and one the other hand, on the sales channels, which are made up mostly of major retail chains. Competition for both, favourable input supplies and distribution channels is high in the Group's main markets for fish and fish products. While the Group enjoys the advantage of the established reputation of a reliable and trusted co-operation partner as compared with potential new entrants, there are nevertheless no safeguards against the price wars by existing competitors or against potential competition, which could shake the Group's competitive position.

At the same time, the Group's frozen foods business line faces competition not only by other suppliers and distributors of frozen foods, but also by the providers of fresh and chilled products (vegetables, meat, ready-made meals, etc). While the entry into the market for distribution of frozen foods entails significant sunk costs, the entry costs are not that significant for existing food sector companies, already having necessary equipment (e.g. meat processors), who therefore exert potential competition to the Group.

The ice cream markets are competitive in all of the Group's main geographic markets and accommodate strong competitors for the Group.

It should be also noted that private label brands operated by large retail chains have emerged over the past decade and the private label brands continue have an increasing market share in several food segments. Such brands exert competition to producers and distributors of branded products.

Hence, the Group faces the constant challenge to cope with the competitive environment in all of its main markets. Even though the Group has been rather successful in maintaining and strengthening its position in these conditions over the last years, the Group cannot guarantee to investors that it will be able to compete successfully in the future against existing or potential competitors in all markets. Increased competition may force the Group to invest larger resources to further brand building and sales supporting activities, which may have effect also on revenues in short-mid-term perspective.

DEMAND FOR GROUP'S PRODUCTS

Due to the intense competition in all relevant markets, the success of any market participants is highly dependent on efficient marketing policy, which should ensure continuous demand for their products through maximum consumer satisfaction both in terms of product quality and emotions related to the consumption of the products. This is particularly pertinent as concerns the ice cream and frozen foods business line in the Baltic markets, where the brand loyalty of consumers is highly dependent on innovations, advertising campaigns, distribution and sales efforts. Therefore, appropriate branding and pricing, right timing of discounts and campaigns are of utmost strategic importance to all companies active in the industry. Errors in assessing the consumers' behaviour may adversely affect the demand for products and thus have a negative effect on sales. The Group has a strong and experienced marketing and sales team to cope with this risk, but there are no guarantees against possible setbacks.

COST OF RAW MATERIALS

The prices of most of the products necessary for the production of some Group's products (in particular ice cream) depend on the worldwide market prices. Therefore, production costs vary depending on the worldwide price levels of input (e.g. prices of milk powders, cream, butter, sugar, etc), whereas the worldwide price levels of input may rise faster than the prices of end-products in local markets, or than what the local consumers are willing to pay. Therefore, the margins available for the market participants may shrink. This would have adverse effect on the Group's profits.

INSTABILITY OF FISH SUPPLIES

The market for fresh fish is a commodities market, where sales occur mainly through trading. Therefore, written framework agreements with major suppliers are rare and sales are done mainly on order-by order basis. In such conditions, the supply prices of the raw materials procured from third party suppliers may fluctuate. There is a risk that the price of input could increase faster than the prices of end products for retailers, which are agreed for certain assortment for a certain time period. Therefore, the margins may fluctuate significantly within the fish and fish products business line. The lack of written framework agreements entails also the quality and quantity risks, as the deliveries do not always comply with the needs of the fish wholesalers or processors. The risks related to price and deliveries are, however, decreased to some extent by the vertical integration of the Group – having its own fish breeding operations helps to secure the availability of input even, under rough market conditions.

LOSS OF FROZEN FOOD SUPPLIERS

The Group acts as a distributor of several well recognised frozen food brands (such as "Aviko", "Hortex", "Findus", "Apetit", "Esva", "Ardo", "Vetrija", "Greens", "Saarioinen", "Felix"). Traditionally for this sector, the Group does not have long-term written agreements with such suppliers. Therefore, the suppliers could stop the supplies to the Group and start distributing their products on their own or through some of the Group's competitors. The same risk applies equally to the competitors of the Group. Even though the revenues earned from the sales of each single supplier are not material in the Group's total revenues, the loss of several of such suppliers could negatively affect the Group's revenue. Such risk is alleviated by the diversified product portfolio of the Group in general, as well as within the Group's frozen food business line. Moreover, the Group has also developed its own frozen foods brands (such as "Maahärra", "Natali", "Bueno!" and "Polar Fish"), which have earned consumers' trust and procure significant revenues for the Group's frozen food business line.

DEPENDENCE ON MAJOR CLIENTS

Most of the major clients of the Group in the Baltic markets are large retail chains that hold rather strong market positions and are therefore able to dictate the terms and conditions to their suppliers to a great extent. Therefore, the agreements with such clients contain unfavourable clauses (such as generous discounts, harsh contractual penalties, etc); however, it is the standard practice in the market. At the same time, the top ten clients of the Group's ice cream and frozen foods business line make up nearly 50% of the Group's respective business lines' revenues, which is for the loss the major clients or reduction of shelf space dedicated to the Group's products in the major retail chains, could adversely impact the Group's revenues gained from respective business lines.

As concerns the Finnish fish and fish products market, the Group has currently six major clients, whose sales make up more than 90% of the Group's revenues gained from the Finnish fish and fish products market. Therefore, the decisions of such clients with respect to arranging campaigns involving the Group's products as well as the shelf space afforded to the Group's products have significant impact on the Group's revenues gained from the Finnish markets. As a result, such major clients have strong bargaining power vis-à-vis the Group to dictate the terms, whereas the Group has limited opportunities to resolve over product campaigns and introduce new products.

The risks related to the dependence on major clients apply equally to the Group's competitors. From the perspective of the Group, such risks are somewhat alleviated by the strength of several of the Group's brands, which have become so called "must have products" for the major retailers. Furthermore, the Group's policy to supply an increasing number of HoReCa segment clients serves to diversify the risks related to clients.

MARKET POSITION

The Group could be regarded to have a strong market position with respect to some product segments in some geographic markets. This could set some limits to the use of certain sales and marketing measures, which is for the Group pays increased attention to the compliance with competition law rules. However, competition law rules are applicable to all enterprises and hence also set similar limits to the Group's competitors, in particular in market segments, where the competitors hold dominant position.

SEASONALITY

The revenues gained from the sales of ice cream are subject to seasonal variations, especially in the Baltic markets. The revenues from sales of ice cream are the highest during the second and third quarter (in particular during summer months), while the sales are slowing down during the fourth and first quarters (especially in Lithuania). At the same, the sales of frozen food decrease during the harvesting period at the end of summer and several months thereafter, when fresh vegetables and fruits are available, but peak again from January to April. However, as the seasonal fluctuations in the sales of ice cream and frozen food occur at different times, the adverse effect for the Group is alleviated, because the Group can optimize its logistic operations on account of one business line at the low season of the other. The Management expects these seasonal fluctuations to continue affecting the Group's results in the future. Accordingly, the results of operations with respect to specific business lines in any period should not be considered indicative of the results to be expected for future periods.

PUBLIC RELATIONS

The food industry affects everybody and is therefore impacted by emotionally driven trends. Such trends are related to public opinion with respect to certain products or components thereof, which are associated with health, diet or other such concerns. Such trends could hamper the reputation and therefore decrease significantly the sales of the products affected by the trend. In most cases, the public concerns may be scientifically unfounded and arise out of statements made by public figures or magazines. Therefore, it is difficult to predict or take precautions against such trends. The Group has a strong public relations (PR) team and established co-operation partners to be able to cope with such measures. However, should such trends affect some of the Group's business line, these could nevertheless have adverse effects for the Group's revenues.

REGULATORY CHANGES

Food industry in general is affected by the EU and national sanitary and environmental regulations. Moreover, the fish and fish processing industry is subject to EU and national fisheries' regulations. The EU Common Fisheries Policy (CPT) has set up rules for total allowable catches, limitation of fishing effort, technical measures (rules in relation to fishing gears and minimum landing sizes), and imposes obligations to record and report catches and landings. The CPT includes several measures to limit the environmental impact of fishing. In 2008, the European Commission launched a review of the CPT. As a result, new quotas or limitations to fishing operations or more stringent environmental regulations may be introduced on EU or national level, which may adversely impact the operations of the companies involved in the fish and fish processing industry, as they have to obtain additional licenses or permits or make investments into their existing facilities or equipment. At the same time, such regulations could also increase the cost of raw material for the fish processing industry. This may create obstacles to the further growth of the Group's fish and fish proceeding business line and to the expansion to the new geographic markets. However, it should be borne in mind that Group's competitors would face the same challenges.

Possible changes in the agricultural regulations and sanitary standards could also incur the need for additional investments for companies involved in frozen food and ice cream business and increase the cost of food products used as input for such business lines. Again, such regulations would affect equally the Group and its competitors.

CHANGES IN THE CURRENT LICENSES

Some of the environmental licenses and permits granted to the Company's fish breeding and transfer operations have expired or will expire in the near future. Even though the relevant Group entities have applied for renewal of the permits and licences, the processes are time-consuming and there are no guarantees the relevant permits and licenses will be renewed under the same conditions. As a result, the availability of input products from the Group's own entities may decrease and the Group may have to resort to the deliveries of third persons to a greater extent than today. This could increase the transactions costs and reduce the margins for the Group and hence, have an adverse effect on the profitability of the Group's fishing operations. However, such risk is not inherent to the Group, but the same risk applies also to Group's competitors.

ENVIRONMENTAL RISKS

Under environmental laws, all operators, as well as real estate owners may be liable for costs for examination and decontamination of contaminated soil, water or buildings according to the "Polluter Pays Principle". Even though the Management is not aware that any of the Group entities has contributed to pollution of soil, building or water, such risks cannot be fully excluded, as the Group operates facilities, which may possibly have hazardous effects to environment. Should it become apparent that the Group's operations have contributed causing pollution, the Group may have to compensate the damages. This could have adverse effect on the Group's business, financial conditions or results of operations, as well as on the Group's reputation.

EPIDEMIC DISEASES

Food industry in general is affected by the occasional spread of epidemic diseases as has been demonstrated by the spread of bovine spongiform encephalopathy (commonly known as mad-cow disease), avian influenza (commonly bird flu) or H1N1 influenza (commonly known as swine flu). Such epidemic diseases affect first and foremost the agricultural sector, but as a result, may have the effect of increasing input prices for frozen food and ice cream business. However, the diseases could also affect the fishing industries. The risks related to epidemic diseases are not inherent to the Group, but apply to all companies active in the food industry.

TERMS AND CONDITIONS OF THE RETAIL OFFERING

CONDITIONS

RETAIL OFFERING AND INSTITUTIONAL OFFERING

In the course of the Offering, ordinary shares of the Company (*"Shares"*) are being offered to Estonian and international institutional investors (*"Institutional Offering"*) and to the general public and institutions in Estonia, including the employees and members of the Supervisory Board and the Management Board of the Company and its subsidiaries (*"Retail Offering"* and, together with the Institutional Offering, *"Offering"*). The Offering comprises up to 14,500,000 Shares of the Company (*"Offer Shares"*) and will involve an issue of the corresponding amount of new ordinary Shares by the Company (*"New Shares"*).

In order to conduct the Offering, the General Meeting of shareholders of the Company has passed on 21 April 2010 a resolution on conditional issue of the New Shares. Such conditional issue of the New Shares is expected to be registered in the Estonian Commercial Register on or about 29 April 2010. The above-mentioned resolution of the General Meeting of shareholders of the Company grants the Management of the Company the right to issue the New Shares. With the said resolution, the the General Meeting of shareholders has waived the pre-emptive right of the shareholders to subscribe for the New Shares in order to carry out the Offering and extend the shareholder base of the Company.

The division of Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. The number of Offer Shares included in the Institutional Offering and in the Retail Offering will be decided by the Company in consultation with the Global Lead Manager. This decision will be taken in conjunction with the allocation process, which will take place after the expiry of the Offer Period. The total amount of Offer Shares (and, correspondingly, the amount of New Shares to be issued by the Company) may decrease in case any part of the Offering is cancelled – see *"Terms and Conditions of the Offering - Cancellation of the Offering"*. When deciding the division of Offer Shares between the Institutional Offering and the Retail Offering, the Company will consider mainly (i) the overall demand for the Offer Shares, (ii) the demand for the Offer Shares in the Retail Offering and (iii) the variance in the size of orders in the Retail Offering and the distribution of orders of different sizes in the Retail Offering. When deciding such division, the Company will be aiming to determine a proportion between the Institutional Offering and the Retail Offering which (i) gives the Company a wide shareholder base and (ii) can be expected to contribute to a stable and favourable development of the price of its Shares in the aftermarket. The Company expects to announce the Offer Price and the results of the allocation process, including the division of Offer Shares between the Institutional Offering and the Retail Offering, no later than on 3 May 2010 through the NASDAQ OMX Tallinn Stock Exchange and no later than on 3 May 2010 in daily newspapers circulated throughout the territory of Estonia.

The existing shareholders of the Company and the members of its Management, Supervisory or administrative bodies may participate in the Offering subject to the conditions of the Offering as set forth herein. The Company is not aware whether or not such persons intend to participate in the Offering. To the extent that the Company is informed, none of such persons intend to subscribe for more than five per cent of the Offering.

RIGHT TO PARTICIPATE IN THE RETAIL OFFERING

The Retail Offering is directed to all natural and legal persons in Estonia. For the purposes of these terms, a natural person will be deemed to be "in Estonia" if such person has a securities account with the ECRS and such person's address recorded in ECRS records in connection with such person's securities account is located in Estonia. A legal person will be deemed to be "in Estonia" if it has a securities account with ECRS and its registered address recorded in ECRS records in connection with its securities account is located in Estonia and/or its registration code recorded in ECRS records is the registration code of the Estonian Commercial Register.

OFFER PRICE

The Company will decide the exact Offer Price in consultation with the Global Lead Manager after the completion of the book-building process directed to the institutional investors in the course of the Institutional Offering. The Offer Price will be based on the tenders for the Offer Shares obtained from institutional investors, also taking into account the total demand in the Institutional Offering, the price sensitivity of such demand and the quality of the demand. The Offer Price will be in the Offer Price Range of EEK 12.80 – EEK 16.20. The above price range may be amended until the end of the Offer Period on the basis of information obtained in the book-building process in accordance with local legislation and notification requirements (see *"Terms and Conditions of the Retail Offering - Procedure for Changing the Offer Price Range"*). The Offer Price will be the same in the Institutional Offering and in the Retail Offering, with the exception of preferential allocation to management and employees, for further details please see "*Preferential Allocation to Management and Employees*".

OFFER PERIOD

Investors may submit subscription undertakings for Offer Shares (each a *"Subscription Undertaking"*) during the Offer Period, which commences on 22 April 2010 at 9.00 a.m. and terminates on 29 April 2010 at 17.00 p.m. (the *"Offer Period"*).

SUBSCRIPTION UNDERTAKINGS

The Company invites investors to submit Subscription Undertakings in accordance with these terms and conditions and the following procedure. Subscription Undertakings may be submitted only during the Offer Period. An investor participating in the Retail Offering may apply to subscribe for the Offer Shares only at the upper limit of the price range, i.e at EEK 16.20 (EUR 1.035) per Offer Share (*"Subscription Price"*). Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. All investors participating in the Retail Offering can submit Subscription Undertakings denominated only in Estonian kroons (EEK). An investor bears all costs and fees charged by the Custodian in connections with the submission of the Subscription Undertaking.

Each investor must ensure that the information contained in the Subscription Undertaking submitted by such investor is correct, complete and legible. Incomplete, incorrect, unclear or illegible Subscription Undertakings may be rejected at the sole discretion of the Company. For detailed description on the procedure for the submission of Subscription Undertakings, please see *"Terms and Conditions of the Retail Offering – Instructions to Investors"*.

CANCELLATION OF THE OFFERING

The Company has reserved the right to cancel the Offering in part or in its entirety at any time until the Company has received full payment for all Offer Shares, if the Management of the Company fails to decide the issue of the New Shares prior to settlement in accordance with the resolution of the General Meeting of shareholders on the conditional increase of share capital of the Company. Any cancellation of the Offering or any part thereof will be announced through the NASDAQ OMX Tallinn Stock Exchange. All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated at the moment when such announcement is made public.

ADDITIONAL INFORMATION

For information on the ownership of Shares by the members of the management bodies and employees of the Company and on the participation of such persons in the Offering, please see *"Plan of Distribution"* and *"Management – Share Ownership"*.

APPLICABLE LAW AND DISPUTE RESOLUTION

The Offering shall be governed by the laws of Estonia. Any disputes arising in connection with the Offering shall be settled by Harju County Court in Estonia.

INSTRUCTIONS TO INVESTORS

SUBMISSION OF SUBSCRIPTION UNDERTAKINGS

In order to subscribe for the Offer Shares, an investor must have a securities account with the ECRS. Such securities account may be opened through any custodian of the ECRS. As of the date hereof, the following banks and investment firms operate as custodians of the ECRS:

- AS Swedbank;
- AS SEB Pank;
- Nordea Bank Finland Plc Estonian branch;
- Danske Bank A/S Estonian branch;
- AS LHV Pank;
- AS Eesti Krediidipank;
- Marfin Pank Eesti AS;
- Svenska Handelsbanken AB (publ), Branch Operations in Finland;
- Tallinna Äripanga AS; and
- AS Parex banka (through its Estonian branch).

An investor wishing to subscribe for the Offer Shares should contact the custodian that operates such investor's ECRS securities account and submit a Subscription Undertaking for the purchase of Offer Shares in the form set out below. The Subscription Undertaking must be submitted to the custodian by the end of the Offer Period. The investor may use any method that such investor's custodian offers to submit the Subscription Undertaking (e.g., physically through a branch of the custodian, over the Internet or by other means). The Subscription Undertaking must include the following information:

OWNER OF THE SECURITIES ACCOUNT:	name of the investor
SECURITIES ACCOUNT:	number of the investor's securities account
CUSTODIAN:	name of the investor's custodian

SECURITY:	AS Premia Foods additional share
ISIN CODE:	EE3803101031
AMOUNT OF SECURITIES:	the number of Offer Shares for which the investor wishes to subscribe
PRICE (PER SHARE):	EEK 16.20
TRANSACTION AMOUNT:	the number of Offer Shares for which the investor wishes to subscribe multiplied by the Offer Price
COUNTERPARTY:	AS Premia Foods
SECURITIES ACCOUNT OF COUNTERPARTY:	99101564896
CUSTODIAN OF THE COUNTERPARTY:	AS Swedbank
VALUE DATE OF THE TRANSACTION:	4 May 2010
TYPE OF TRANSACTION:	"purchase"
TYPE OF SETTLEMENT:	"delivery versus payment"

An investor may submit a Subscription Undertaking through a nominee account only if such investor authorizes the owner of the nominee account to disclose the investor's identity to the registrar of ECRS in writing. Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation only if the owner of the nominee account has actually disclosed the identity of the investor to the registrar of ECRS in writing. Among other information it is also requested to disclose either a permanent address and personal identification code in case of the natural person or a registration address for the legal entity. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorized (in the form required by law) to submit the Subscription Undertaking.

A Subscription Undertaking is deemed submitted from the moment the registrar of the ECRS receives a duly completed transaction instruction from the custodian of the respective investor. The Subscription Undertaking can be cancelled or amended as described under Section *"Amendment or Cancellation of Subscription Undertakings"*. An investor will be liable for the payment of all fees charged by the custodian in connection with the submission, cancellation or amendment of the Subscription Undertaking.

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

By submitting a Subscription Undertaking every investor:

- accepts the terms and conditions of the Offering set out under this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Offer Shares;
- acknowledges that the Retail Offering does not constitute an offer of the Offer Shares by the Company in legal terms or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Shares nor result in a contract for the sale of Offer Shares between the Company and the investor;
- accepts that the number of Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of Shares which the investor wishes to acquire (the *"Maximum Amount"*) and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (see *"Terms and Conditions of the Offering - Distribution and Allocation"*);
- undertakes to acquire and pay for any number of Offer Shares allocated to it/him/her in accordance with these terms and conditions;
- authorizes and instructs its/his/her custodian to forward the registered transaction instruction to the registrar of the ECRS;
- authorizes the custodian and the registrar of the ECRS to amend the information contained in the investor's transaction instruction, including (a) to specify the value date of the transaction and (b) to specify (i) the number of Shares to be purchased by the investor, (ii) the Offer Price (as determined after the Offer Period) as the price per share and (iii) the total amount of the transaction found by multiplying the Offer Price by the number of Offer Shares allocated to the relevant investor.

AMENDMENT OR CANCELLATION OF SUBSCRIPTION UNDERTAKINGS

An investor may amend or cancel a Subscription Undertaking at any time before the expiry of the Offer Period. To do so, the investor must contact its/his/her custodian through whom the Subscription Undertaking in question has been made, and carry out the procedures required by the custodian for amending or cancelling a Subscription Undertaking (such procedures may differ between different custodians). All fees payable in connection with an amendment and/or cancellation of a Subscription Undertaking will be borne by the investor.

PAYMENT

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

DISTRIBUTION AND ALLOCATION

The Company together with the Global Lead Manager will decide on the allocation after determining the Offer Price after the expiry of the Offer Period, and no later than on 3 May 2010. The Offer Shares will be allocated to investors participating in the Offering by the following steps:

- **Division of tranche size for the Retail Offering and the Institutional Offering.** The division of the Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. The Company, together with the Global Lead Manager, will decide on exact tranche sizes of the Retail Offering and Institutional Offering (percentage wise).

- **Allocation of the Offer Shares to the Institutional Investors.** The Company, together with the Global Lead Manager, will decide on the allocation to the Institutional Investors on discretionary basis after the expiry of the Offer Period.

- **Allocation of the Offer Shares to the Retail Investors.** The Company, together with the Global Lead Manager, will determine allocation percentages applied to the Retail Offering in the following method:

  a. The Offer Shares will be allocated to investors participating in the Retail Offering by using the stepped allocation methodology. Under the stepped allocation methodology, the Company, together with the Global Lead Manager, will determine one or more allocation bands (in number of shares) and the allocation percentages applied in each band. This determination will take place as part of the allocation procedure after the expiry of the Offer Period. For example, assuming three allocation bands, the part of each Subscription Undertaking which is within allocation band A (up to and including X Shares) will be allocated α per cent, whilst that part of each Subscription Undertaking which is within allocation band B (more than X Shares up to and including Y Shares) will be allocated β per cent and the part of each Subscription Undertaking which is within allocation band C (more than Y Shares) will be allocated γ per cent.

  b. The principal criteria to be used in the determination of the bands and the allocation percentages are as follows: (i) the size of the Retail Offering (ii) the total demand for the Shares in the Retail Offering (iii) the size of Subscription Undertakings in the Retail Offering and (iv) the number of investors who have submitted Subscription Undertakings in the Retail Offering. Each investor will be allocated an integer number of Offer Shares without fractions. If necessary, the number of allocated Offer Shares will be rounded down to the closest integer number of Offer Shares. Any remaining Offer Shares which cannot be allocated using the stepped allocation process described above will be allocated to investors at random.

  c. An investor may obtain information about the number of the Offer Shares allocated to it/him/her after the settlement has been completed by submitting an inquiry to the Broker operating its/his/her securities account in accordance with the terms and conditions applied by that Broker.

ANNOUNCEMENT OF THE ALLOCATION RESULTS

The Company expects to announce the Offer Price and the results of the allocation process, including the division of the Offer Shares between the Institutional Offering and the Retail Offering, through NASDAQ OMX Tallinn Stock Exchange and a daily newspaper circulated respectively throughout the territory of Estonia no later than on 3 May 2010.

PREFERENTIAL ALLOCATION TO MANAGEMENT AND EMPLOYEES

All employees of the Company and any of its subsidiaries that choose to participate in the Retail Offering will be fully allocated the Offer Shares up to the value of EUR 1,000 (EEK 15,646.6) per person, while same stepped allocation methodology as applicable to all other investors will be used for the allocation of employee orders in the amount exceeding the Offer Shares value mentioned above. For the purposes of the above an employee means a person who as at 8.00 a.m. on 22 April 2010 has a valid employment contract or equivalent contract for an unspecified term with the Company or any of its subsidiaries or is a member of the Supervisory Board or the Management Board of the Company or its subsidiary. The preferential allocation to the employees and members of management of the Company will be conducted with 10% discount on the Offer Price. These shares are subject to one month lock-up period from the date of the listing of shares on NASDAQ OMX Tallinn Stock Exchange. For the avoidance of doubt, the preferential allocation to Management and employees does not constitute public offering of securities in any other country than Estonia even if some employees or members of the Management are in other countries.

SETTLEMENT AND TRADING

The Offer Shares allocated to investors will be transferred to their securities accounts on or about 4 May 2010 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares. In no event will the date of settlement be later than 5 May 2010.

If an investor has submitted several Subscription Undertakings through several securities accounts belonging to him, the Offer Shares allocated to such investor are transferred to such investor's securities accounts proportionally with the respective securities amounts set out in such investor's Subscription Undertakings. The number of Offer Shares to be transferred to each securities account may be rounded up or down, as necessary, in order to ensure that a whole number of Offer Shares is transferred to each securities account. If the transfer cannot be completed due to the lack of sufficient funds on the investor's cash account, the Subscription Undertaking of the respective investor will be rejected and the investor will lose all rights to the Offer Shares allocated to such investor.

Trading in Shares is expected to commence on the Tallinn Stock Exchange on or about 5 May 2010.

RETURN OF FUNDS

If the Offer Price is lower than the Subscription Price, if the Offering is revoked, if the investor's Subscription Undertaking is rejected or if the allocation deviates from the amount of Offer Shares applied for, the funds blocked on the investor's cash account, or a part thereof (the amount in excess of payment for the allocated Offer Shares) will be released by the respective custodian not later than on 5 May 2010. Company shall not be liable for the release of the respective amount and for the payment of interest on the released amount for the time it was blocked.

REASONS FOR THE OFFERING

The primary purpose of the Offering is to strengthen the equity position of the Company and to further support the Group's growth strategy and expansion of its business in its core markets in the Baltics, Scandinavia and North-West Russia. For more information on the current plans with respect to the proceeds of the Offering, please refer to the Section entitled *"Use of Proceeds"*.

The Offering is expected to broaden the shareholder base with Estonian retail and international institutional investors and create the necessary conditions for the listing of Shares on the Main List of the NASDAQ OMX Tallinn Stock Exchange.

USE OF PROCEEDS

The aggregate net proceeds to Company from the issuance of the New Shares in the Offering, after deduction of the fees and expenses payable by us are estimated to reach approximately EEK 201.9 million (approximately EUR 12.8 million), based on the midpoint of the Offer Price Range. The fees and expenses of the Offering are estimated to reach approximately EEK 9.4 million (approximately EUR 0.6 million), including any applicable taxes. See *"Plan of Distribution"* for more information.

The aggregate net proceeds to be received by the Company from the Offering are expected to be used partially for the additional investments into expansion of operations in St. Petersburg region in Russia. Namely, as the date of this Prospectus, OÜ TCS Invest, 100% subsidiary of PTKH, and ZAO Khladokombinat No 1 have executed a preliminary agreement on finalising the full acquisition of the second largest ice cream producer in St. Petersburg OOO Khladokombinat No 1. In 2008, initial step was taken to acquire the referred ice cream producer Khladokombinat No 1 – the Group acquired trademarks of ZAO Khladokombinat No 1. With the currently contemplated transaction between OÜ TCS Invest and ZAO Khladokombinat No 1, full separation of the current real estate and ice cream production operations of ZAO Khladokombinat No 1 will be finalised. As a result of the contemplated transaction, the real estate operations of ZAO Khladokombinat No 1 will remain with the current financial partner of the Group engaged in the acquisition of ZAO Khladokombinat No 1 and OOO Khladokombinat No 1, newly established company focusing only on ice cream producing operations, will become fully owned subsidiary of the Group. The value of the final transaction for acquiring 100% ownership in OOO Khladokombinat No 1 is approximately EUR 5.5 million (approximately EEK 86 million); nevertheless, this includes also financing the operations of OOO Khladokombinat No 1 and investments into working capital of the latter. Currently executed preliminary agreement between OÜ TCS Invest, 100% subsidiary of PTKH, and ZAO Khladokombinat No 1 is conditional and is expected to be finalised in the end of April 2010.

A part of the proceeds will be used to repay approximately EUR 2.2 million (approximately EEK 34.4 million) of the Group's outstanding debt to commercial banks and approximately EUR 4.3 million (approximately EEK 67.2 million) shareholders loans and buy-out of certain minority shareholders of the Group's entities.

Finally, a part of the proceeds will serve as reserve for the purposes of further developments.

The listing is seen as an important milestone ensuring the continued growth strategy of the Group, as well as increasing the recognition of the Company's brand among its current and prospective customers.

DIVIDEND POLICY

The Offer Shares will give rights to dividends declared by the Company (if any) for the financial year beginning on 1 January 2009 and for the subsequent financial years. Once the share capital increase relating to the issue of the New Shares has been registered with the Estonian Commercial Register, the New Shares will rank equally with all the outstanding shares of the Company.

So far, the Company has been re-investing most of its earnings in order to maintain the strategy of expansion.

The Company cannot ensure that dividends will be paid in the future, or if dividends will be paid, how much will they amount to. The declaration and payment by the Company of any future dividends and the amount thereof will depend on the Company's results of operations, financial condition, cash requirements, future prospects and other aspects.

It must be noted that PTKH, SMK and HK are parties to financing arrangements, terms and conditions of which restrict payment of dividends; nevertheless, such restrictions are not applicable in respect of payment of dividends by the Company.

CAPITALIZATION

The volume of the consolidated balance sheet of the Company as of the end of **31 January 2010** was EEK 959.6 million (EUR 61.3 million). Of the above, current assets formed 38% or EEK 366.1 million (EUR 23.4 million) and fixed assets 62% or EEK 593.5 million (EUR 37.9 million).

The obligations of the Group as of 31 January 2010 were EEK 535.6 million (EUR 34.2 million), resulting in total net assets of EEK 424 million (EUR 27.1 million). The obligations of the Group captured deferred income from EU structural funds in amount of EEK 25.8 million (EUR 1.6 million)

The capitalization of the Company as of 31 January 2010 is illustrated by the following table (actual capitalization and capitalization adjusted for the results of the Offering).

million EEK	**Actual**	**As adjusted**
Short-term interest bearing liabilities	159.8	76.1
Long-term interest bearing liabilities	144.6	144.6
Shareholders' equity (including minority share)	424.0	624.9
Total capitalization and indebtedness	**728.4**	**845.6**

million EUR	**Actual**	**As adjusted**
Short-term interest bearing liabilities	10.2	4.9
Long-term interest bearing liabilities	9.2	9.2
Shareholders' equity (including minority share)	27.1	39.9
Total capitalization and indebtedness	**46.5**	**54.0**

In the opinion of the Company, the working capital of the Company is sufficient for its present requirements and no external financing is presently required to satisfy the working capital needs.

GENERAL CORPORATE INFORMATION AND SHARES

GENERAL CORPORATE INFORMATION

The business name of the Company is AS Premia Foods. It was registered in the Estonian Commercial Register (held by the Registry Department of the Harju County Court) under register code 11560713 on 23 December 2008. The Company is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: *"aktsiaselts"* or *"AS"*) and is established for an indefinite term.

The contact details of the Company are as follows:
AS Premia Foods
Betooni 4, Tallinn 11415, Estonia
Phone: +372 603 3800
Fax: +372 603 3801
E-mail: premia@premia.ee

The principle area of activity of the Company according to its Articles of Association is holding company activities.

ARTICLES OF ASSOCIATION

The Articles of Association of the Company are in accordance with the requirements of the Estonian law. The latest version of the Articles of Association was adopted by a decision of the Extraordinary General Meeting of shareholders on 15 March 2010. The Articles of Association stipulate the following noticeable provisions with respect to the organisation of the Company:

- the financial year of the Company is the calendar year;
- the minimum share capital of the Company is EEK 175,000,000 (EUR 11,184,538) and the maximum share capital of the Company is EEK 700,000,000 (EUR 44,738,154);
- the Company has only one class of Shares;
- the reserve capital of the Company is 1/10 of its issued share capital;
- the Company may issue convertible bonds;
- the shareholders of the Company have the preferential right to subscribe for new Shares when issued unless this right has been excluded according to applicable laws;
- Shares of the Company are freely transferable;
- the Supervisory Board is composed of three to six members who are appointed for a period of five years and the Management Board is composed of one to four members who are appointed for a period of three years.

The Articles of Association do not contain any specific provisions which would have the effect of delaying, deferring or preventing a change of control in the Company.

SHARE CAPITAL AND SHARES

The current registered share capital of the Company is EEK 241,828,600 (approximately EUR 15,455,664). It is divided into 24,182,860 ordinary Shares with the nominal value of EEK 10 each (approximately EUR 0.6). The ISIN code of Shares is EE3100101031.

At foundation, the share capital of the Company was EEK 400,000 (approximately EUR 25,565). On 30 December 2008, the share capital of the Company was increased by EEK 23,782,860 (approximately EUR 1,520,002) to EEK 24,182,860 (approximately EUR 1,545,566), by issuance of 2,378,286 new ordinary shares with the nominal value of EEK 10 (approximately EUR 0.6) per share. The subscription price was of the new shares was EEK 250 (approximately EUR 15.98) per shares, EEK 10 (approximately EUR 0.6) of which was the nominal value and EEK 240 (approximately EUR 15.34) issue premium. The new shares of PF were paid for entirely with in-kind non-monetary contributions, consisting of shares of SMK and KPC. On 15 March 2010, the General Meeting of shareholders of the Company resolved to conduct a bonus issue and increase the share capital of the Company by EEK 217,645,740 (approximately EUR 13,910,098) without making contributions into the share capital using the Company's own equity. The share capital was increased from the issue premium of the Company. After the increase of the share capital the share capital of the Company is EEK 241,828,600 (approximately EUR 15,455,664)that is divided into 24,182,860 ordinary shares of the Company with a nominal value of EEK 10 (approximately EUR 0.6). The share capital has remained unchanged since then.

Subject to the adoption of a relevant resolutions by the General Meeting of shareholders and the Management Board of the Company as described in Section *"Terms and Conditions of the Offering"*, the share capital of the Company will be increased again on or about 29 April 2010 by issuing the New Shares. Such issue will comprise of up to 14,500,000 Shares which will be issued to investors in order to carry out the Offering. The preferential right of the shareholders of the Company to subscribe for New Shares has been to be excluded with the above-mentioned resolution of the General Meeting of shareholders. New Shares will be issued against monetary contributions with premium, whereas the issue price of each New Share will be equal to the Offer Price.

The Company does not have any other classes of shares other than ordinary Shares and does not contemplate the issue of any shares of such other classes. Offer Shares are and New Shares will be issued and will exist under the laws of Estonia. All Shares of the Company are registered and kept in book entry form by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus (located at Tartu mnt 2, Tallinn, 10145), which is the operator of the ECRS. The currency of Shares is Estonian kroons.

All issued Shares have been fully paid and there are no shares that are authorised but not issued. The Company holds currently 162,020 own shares, representing 0.67% of the share capital. No convertible securities are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital. No put or call options are outstanding with respect to or for the benefit of any Group company. There are no legal restrictions on the transferability of Shares of the Company. No public takeover bids were launched in respect of Shares of the Company since its foundation.

In order to change the rights attached to all shares in general (in as much as this is possible under the applicable law), the Articles of Association of the Company need to be amended. The amendment of the Articles of Association normally requires a qualified majority of at least 2/3 of all votes present at the General Meeting of shareholders. If a company has more than one class of shares, changing the rights attached to a particular class of shares requires in addition to the above the consent of at least 2/3 of votes of shareholders that are present at the General Meeting in each class of shares. When rights stemming from a particular class of shares are being amended, a decision of the General Meeting of shareholders needs to be adopted which requires a qualified majority of 4/5 of the votes, and the consent of at least 9/10 of all shareholders who hold shares of the type subject to the amendment. A brief description of the rights attached to Shares of the Company follows below.

DIVIDENDS, REDEMPTIONS AND LIQUIDATION

DIVIDEND RIGHTS

Shares give rights to dividends declared after the transfer of Shares to investors in the course of the Offering. Please note that the Company cannot guarantee that dividends will be declared on a regular basis (see more under *"Dividend Policy"* above). Furthermore, dividends and redemptions of shares may be subject to income taxation – please see *"Taxation"* below. With respect to any dividends declared by the Company, the following general rules apply.

Under the Estonian Commercial Code, a company may only make payments to shareholders from net profit or from undistributed profit earned during previous financial years, from which any losses accrued but not covered in previous financial years have been deducted. The amount of dividends is proposed by the Management Board and is subject to the approval of the General Meeting of shareholders. Before the presentation of the Management Board's profit distribution proposal to the shareholders, it must be approved by the Supervisory Board. Recommendations of the Management Board concerning the payment of dividends in a company listed on the NASDAQ OMX Tallinn Stock Exchange are immediately made public through the stock exchange.

Normally, dividends may be paid on the basis of the approved annual accounts. The Articles of Association of the Company set forth that the Management Board of the Company may pay advance dividends to shareholders after the end of the financial year and before the approval of the annual accounts. Such dividends are paid on the basis of the estimated amount that is available for distribution and may not exceed one half of such amount. Advance dividends may be paid with the consent of the Supervisory Board.

The amount of dividends that is paid to each shareholder is in accordance with the nominal value of Shares of the Company that are in such shareholder's ownership. Dividends are to be paid in cash, or upon the consent of the shareholder in other property.

Dividends of the companies listed on the NASDAQ OMX Tallinn Stock Exchange are paid only to those shareholders (or their nominees) who were entered into the list of shareholders (which is maintained by the ECRS) as of 23.59 on the reference date chosen by the relevant company. This reference date must be at least 10 trading days from the date of the decision of the General Meeting concerning the payment of dividends, and such date must be announced at least 7 trading days in advance.

There are no specific restrictions on the payment of dividends to non-resident shareholders. Such dividends may, however, be subject to withholding taxation in Estonia – please see more under *"Taxation"* below.

Should the Company for any reason fail to pay out a dividend prescribed by a resolution of the General Meeting, the shareholder whose dividend was not paid out may demand the payment thereof during the period of three years from the date of the resolution. After the expiry of such period any unpaid dividends remain with the Company.

REDEMPTION OF SHARES

Under the Estonian Commercial Code, a company may acquire its own shares (or take the same as collateral) if all of the following conditions are met: (i) the redemption occurs within five year after the adoption of a resolution of the General Meeting which specifies the conditions and terms for the redemption of shares and the consideration to be paid for such shares; (ii) the total nominal value of shares redeemed or taken as collateral does not exceed one-tenth of the share capital; and (iii) shares are paid for from assets exceeding the share capital and reserve capital, which may not be paid out to shareholders pursuant to the law or articles of association. These restrictions do not apply if shares are acquired by way of inheritance.

Shares may be acquired without a resolution of the General Meeting on the basis of a resolution of the Supervisory Board if the redemption of shares is necessary to prevent significant damage to the company. In such event, the shareholders must be informed of the circumstances and details surrounding the redemption of shares at the next General Meeting of shareholders.

If more than 1/10 of share capital is redeemed by way of inheritance, the part exceeding the 1/10 must be sold or cancelled within three years from redemption. Shares that are redeemed illegally must be sold or cancelled within one year from redemption.

RIGHTS IN THE EVENT OF LIQUIDATION

In the event of liquidation of the Company, all shareholders are entitled to any surplus assets after the satisfaction of all claims of the creditors of the Company and the depositing of such amounts which were not collected by the creditors. Such remaining assets are distributed among the shareholders according to the nominal values of their shares pursuant to the asset distribution plan prepared by the liquidators; assets are realised and paid out in cash.

The assets of the Company may be distributed after six months from the publication of the notice of liquidation and after two months from day when the final balance sheet and asset distribution plan are presented to the attention of the shareholders, provided that the neither the balance sheet nor the asset distribution plan are contested in court. The court may allow for payments to be made earlier, provided that this would not damage the interests of the creditors.

RIGHTS OF SHAREHOLDERS

RIGHT TO PARTICIPATE IN THE GENERAL MEETING OF SHAREHOLDERS

<u>Purpose of the General Meeting</u>

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

<u>Convening the General Meeting</u>

The ordinary General Meeting of shareholders is held once a year pursuant to the procedure and at the time prescribed by the Articles of Association but not later than six months after the end of the financial year. Despite to the fact that according to the Estonian Commercial Code, the ordinary General Meeting of shareholders must be held within 6 months as from the end of a financial year, the Estonian Securities Market Act further specifies that the audited annual accounts of listed and publicly traded companies must be made public within 4 months as from the end of a financial year. In accordance with the Estonian Commercial Code, before the ordinary General Meeting of shareholders is held, Supervisory Board must review the annual accounts and provide the General Meeting of shareholders with a written report on the annual accounts indicating whether Supervisory Board approves the accounts but also providing information on how Supervisory Board has organised and supervised the activities of a company. In practise the referred report is made available along with the notice on calling the General Meeting of shareholders.

Additionally, extraordinary General Meeting may be held on certain conditions: (i) in the event that the net equity of the Company decreases below the legally required minimum level, or (ii) if shareholders representing at least 1/10 of the share capital, the Supervisory Board or the auditor demand that a meeting is convened or (iii) if the meeting is required in the interests of the Company. The Articles of Association of the Company do not include any deviation from the applicable law with respect to when the General Meeting needs to be called.

If the Management Board fails to convene the extraordinary meeting within one month after the receipt of a relevant demand from the shareholders (or the Supervisory Board or the auditor), then the shareholders (or, respectively, the Supervisory Board or the auditor) have the right to convene the General Meeting themselves. Notice of an upcoming General Meeting must be

sent to all shareholders 3 weeks in advance of an ordinary General Meeting and at least one week in advance of an extraordinary General Meeting. As a general rule, the notice must be sent via registered mail to the addresses entered in the share register. Where a company has over 50 shareholders, the notice does not have to be sent but instead it is published in at least one national daily newspaper in Estonia. The notice is also published through the NASDAQ OMX Tallinn Stock Exchange.
When the above requirements for convening a General Meeting are violated, such General Meeting does not have the capacity to adopt resolutions except where all shareholders participate at the General Meeting.

Agenda of the General Meeting

As a rule, the agenda of a General Meeting is determined by the Supervisory Board. However, if the General Meeting is convened by the shareholders or the auditor, the agenda is determined by them. Furthermore, the Management Board or the shareholders whose shares represent at least 1/10 of the share capital may demand the inclusion of a certain issue on the agenda. An issue which is initially not on the agenda of a General Meeting may be included on the agenda upon the consent of at least 9/10 of the shareholders who participate in the General Meeting if their shares represent at least 2/3 of the share capital.

Quorum

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

Voting rights and resolutions

The Company currently has only one class of Shares with nominal value of EEK10 each. Each Share entitles the shareholder to one vote. A shareholder may attend and vote at a General Meeting in person or by proxy. In the case of companies listed on the Tallinn Stock Exchange, only those shareholders are eligible to attend and vote at a General Meeting of shareholders who were on the list of shareholders (which is maintained by the ECRS) as of 8 a.m. on the date chosen by the company. Such date must be made public at least 7 trading days in advance. A shareholder whose shares are registered in the name of a nominee can exercise voting rights if a respective power of attorney has been executed in favour of such shareholder by the holder of the nominee account.

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

RIGHT TO INFORMATION

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

RIGHT TO SUBSCRIBE FOR NEW SHARES

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

OTHER IMPORTANT MATTERS

RESTRICTIONS ON FINANCIAL ASSISTANCE

The Estonian Commercial Code sets forth certain restrictions in respect of financial assistance. As a general rule, a company may not grant loans or provide other financial assistance (such as e.g. giving guarantees or sureties) (i) to shareholders whose shares represent more than 1% of the share capital, (ii) to shareholders of the parent company whose shares represent more than 1% of the share capital of the parent company, (iii) for the purpose of acquiring shares of the company, or (iv) to members of the Management Board, the Supervisory Board or to procurators. Financial assistance may, nevertheless, be provided to such shareholders who belong to the same consolidation group as the company and provided that this does not harm the financial status of the company or the interests of its creditors.

SQUEEZE-OUT RIGHTS

The Estonian Commercial Code allows major shareholder(s) to take over a public limited company. The precondition for such squeeze-out is the acquisition by a person acting individually or in concert with others of at least 90% of the voting rights in the company. The squeeze-out can be decided by the General Meeting of shareholders, if the majority comprising at least 95% of all votes represented by shares is in favour. The amount of compensation for the minority shares which are subject to takeover is to be determined on the basis of the value of shares as at ten days prior to the date on which the notice summoning the General Meeting was sent out. Additionally, tender offers may be carried out in companies listed on the Tallinn Stock Exchange and sometimes major shareholders of a listed company are under the obligation to launch a tender offer (see *"Estonian Securities Market"* for more details). However, the shareholders of a listed company are not obliged to accept a tender offer which is not a squeeze-out within the meaning of the Commercial Code.

DISCLOSURE OF SHAREHOLDINGS

The Company is required to submit a list of shareholders holding over 10% of all shares to the Estonian Commercial Register together with the annual accounts, such list being drawn up as of the date when the annual accounts are approved by the General Meeting of shareholders. See *"Estonian Securities Market"* below for more information on disclosures of shareholdings which are triggered by the listing of Shares on theNASDAQ QMX Tallinn Stock Exchange.

Whenever a person acquires (directly or indirectly, alone or in concert with a third party) 5%, 10%, 20%, 33%, 50% or 66% of all shares issued by one public limited company, such person must notify the public limited company of such acquisition not later than within four trading days.

LISTING ON THE TALLINN STOCK EXCHANGE

At the date hereof, no securities issued by the Company are admitted to trading on any regulated market. The purpose of the Offering, among other things, is the subsequent listing of all the Shares on the NASDAQ OMX Tallinn Stock Exchange. The Company has applied for the listing of all its Shares in the Main List of the NASDAQ OMX Tallinn Stock Exchange (for general information on the Tallinn Stock Exchange, see *"Estonian Securities Market"* below). The Company will take all necessary measures in order to comply with the NASDAQ OMX Tallinn Stock Exchange rules so that its application will be approved.

SELECTED FINANCIAL INFORMATION

The following summary financial information should be read in conjunction with "Operating and financial review" and the consolidated financial statements of the Company included elsewhere in this Offering Circular. The tables below present certain selected financial data as of the end of financial years on 31 December 2007, 2008 and 2009. The financial information for the years 2007 and 2008 is based on pro forma consolidation of IFRS consolidated financial results of SMK and KPC. The historical audited annual financial statements for SMK were originally prepared for financial year ending 30 June. Therefore, the pro forma consolidated financial information considers SMK financial results for the same financial year period as KPC, ending 31 December. The financial information for the year 2009 is based on the audited consolidated financial statements of the Company (prepared in accordance with the IFRS).

	For the 12 months period ended 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Income statement information	(in EEK millions unless otherwise stated)		
Revenue	995.4	1,210.2	1,075.0
Cost of goods sold	-739.2	-916.2	-796.8
Gross profit	**256.2**	**294.0**	**278.2**
Selling and distribution expenses	-173.3	-250.8	-212.7
Administrative expenses	-59.0	-78.0	-61.9
Other activities	33.0	43.9	30.9
Biomass IFRS valuation	15.8	1.1	4.9
Operating profit	**72.7**	**10.2**	**39.4**
Net financial items	-23.1	-41.0	-29.2
Profit before income tax	49.6	-30.8	10.2
Income tax	-5.7	6.7	0.6
Profit for the period attributable to:	43.9	-24.1	10.8
Non-controlling interest	0.8	1.2	0.8
Owners of the Company	**43.1**	**-25.3**	**10.0**
Average number of shares	n.a.	n.a.	1,221,042
Earnings per share data for profit attributable to owners of the Company:			
Basic earnings per share (EEK)	n.a.	n.a.	8.19
Diluted earnings per share (EEK)	n.a.	n.a.	8.19

	As at 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Balance sheet information	(in EEK millions unless otherwise stated)		
Cash and cash equivalents	21.8	19.7	19.6
Trade receivables	135.1	141.5	125.0
Inventories, other than biomass	119.1	126.4	107.7
Biomass	99.6	81.9	97.5
Fixed assets held for sale	-	25.8	26.7
Other current assets	9.1	18.0	9.1
Total current assets	**384.7**	**413.3**	**385.6**
Deferred tax assets	1.0	5.5	5.5
Long-term financial assets	8.1	1.4	1.5
Tangible assets	378.7	283.2	242.0
Investment property	2.8	2.7	32.6
Intangible assets	63.2	56.7	50.4
Goodwill	107.9	265.5	265.5
Total non-current assets	**561.7**	**615.0**	**597.5**
Total assets	**946.4**	**1,028.3**	**983.1**
Supplier payables	102.5	113.5	77.0
Factoring	28.3	30.9	42.8

Other current liabilities	60.2	62.4	54.6
Interest-bearing borrowings, current	113.3	184.3	159.6
Total current liabilities	**304.3**	**391.1**	**334.0**
Interest-bearing borrowings, non-current	312.0	143.9	149.7
Deferred income tax	22.3	22.1	21.9
Other non-current liabilities	-	15.8	17.3
Target financing	29.9	29.5	26.1
Total non-current liabilities	**364.2**	**211.3**	**215.0**
Equity attributable to equity holders of the company	268.2	422.9	430.3
Non-controlling interest	9.7	3.0	3.8
Total equity	**277.9**	**425.9**	**434.1**
Total liabilities and equity	**946.4**	**1,028.3**	**983.1**

	For the 12 months period ended 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Cash flow information	(in EEK millions unless otherwise stated)		
Cash flow from operating activities	n.a.	21.9	36.6
Cash flow from investing activities	n.a.	84.0	-5.0
Cash flow from (used in) financing activities	n.a.	-108.0	-28.6

	For the 12 months period ended 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Income statement information	(in EUR thousands unless otherwise stated)		
Revenue	63,619	77,348	68,703
Cost of goods sold	-47,243	-58,555	-50,921
Gross profit	**16,376**	**18,793**	**17,782**
Selling and distribution expenses	-11,078	-16,029	-13,597
Administrative expenses	-3,771	-4,987	-3,953
Other activities	2,109	2,803	1,973
Biomass IFRS valuation	1,009	70	311
Operating profit	**4,645**	**650**	**2,516**
Net financial items	-1,475	-2,621	-1,866
Profit before income tax	3,170	-1,971	650
Income tax	-366	429	41
Profit for the period attributable to:	2,804	-1,542	691
Non-controlling interest	47	75	52
Owners of the Company	**2,757**	**-1,617**	**639**

	For the 12 months period ended 31 December		
	2007	***2008***	***2009***
	pro forma	***pro forma***	***actual***
Income statement information	(in EUR thousands unless otherwise stated)		
Average number of shares	n.a.	n.a.	1,221,042
Earnings per share data for profit attributable to owners of the Company:			
Basic earnings per share (EUR)	n.a.	n.a.	0.52
Diluted earnings per share (EUR)	n.a.	n.a.	0.52

	As at 31 December		
	2007	*2008*	*2009*
	pro forma	*pro forma*	*actual*
Balance sheet information	(in EUR thousands unless otherwise stated)		
Cash and cash equivalents	1,392	1,259	1,254
Trade receivables	8,632	9,041	7,961
Inventories, other than biomass	7,610	8,078	6,884
Biomass	6,368	5,235	6,228
Fixed assets held for sale	-	1,647	1,708
Other current assets	581	1,154	608
Total current assets	**24,583**	**26,414**	**24,643**
Deferred tax assets	63	354	354
Long-term financial assets	514	90	96
Tangible assets	24,210	18,100	15,465
Investment property	177	170	2,084
Intangible assets	4,043	3,623	3,215
Goodwill	6,894	16,971	16,971
Total non-current assets	**35,901**	**39,308**	**38,185**
Total assets	**60,484**	**65,722**	**62,828**
Supplier payables	6,555	7,252	4,920
Factoring	1,806	1,976	2,732
Other current liabilities	3,850	3,989	3,496
Interest-bearing borrowings, current	7,239	11,777	10,198
Total current liabilities	**19,450**	**24,994**	**21,346**
Interest-bearing borrowings, non-current	19,939	9,197	9,569
Deferred income tax	1,424	1,414	1,400
Other non-current liabilities	-	1,010	1,101
Target financing	1,913	1,886	1,667
Total non-current liabilities	**23,276**	**13,507**	**13,737**
Equity attributable to equity holders of the company	17,139	27,029	27,501
Non-controlling interest	619	192	244
Total equity	**17,758**	**27,221**	**27,745**
Total liabilities and equity	**60,484**	**65,722**	**62,828**

	For the 12 months period ended 31 December		
	2007	***2008***	***2009***
	pro forma	***pro forma***	***actual***
Cash flow information	(in EUR thousands unless otherwise stated)		
Cash flow from operating activities	n.a.	1,398	2,340
Cash flow from investing activities	n.a.	5,371	-317
Cash flow from (used in) financing activities	n.a.	-6,902	-1,825

	For the 12 months period ended 31 December		
	2007	***2008***	***2009***
	pro forma	***pro forma***	***actual***
Key ratios and indicators	(in EUR thousands unless otherwise stated)		
Revenue	63,619	77,348	68,703
EBITDA	7,513	4,807	6,203
EBITDA margin, %	11.8%	6.2%	9.0%
Operating profit margin, %	7.3%	0.8%	3.7%
Return on investment (ROI), %	n.a.	1.4%	5.3%
Return on equity (ROE), %	n.a.	-6.9%	2.5%
Return on assets (ROA), %	n.a.	1.0%	3.9%
Equity ratio, %	29.4%	41.4%	44.2%
Capital expenditure	4,124	2,241	680
Number of employees	659	647	581

EBITDA	=	Earnings before net financial items, share of profit of associates, taxes, depreciation and amortization. EBITDA is included as a supplemental item, since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not a measure of operating performance calculated in accordance with IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit or loss or cash flow data determined in accordance with IFRS.
EBITDA margin	=	EBITDA / Revenue. The EBITDA margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of the company's financing and tax position as well as depreciation-related estimates.
Operating profit margin	=	Operating profit / Revenue. The operating profit margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of both the company's financing and tax position.
Return on investment (ROI)	=	(Profit after net financial cost + Interest expense) / (Average total assets—average interest free liabilities). Return on investment measures the relationship between profits and the investment required to generate them.
Return on assets (ROA)	=	Operating profit / Average total assets. Return on assets compares income with total assets (i) measuring management's ability and efficiency in using the firm's assets to generate (operating) profits and (ii) reporting the total return accruing to all providers of capital (debt and equity), independent of the source of capital.
Return on equity (ROE)	=	Net profit / Average equity. Return on equity excludes debt in the denominator and compares net income with total shareholders' equity. It measures the rate of return on shareholders' investment and is, therefore, useful in comparing the profitability of a company with its competitors.
Equity ratio	=	Equity / Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholders' equity to total assets. The analysis of a company's financial leverage (or capital structure) is essential to evaluate its long-term risk and return prospects.
Capital expenditure	=	New investments into tangible and intangible assets.

As of 30 June 2008 SMK Group auditors have not attended the physical count of inventories in ÖF, SF and Vettel.

The estimate of fair value of biomass will always contain uncertain assumptions, even though the Company has built in-house expertise in assessing these factors. The volume of biomass is in itself an estimate that is based on the juveniles put into lake/sea, the estimated growth and estimated mortality based on observed mortality in the period. The volume is adjusted for gutting wastage. Company tests the biomass by carrying out actual physical inventory weighing twice a year. Due to the weather conditions at the balance sheet date and process lengthiness the physical inventory is not possible to carry out as of the balance sheet date.

RESULTS OF OPERATIONS AND OUTLOOK

This Section accommodates the discussion on the results of the operations of the Company for financial years ended 31 December 2009 (as compared with the results of the financial year ended 31 December 2008) and 31 December 2008 (as compared with the results of the financial year ended 31 December 2007), as well as the important developments affecting results of operations in financial year 2010. This Section should be read in conjunction with the other parts of this Prospectus which include important information on the operations and financial condition of the Company, as well as in conjunction with the consolidated audited annual reports of the Company for the relevant accounting periods.

DEVELOPMENTS HAVING EFFECT ON OPERATIONS

MACROECONOMIC ENVIRONMENT

The economic environment of 2009 was the most difficult in the last 10 years. Consumption of food products on the markets of the Company decreased 10-20% in comparison to 2008 and remained on the same level only in Finland, where the Group managed to found ways for increasing sales, though also Finnish market was experiencing depression. The situation in Latvia is the most complicated of all the markets the Group is operating in. Average prices of food products decreased in addition to their quantities in the Baltic States – 10% on average in the ice cream and frozen food sector. Consumption decreased less in the sector of cheaper products. The decrease in the sales price of products was compensated by the decrease in raw material prices on the world market and salary cuts as well as other cuts in costs in all group companies. The situation in the financial sector remained complicated in 2009 with companies finding it increasingly harder to get financing from banks and their payment discipline suffering as a result. The pressure of retail chains in order receiving better conditions from producers can be expected to increase in 2010, which means that weaker producers will either go bankrupt or get bought up.

Despite to the above, food products consumption went through a smaller drop than the economy as a whole, but still there was decline in consumption. Hence also turnover of the Company showed a decrease and the turnover of 2009 was 1.1 billion Estonian kroons (68.7 million EUR) compared to 1.2 billion EEK (77.3 million EUR in 2008). But in contrast to the overall economy, which mainly talked about decline in profits, the Company was able to earn an annual profit instead of loss in 2008. Net profit of 2009 was 10.8 million EEK (0.7 million EUR), while in 2008 company's loss was 24.1 million EEK (1.5 million EUR).

CHANGES IN CONSUMER BEHAVIOUR

Estonia in 2009 had background of decreasing economy and this has made consumers very conservative and dependent of price campaigns. Only in the end of the year 2009 the anticipation of euro started to grow and the notes of optimism is felt that the second half of 2010 the economy could start to rise. Unemployment rate growth to 15% by the end of 2009 has decreased consumption a lot and biggest downfall has been with consuming of products with bigger added value and average and above-average price level. From the Company's products it bears most on expensive ice creams and frozen products like french fries, vegetables and pizzas. However, the fall is less noticeable in dumplings and in other semi-finished products. Thanks to its powerful trademarks and high-quality products behind those marks, we have been able to maintain our market share in the conditions of declining market and fallen prices. Compared to a year ago, we are especially glad with increased sales of our frozen products trademark "Maahärra" and with recently launched new pan-Baltic trademark "Bueno!". It is expected that the market shares will be continuously rearranged in the 2010 and stronger companies will benefit from this. On the other hand the competition increase between retail chains is expected and it also increases pressure on producers across the Baltics, which will lead to campaign price fall and retail chains increase the share of private label products.

EXPANSION IN DIFFERENT MARKETS

In 2009, the Company began to exploit the advantages of our various markets, intending to take the know-how obtained from the Baltic States, the brands and products to the Scandinavian countries and vice versa. The Group will launch the sales of chilled fish products in the Baltic States under the new brand name "Viking". The products come from our Saaremaa factory Vettel and present a large challenge for our companies in the Baltic States, who for the first time in the history of the Company launch the sale of chilled products under their own brand name on the retail market. In Finland the Group started in 2009 and in 2010 the Group will continue powerful development in the HoReCa (hotels, restaurants, catering) sector, which offers us plenty of challenges for expanding the sale of fish products.

CONSTANT RE-INVESTING OF PROFITS

The Group has maintained outstanding growth rates in the referred period through reinvesting the majority of its profits back into the Group's operations. No dividends were paid out to the shareholders of the Company.

FACTORS WITH CONSTANT EFFECT ON RESULTS OF OPERATIONS

SEASONALITY

As also mentioned in the *"Risk Factors"* Section, the revenues gained from the sales of ice cream are subject to seasonal variations, especially in the Baltic markets. The revenues from sales of ice cream are the highest during the second and third quarter (in particular during summer months), while the sales are slowing down during the fourth and first quarters (especially in Lithuania). At the same, the sales of frozen food decrease during the harvesting period at the end of summer and several months thereafter, when fresh vegetables and fruits are available, but peak again from January to April. However, as the seasonal fluctuations in the sales of ice cream and frozen food occur at different times, the adverse effect for the Group is alleviated, because the Group can optimize its logistic operations on account of one business line at the low season of the other.

DEPENDENCY ON WORLDWIDE MARKET PRICES

The prices of most of the products necessary for the production of some Group's products (in particular ice cream) depend on the worldwide market prices. Therefore, production costs vary depending on the worldwide price levels of input (e.g. prices of milk powders, cream, butter, sugar, etc), whereas the worldwide price levels of input may rise faster than the prices of end-products in local markets, or than what the local consumers are willing to pay. Therefore, the margins available for the market participants may shrink. The same applies to the prices of fresh fish.

INTEREST RATES AND AVAILABILITY OF FINANCING

The interest rates of most of the loans taken by the Group entities are mostly based on the EURIBOR base rate which is determined as of the quotation date occurring each 6 months from the date of the relevant loan agreement. Therefore, increases in the European Central Bank interest rates (and, consequently, increases of the EURIBOR base rate) will lead to a corresponding increase in the financial costs of the Group. Furthermore, fluctuating interest rates and overall market situation may have adverse effect on availability of financing by banks and other finance institutions and taking into account the Group's needs for outsourced financing, availability of financing has significant effect to the Group's results and operations.

EXPOSURE TO FOREIGN CURRENCY FLUCTUATIONS

The Group has exposure to fluctuations in currency exchange rates. The Group's consolidated reporting currency is Estonian kroon, but part of its revenues is earned in euros, Latvian lats, Lithuanian litas, Swedish krona and Russian roubles. Therefore, significant changes in the movements of currency exchange rates could have a significant effect in the results of operations and the financial position of the Group. This factor will have less significant effect on the Group's results and operations once the Baltic states start using euro as the valid currency.

RESULTS OF OPERATIONS AND COMPETITIVE POSITION OF CLIENTS AND CO-OPERATION PARTNERS

Results of operations and competitive position of the Group's major clients and co-operation partners should be considered as a relevant factor having effect on the Group's results and operations. The above applies foremost to the retailers used as distribution channels for the Group's products. Retailers with significant market shares are in a better position to influence terms and conditions of distribution of the Group's products. Nevertheless, the Group's well-known brands and loyal consumers at least partially mitigate this difference of negotiating positions.

COST OF LABOUR

The Group hired 581 employees as at 31 December 2009. Costs of labour have constant effect of the results of operations of the Group companies. In the near past, the trend has been positive for the Group, in other words, the macroeconomic situation has had a decreasing effect on wages and overall labour related costs; nevertheless, improvement of the overall economic situation, labour costs may raise and therefore have an effect on the Group's general cost base and results of operations.

COMPETITION

As any other company, the Group's results and operations are influenced by competitors. The food industry in general is characterised by highly competitive market structures, accommodating an ample number of market players, including small niche producers as well as large enterprises, in most segments.

The fish and fish processing industry depends, on the one hand, on the availability of fresh fish at competitive prices, and one the other hand, on the sales channels, which are made up mostly of major retail chains. Competition for both, favourable input supplies and distribution channels is high in the Group's main markets for fish and fish products. While the Group enjoys the advantage of the established reputation of a reliable and trusted co-operation partner as compared with potential new entrants, there are nevertheless no safeguards against the price wars by existing competitors or against potential competition, which could shake the Group's competitive position.

At the same time, the Group's frozen foods business line faces competition not only by other suppliers and distributors of frozen foods, but also by the providers of fresh and chilled products (vegetables, meat, ready-made meals, etc). While the entry into the market for distribution of frozen foods entails significant sunk costs, the entry costs are not that significant for existing food sector companies, already having necessary equipment (e.g. meat processors), who therefore exert potential competition to the Group.

The ice cream markets are competitive in all of the Group's main geographic markets and accommodate strong competitors for the Group.

It should be also noted that private label brands operated by large retail chains have emerged over the past decade and the private label brands continue have an increasing market share in several food segments. Such brands exert competition to producers and distributors of branded products.

Hence, the Group faces the constant challenge to cope with the competitive environment in all of its main markets. Even though the Group has been rather successful in maintaining and strengthening its position in these conditions over the last years, the Group cannot guarantee to investors that it will be able to compete successfully in the future against existing or potential competitors in all markets. Increased competition may force the Group to invest larger resources to further brand building and sales supporting activities, which may have effect also on revenues in short-mid-term perspective.

IMPORTANT ACCOUNTING POLICIES

The consolidated financial statements of the Company for 2009 have been prepared in accordance with International Financial Standards (IFRS) as adopted by the European Union. The financial statements have been prepared in accordance with those standards and IFRIC interpretations issued and effective or issued and early adopted as of the time of preparing these statements.

The financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss and investment property, which are presented at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 of the 2009 Consolidated Annual Report annexed to this Prospectus.

These consolidated financial statements have been prepared for the period of 1 January 2009 to 31 December 2009. The functional currency of AS Premia Foods is Estonian kroon (EEK). These financial statements are presented in thousands of EEK and in thousands of euros, unless indicated otherwise. The Estonian kroon is pegged to euro at the rate of EUR 1 = EEK 15.6466

New standards, amendments to standards and interpretations adopted by the Group which became effective in the financial year of the Group beginning on 1 January 2009.

RESULTS OF OPERATIONS

Detailed information on results of operations of the Group has been provided in the Financial Statements annexed to this Prospectus.

LIQUIDITY AND CAPITAL RESOURCES

For information concerning the Company's capital resources, please refer to *"Capitalization"* and to the 2009 Consolidated Annual Report of the Company annexed to this Prospectus.

There are no restrictions on the use of the Group's capital resources that have materially affected, or could materially affect, directly or indirectly, the Company's operations. All future investments as described in *"Information about the Company – Investments"* will be made form, the Company's own capital resources.

SUMMARY OF AUDITORS' OPINIONS

The auditors of the Company have audited the consolidated financial statements of the Company for the financial years ended 31 December 2009. Having done so, the auditors have issued unqualified reports stating that these financial statements present fairly, in all material respects, the financial condition of the Company as of the end of each relevant period, as well as the results of its operations and its cash flows for the relevant period in accordance with the IFRS.

STRATEGIC OBJECTIVE AND SHORT-TERM GOALS

STRATEGIC OBJECTIVE

The Group's strategic goal is to become the leading company in deep frozen and chilled food processing and sales in the Baltic, Scandinavian and North-West Russian area. In order to achieve this goal, the Group focuses on expansion, finding synergies and increasing efficiency.

IMPLEMENTATION OF STRATEGY: EXPANSION
The expansion includes the following measures:

- **Acquisition of enterprises and trademarks.** The Group has acquired a number of enterprises and trademarks in the Baltics, Scandinavia and Russia with the purpose of strengthening or expanding business activities in target markets, and it intends to continue this practice in the future.
- **Utilising existing trademarks for the purposes of new product categories.** The Group holds and operates a wide range of strong brands, which it intends to use also for launching new products. On the one hand, this allows cost-cutting on account of new brand development and facilitates the expansion by way of launching new products. On the other hand, this also strengthens the existing brands.
- **Launch of new trademarks for new product categories.** The Group has ample experience in brand development, which gives the Group the confidence of its ability to successfully expand its operations on account of new brands and products.

IMPLEMENTATION OF STRATEGY: EXPLORING SYNERGIES
In order to explore synergies, the Group intends to implement the following measures:

- **Strengthening the trademark "Premia" as a corporate brand.** The Group's flagship brand "Premia" was launched originally as a product brand for ice cream business line, but it has been developed into a strong corporate brand for the Group over the recent years. The Group intends to continue boosting its umbrella brand and communicating its characteristics in all target markets. The association of the Group's products with the trusted and recognised corporate umbrella brand by consumers will facilitate the launch of new brands and products and hence, contributes to the expansion of the Group.
- **Strengthening and expansion of strong existing trademarks.** Over the years, the Group has succeeded in developing a wide number of brands, some of which have been more successful than others. The Group will focus on strengthening and expanding its strongest and most viable brands, while reducing the total number of trademarks operated by the Group in the Baltic and Scandinavian region today, which enables cost-cutting and more efficient brand management.
- **Taking full advantage of the existing production capacity.** Over the recent years, the Group has invested significantly in building and renovating its production facilities. In the upcoming years, the Group will take full advantage of the capacity of these production facilities to support the entry into new markets.
- **Taking full advantage of the existing marketing and sales know-how.** The Group's management has ample local and international experience in the food industry through which the Group has developed significant marketing and sales know-how. The Group will take advantage of such know-how to expand the sales of frozen foods and ice cream in Finland and the sales of chilled fish products in the Baltics, as well as to deploy common principles on designing the product portfolio in the Baltics, Finland and Russia.
- **Increase of efficiency in OOO Khladokombinat No 1's production and sales organizations, in product portfolio and purchasing process.** The Group has experience as leading producer and seller of ice cream in Baltic states, therefore synergy in this specific know-how can be transferred to OOO Khladokominat No 1, in order to increase market share furthermore.

IMPLEMENTATION OF STRATEGY: INCREASING EFFICIENCY
To increase efficiencies, the following measures will be applied:

- **Continuous optimisation of production units.** The Group will continue optimising its production units on the one hand, through investments into the facilities, and on the other hand, through the further integration of production process and management. This will allow benefiting from economies of scale and scope and will pave way to the in creased efficiency and expansion on the Group level.
- **Taking advantage of increased bargaining power.** The Group's pan-Baltic, Scandinavian and Russian presence in various product segments has made the Group an important business partner both for suppliers and clients. As several of the Group's brands have become so-called "must have items" for major retailers, this has further increased the Group's bargaining position vis-à-vis its business partners. Owing to the increased bargaining power, the Group can obtain better purchase prices from suppliers of raw materials, packaging, logistics, etc., as well as better terms with clients.
- **Continuous optimisation of product portfolio in all markets.** The Group will continue its efforts to optimise the product portfolio in all its markets to be able to further benefit from the economies of scale and scope.

SHORT-TERM GOALS (2010)
The Group's most important short-term goals to be pursued within 2010 include the following:

- **Finding new market segments in Finnish market for fish products.** The Group endeavours to strengthen its presence in the Finnish market for fish products, in particular through increasing its client base on account of new market segments, such as the HoReCa sector.
- **Maintaining the leading position in Estonian ice cream market, continue among leaders in Lithuanian ice cream market and maintaining strong second position in Latvian and St Petersburg's ice cream market.** The Group is the undisputed market leader in the market for production and sale of ice cream in Estonia. In Lithuania, the Group has only recently obtained

the leading position among ice cream suppliers, and the Group will continue its endeavours to further secure this position in Lithuania. The Latvian ice cream market has been lead by the Latvian company Rigas Piena Kombinats for a long time, whereas the remaining market participants have exerted harsh competition for the second position. Over 2009, the Group succeeded in achieving the second position in the Latvian ice cream market, and over 2010, the Group will endeavour to further secure this position in Latvia.

- **Entering the Baltic markets with chilled fish products.** The Group launched to the Baltic markets the first chilled products in the Group's history – the packed and chilled red fish products under the brand "Viking". This constitutes a part of the Group's agenda to expand its chilled fish and fish products business line in the Baltics.

INFORMATION ABOUT THE COMPANY

HISTORY AND DEVELOPMENT OF THE GROUP

GENERAL INFORMATION

The Company has been established as a public limited company (in Estonian: aktsiaselts) under the laws of the Republic of Estonia with the business name AS Premia Foods. The Company was registered in the Estonian Commercial Register on 23 December 2008.

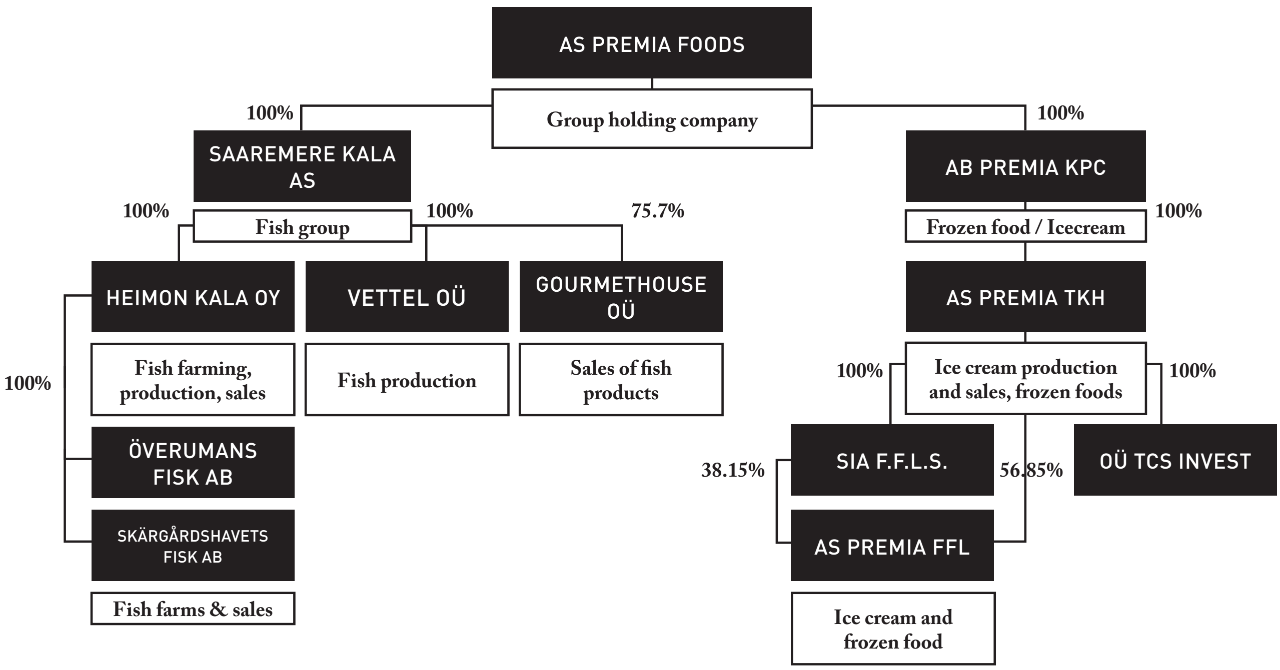
STRUCTURE OF THE GROUP

The ultimate holding company of the Group is AS Premia Foods (the Company), which owns the following companies either directly or through its subsidiaries as at the date of this Prospectus:

Company name	Share-holding	Country	Share capital (EEK)	Share capital (EUR)
AB "Premia KPC" (KPC)	100%	Lithuania	162,597,920	10,391,901
AS Premia Tallinna Külmhoone (PTKH)	100%	Estonia	40,082,840	2,561,760
SIA "F.F.L.S" (FFLS) [1]	100%	Latvia	44,101	2,819
AS "Premia FFL" (FFL) [1]	95%	Latvia	6,343,503	405,424
OÜ TCS Invest (TCS)	100%	Estonia	40,000	2,556
Saaremere Kala AS (SMK)	100%	Estonia	7,143,880	465,577
Heimon Kala OY (HK)	100%	Finland	157,894	10,091
Vettel OÜ (Vettel)	100%	Estonia	13,539,700	865,345
Gourmethouse OÜ (GH)	75.7%	Estonia	42,000	2,684
Överumans Fisk AB (ÖF) [1]	100%	Sweden	3,045,220	194,625
Skärgårdshavets Fisk AB (SF) [1]	100%	Sweden	4,567,830	291,938

[1] as of December 31, 2009; following exchange rates have been used 1 LVL = 22.0504 EEK; 1 SEK = 1.52261 EEK

The structural chart of the Group is as follows below:



Please turn to the Section "*Share Ownership*" for further details on the minority shareholders in the Group companies.

BRIEF DESCRIPTION OF GROUP ENTITIES

COMPANY

The Company was established in Estonia in December 2008 by PTKH with the purpose of creating a holding company for the group consolidating various food companies, including the ice cream and frozen food business lines represented by PTKH, KPC, FFL and the fish business line represented by SMK, Vettel, HK, ÖF, SH and GH.

The current shareholders of the Company acquired their shares from PTKH and subscription of new shares of PF against non-monetary contribution consisting of their shares in PTKH, KPC or SMK at the beginning of 2009.

KPC

Originally, Kauno Pieno Gamykla was established in 1936. The company supplied Kaunas city with dairy products and ice cream. In 1970 the dairy production was moved to the suburbs of Kaunas and the ice cream production remained in the same place. The main activities of KPC were production and sale of ice cream and sale of frozen products.

KPC was established in Vilnius in February 1994 as a private company under the name of the Bendra Lietuvos-Airijos uždaroji akcinė bendrovė "Kauno pieno centras". In 1995, KPC was restructured into the public company and in 1998, its name was changed to akcinė bendrovė Kauno pieno centras. In December 2005, Amber Trust II S.C.A. became the sole shareholder of KPC. Until 2003, the main activities of KPC had been the production, retail and wholesale of ice cream and frozen food products. KPC ceased its production activity and transferred it solely to Tallinn in 2004. At the beginning of 2007, it sold its real estate in Lithuania (including five industrial premises, two administrative premises, etc).

At the beginning of 2008, the name of KPC was changed to AB "Premia KPC". After the restructuring of Premia group in 2008-2009, KPC increased its ownership in PTKH to 100% and the Company became the sole shareholder of KPC.

Currently the main activities of KPC are retail and wholesale of and provision of logistical services for ice cream and frozen food products.

PTKH

PTKH was established under the name Tallinna Külmhoone (Tallinn Cold Store) in Tallinn in August 1951. Initially, the primary goal of the company was to store milk products and since 1953 also to store meat products. In 1956, the company opened an ice cream production factory, which marked the beginning of ice cream production tradition in Estonia.

During the Soviet period, the company was the biggest ice cream factory in the Baltics supplying its products mainly to the market of the Soviet Union. Besides making ice cream, the company dealt with frozen foods.

The new period for the company began in 1995, when Tallinna Külmhoone RAS (state public limited company) was formed. In May 1996, Tallinna Külmhoone AS was established as a legal person under private law, and already in 1997 company's shares were offered on the open market.

In June 1999, a new modern Tallinna Külmhoone factory building complying with the relevant European directives was opened. Several companies have been merged into PTKH – AS Jäälill and AS Piimar in 1997, Tartu Jäälill AS, Pärnu Jäälill AS and Rakvere Jäälill in 2002.

The company operates under the current business name AS Premia Tallinna Külmhoone since September 2007.

FFLS

FFLS was established in Riga in August 2004. In October 2007, PTKH acquired 100% of the shares of FFLS. Currently, FFLS is a holding company without active business operations. In order to ensure better organised group structure and increase efficiency of the Group, the Company may consider merging FFLS with FFL or liquidating FFLS without the referred merger in the future.

FFL

FFL was established in Riga in April 2000 through a merger of three independent companies which had operated in the frozen food industry for seven years already, attracting also international investor Baltic Small Equity Fund. The company soon became a leading distributor of frozen foods in Latvia and it expanded its activities by opening new branches and warehouses around Latvia. In April 2004, FFL commenced providing also logistics services besides warehousing and distribution. In June 2007, FFL received quality management system certificate LVS EN ISO 9001:2000, which confirms the compliance of the operations of the company with the international standard.

In October 2007, PTKH acquired majority shareholding in FFL. Further to the acquisition, the name of AS "FFL" was changed to AS "Premia FFL" in January 2008.

TCS

TCS was established in Tallinn in November 2006 as a 100% subsidiary of PTKH with the purpose of investment management. TCS did not have any operations in 2007. It bought certain trademarks of the Russian company ZAO Khladokombinat No 1 during the course of 2008 for the loans granted by PTKH, but has sold these trademarks to PTKH by now. In order to ensure better organised group structure and increase efficiency of the Group, the Company may consider merging TCS with PTKH or liquidating TCS without the referred merger in the future.

SMK

SMK was established in Tallinn in October 2006 under the business name Aktsiaselts Vicron Trade Group by Amber Trust S.C.A. Since December 2006, the business name of SMK is Saaremere Kala AS.

In January 2007, SMK acquired 100% stake in Vettel and Saaristomeren Kala OY by way of share swap. SMK operates primarily as holding company, consolidating the operations of Vettel, HK, SF, ÖF and GH.

VETTEL

Vettel was established during the Soviet time as collective fishing farm in Saaremaa, Estonia. After regaining independence, the facilities were privatised and changed owners on several occasions. Vettel was registered as a private limited company under the business name OÜ Lukes Projekt in February 1998 and its business name was changed to OÜ Vettel in September 1998. In July 2003, Amber Trust S.C.A. acquired 37.25% holding in Vettel and increased its holding to majority holding through series of transaction after that. Today, Vettel operates as fish processing facility employing around 70 employees and exporting majority of its production to Finnish and other foreign markets.

HK

HK was established in Finland in September 1981. The shares of HK were acquired by Vettel from Mr Heimo Juvankoski, Mr Pertti Vilen and Mr Petri Oksanen in November 2005. Today, HK is a fully owned subsidiary of SMK, which acquired the shares of HK from Vettel during the course of the Group restructuring in 2008-2009.

In May 2009, HK's sister company – the Finnish company Saaristomeren Kala Oy – was merged into HK. Saaristomeren Kala Oy was established in May 1987. Prior to the merger, Saaristomeren Kala Oy had two fully owned subsidiaries in Sweden (SF and ÖF), and two subsidiaries in Finland (fully owned Polar Fish Oy and 81% of Imatran Kala and Kaviaari Oy).

SMK acquired all the shares of Saaristomeren Kala Oy on 31 January 2007, by a share exchange with Mr Juhani Salminen and Mr Jukka Salminen, whereby SMK received all the shares of Saaristomeren Kala Oy from the named private persons, who in exchange received in the aggregate 17.25% of shares in SMK. The majority owner of SMK, Amber Trust S.C.A, bought the remaining 17.25% of the shares of SMK from Mr Juhani Salminen and Mr Jukka Salminen in May 2008. At the same time, Mr Juhani Salminen and Mr Jukka Salminen acquired the shares of Polar Fish Oy and Imatran Kala and Kaviaari from Saaristomeren Kala Oy and, therefore, these companies ceased to be subsidiaries of Saaristomeren Kala Oy.

Currently, HK has operations on two locations in Finland, cities of Hämeenlinna and Uusikaupunki, as well as, through its subsidiaries SF and ÖF, on two locations in Sweden.

SF

SF was founded on 15 October 1996 after Saaristomeren Kala Oy had bought sea farm Köpmanholmen in Sweden from bankrupt's estate. Later in 1999 hatchery and fingerling production in Bispgården; Sweden, was acquired from Vattenfall Kraft. In the beginning of 2000 sea farm in Köpmanholmen was sold and since then the company has been focused on rainbow trout and arctic char fingerlings production for ÖF and Sweden and Finnish market.

ÖF

ÖF was founded on 24 November 1995 as a result of small fish farm acquisition from bankrupt's estate. Operations in Storuman, Sweden started with the limited production capacity of less than 100 ton (fish farming right per annum). ÖF has gradually raised its' production up to 1500 ton. Latest increase from 1000 to 1500 took place in early 2008, followed by the large-scale investments into expansion and more effective automatic fish feeding equipment. Due to the 2-year breeding cycle the full effect of the expanded activities can be realized in 2009/2010. ÖF is focused on rainbow trout and arctic char farming. Own slaughtering house enables to slaughter all the fish at site. Company serves mainly group internal raw material need in Vettel and HK. In 2009 direct sales to Swedish market were initiated.

GH

GH was established as a limited partnership in July 2004 and it was transformed into private limited company as of March 2005. GH handles the wholesale operations of the Group's fish business line in Estonia. SMK acquired a majority ownership of GH in 2007.

Further information on the Group companies is available in the 2009 Consolidated Annual Report of the Company annexed to this Prospectus.

FINANCIAL DATA OF THE GROUP COMPANIES

As at 31 December 2009, the balance sheet total, turnover and profit/loss of the Group companies (in thousands) was as indicated in the table below:

Company name	Balance sheet total	Turnover	Profit/loss
AB "Premia KPC" (KPC)	EEK 216,283 EUR 13,823	EEK 138,929 EUR 8,879	EEK -5,832 EUR -373
AS Premia Tallinna Külmhoone (PTKH)	EEK 352,925 EUR 22,556	EEK 368,141 EUR 23,528	EEK 30,447 EUR 1,946
SIA "F.F.L.S" (FFLS)	EEK 5,642 EUR 470	EEK 0 EUR 0	EEK -1 EUR 0
AS "Premia FFL" (FFL)	EEK 88,270 EUR 5,642	EEK 184,757 EUR 11,808	EEK -4,552 EUR -291
OÜ TCS Invest (TCS)	EEK 1,267 EUR 81	EEK 0 EUR 0	EEK 9 EUR 1
Saaremere Kala AS (SMK)[1]	EEK 181,225 EUR 11,582	EEK 5,948 EUR 380	EEK 596 EUR 36
Heimon Kala OY (HK)[1]	EEK 193,184 EUR 12,347	EEK 431,888 EUR 27,603	EEK -2,189 EUR -140
Vettel OÜ (Vettel)	EEK 107,056 EUR 6,842	EEK 170,712 EUR 10,910	EEK 975 EUR 62
Gourmethouse OÜ (GH)	EEK 11,199 EUR 716	EEK 93,421 EUR 5,971	EEK 853 EUR 55
Överumans Fisk AB (ÖF)[1]	EEK 67,420 EUR 4,309	EEK 48,053 EUR3,071	EEK 1,929 EUR 123
Skärgårdshavets Fisk AB (SF)	EEK 25,869 EUR 1,653	EEK 11,384 EUR 728	EEK 2,528 EUR 162

[1] Figures represented according to local GAAP.

RECENT M&A ACTIVITY (THE GROUP RE-STRUCTURING IN 2008-2009)

Prior to the restructuring in December 2008, Amber Trust S.C.A, Firebird Avrora Fund Ltd., Firebird Republics Fund Ltd. and DCF Fund II Baltic States held jointly the vast majority of the shares of SMK, the holding company of the fish business line. The minority of the shares of SMK were held by two active management members Mr Juhani Salminen and Mr Jukka Salminen. In addition to direct ownership, Firebird Avrora Fund Ltd., Firebird Republics Fund Ltd. and DCF Fund II Baltic States had financed SMK's group by subscribing Vettel's bonds. In December 2008, these bonds were converted to SMK's equity.

At the same time, Amber Trust II S.C.A. owned the ice cream and frozen foods business lines by holding 100% of the shares of KPC, which in turn owned 84.5% of the shares of PTKH. The remainder 15.5% was owned by PTKH's management. In reality, KPC was managed from PTKH level, despite the fact that group parent company was Lithuanian based KPC. In December 2008, KPC bought back 7.8% of its own shares from Amber Trust II S.C.A and resolved the issuance of new shares, in order to allow the minority shareholders of PTKH to acquire the shares of KPC in return for their shares in PTKH. As a result of these transactions, KPC become 100% shareholder of PTKH, while the management of PTKH became 15.5% shareholder in KPC.

In order to bring the fish, ice cream and frozen foods business lines under common management and and explore synergies between brands, marketing and sales activities, the Company was established on 23 December 2008. Upon foundation, the shares of the Company were held by PTHK, which resolved the issuance of the new shares to the shareholders of SMK and KPC on 30 December 2008. The new shares of the Company were paid for entirely with in-kind non-monetary contributions, consisting of shares of SMK and KPC. Prior to the completion of the issuance of new shares in January 2009, the existing shares of the Company, which were held by PTKH, were also sold to the subscribers of the shares of the Company.

TIMELINE

The most important milestones in the expansion of the Group's operations and business are summarised below:

Month/Year	Development
1937	Establishment of Kauno Pieno Gamykla
1951	Establishment of Tallinna Külmhoone (Tallinn Cold Store)
1956	Opening of the ice cream production factory of Tallinna Külmhoone
1981	Establishment of Heimon Kala OY
1987	Establishment of Saaristomeren Kala Oy
1994	Establishment of AB "Kauno Pieno Centras"
1995	Establishment of Tallinna Külmhoone as a state-owned stock company
1997	Offering of the shares of Tallinna Külmhoone in Tallinn stock exchange
1997	Merger of AS Jäälill and AS Piimar into Tallinna Külmhoone
1999	Opening of the new ice cream factory of Tallinna Külmhoone at Peterburi tee 42, Tallinn
2000	Establishment of AS "FFL"
2001	De-listing of shares of Tallinna Külmhoone form Tallinn Stock Exchange further to the tender offer to minority shareholders by AB "Kauno Pieno Centras"
2002	Merger of Tartu Jäälill AS, Pärnu Jäälill AS and Rakvere Jäälill into Tallinna Külmhoone
2003	Acquisition of 37.25% holding in Vettel OÜ by Amber Trust S.C.A.
2004	Termination of production activities by AB "Kauno Pieno Centras" in Lithuania
November 2005	Acquisition of the second largest Finnish fish producer Heimon Kala OY by Vettel OÜ
December 2005	Acquisition of the Estonian and Lithuanian ice cream manufacturer and wholesaler of frozen goods binding company AB "Kauno Pieno Centras" by Amber Trust S.C.A. II
October 2006	Establishment of Saaremere Kala AS
January 2007	Acquisition of Saaristomeren Kala Oy by Saaremere Kala AS affording to control the production chain from fish farming to processing
July 2007	Acquisition of 51% of shares of in Gourmethouse OÜ by Saaremere Kala AS
October 2007	Merger of Jalostusyhtiö Airistolainen Oy into Heimon Kala OY; Acquisition of SIA "F.F.L.S" and the majority shareholding in AS "FFL" by AS Premia Tallinna Külmhoone
February 2008	Acquisition of Khladokombinat No 1 trademarks in St. Petersburg
March 2008	Sale of all real estate of AB "Premia KPC"
September 2008	Conclusion of sale and lease-back arrangement between AS Premia Tallinna Külmhoone and Eften Kinnisvara AS with respect to the premises located at Betooni 4, Tallinn
December 2008	Establishment of Premia Foods AS
January 2009	AB "Premia KPC" and Saaremere Kala AS are merged under Premia Foods AS
May 2009	Merger of Saaristomeren Kala Oy into Heimon Kala OY

INVESTMENTS

INVESTMENTS DURING 2007-2009

2007

- Investments into fixed assets by PTKH in the amount of EUR 3.99 million (approximately EEK 62.4 million) (including building the expansion to the logistic centre, acquisition of production equipment and refrigerators for ice cream sales);
- Acquisition of FFL and FFLS by PTKH, the acquisition costs amounted to EUR 8.19 million (approximately EEK 128.1 million);
- Acquisition of 51% holding in GH by SMK, the acquisition costs amounted to EUR 0.22 million (approximately EEK 3.4 million);
- Acquisition of Saaristomeren Kala Oy by SMK, the acquisition costs amounted to EUR 5.15 million (approximately EEK 80.5 million).

2008

- Investments into fixed assets by PTKH in the amount of EUR 2.29 million (approximately EEK 35.8 million) (including mainly lorries, production equipment and refrigerators for ice cream sales);
- Acquisition of Khladokombinat No 1 trademarks, the acquisition costs amounted to EUR 1.67 million (approximately EEK 26.1 million);
- Investments into the fixed assets of Vettel (slicing facility) in the total amount of EUR 0.87 million (approximately EEK 13.6 million). The project was co-funded by EU subsidies;
- Investments into the expansion of Swedish Ankarsund fish farming capacity and new automatic fish breeding system to increase the efficiency of the fish production operations in the amount of EUR 0.55 million (approximately EEK 8.6 million);
- Sale and lease back arrangement with respect to the PTKH's premises located at Betooni 4, with the sales value amounting to EUR 6.2 million (approximately EEK 97 million).

2009

Investments into the fixed assets in the amount of EUR 0.7 million (approximately EEK 10.6 million), the majority of which were investments in production equipment and freezers for selling ice cream, installation of the new version of the Navision business software in SMK group companies and PTKH..

INVESTMENTS IN PROGRESS

Currently, investments into the installation and launch of the new version of the Navision business software in FFL are pending. The amount of investments is in the range of EUR 50,000 (approximately EEK 782,330).

FUTURE INVESTMENTS

The planned investments of the Group for 2010 amount to EUR 0.9 million (approximately EEK 14.1 million), including the investment of into IT systems, ice cream production and sales of KPC group of companies in the amount of EUR 0.24 million (approximately EEK 3.8 million) and into fish farming, production and IT systems of SMK group of companies in the amount of EUR 0.66 million (approximately EEK 10.3 million).

BUSINESS OVERVIEW

PRINCIPAL ACTIVITIES AND MARKETS

GROUP OPERATIONS AT A GLANCE

The Group is a Nordic branded foods company. In 2009, the Group's main business lines contributed to the Group's total revenues as follow:

- Production and wholesale of fish and fish products (43%);
- Distribution and wholesale of frozen food (33%);
- Production and wholesale of ice cream (23%).

The table below summarises the revenues of the Group by business segment in the period 2007-2009:

Business Segment (EEK million)	**2007**	**2008**	**2009**
Fish and fish products	456.2	454.2	458.2
Frozen food	296.5	469.9	350.8
Ice cream	235.4	277.7	251.8
Other	7.3	8.4	14.2
Total	**995.4**	**1,210.2**	**1,075.0**

Business Segment (EUR thousand)	**2007**	**2008**	**2009**
Fish and fish products	29,155	29,028	29,285
Frozen food	18,948	30,036	22,416
Ice cream	15,048	17,746	16,093
Other	468	538	909
Total	**63,619**	**77,348**	**68,703**

The table below summarises the revenues of the Group by geographic segments in the period 2007-2009

Geographic Market (EEK million)	**2007**	**2008**	**2009**
Estonia[1]	369.5	397.0	356.1
Latvia[2]	62.5	280.5	184.4
Lithuania	135.0	137.5	136.4
Finland	402.5	384.6	389.6
Other	25.9	10.6	8.5
Total	**995.4**	**1,210.2**	**1,075.0**

Geographic Market (EUR thousand)	**2007**	**2008**	**2009**
Estonia[1]	23,616	25,376	22,761
Latvia[2]	3,997	17,928	11,785
Lithuania	8,630	8,789	8,717
Finland	25,722	24,582	24,897
Other	1,654	673	543
Total	63,619	77,348	68,703

[1]GH consolidated from July 2007
[2]FFL consolidated from November 2007.

The Group business is characterised by rapid growth both via organic developments as well as via mergers and acquisitions. It has acquired strong production, distribution and logistics enmities in the Baltic and Nordic region over the past few years, which has opened up new markets and created significant synergies with the Group.

The Group's entities own strong brands and obtain the knowhow, experience and willingness to create new brands and operate and boost their existing brands. The most famous trademarks of the Group include "Premia", "Väike Tom", "Regatt" ,"Vau", “Maahärra” in Estonia, “Bravo”, “Klasika“ and “Natali“ in Latvia and Lithuania, “Heimon Gourmet“ and “Saaristomeren Kala“ in Finland and “Bueno!” and “Polar Fish” in the Baltics. At the same time, the Group entities’ pan-Baltic presence and good reputation of a capable and reliable distributor, has made the Group an attractive business partner for the producers of various frozen food brands distributed by the Group (e.g. “Aviko“, “Hortex“,“Esva“ etc). The Group has also proven itself as a reliable partner for private label operators, i.e. retail chains, in the Baltics and Finland. Also Khladokombinat No 1 holds trusted and famous brands as “Sahharnaja Trubochka“,“Baltiiskoje“ and “Etalon“, followed by well-known local specialities in its portfolio.

DESCRIPTION OF MAIN MARKETS

FISH AND FISH PRODUCTS MARKET

The fish and fish products industry is a traditional and well-established segment of food industry in general. Besides retailers who supply end-consumers, HoReCa (hotels, restaurants, cafés) sector is an important client segment for fish and fish products.

Fish, as a healthy and light product, represents the culinary trends of today. Omega 3 fatty acids have been proven to reduce cardiovascular diseases. Furthermore, fatty acids alleviate infections, thus preventing rheumatism and asthma. These acids that the human body cannot produce are also good for the mind, eyesight, the nervous system and the brain. In addition to fatty acids, fish contains a wide variety of other nutrients, such as vitamin D, vitamin B, protein and selenium. Because of its lightness, fish is appropriate as part of a healthy diet and weight control. Hence, fish and fish products represent a healthy alternative to meat products and are thus, highly competitive and growing component of food industry. Normally, domestic brands dominate significantly over imported brands as fish is seen as a local product. HK is unique in the sense that ca 40% of the fish is own farmed in Finland and Sweden, guaranteeing a good quality reliable supply.

Fish and fish products have traditionally been a significant component of the diet of the Finnish people as the consumption per capita is around 16 kg annually. The Finnish consumers are generally loyal to the well-established brands and tastes. The market has been relatively stable and the inflow of new products has been rather slow over the past years. Therefore, the Finnish market represents a potential to attract customers with novelty products.

Finnish retail market is dominated by two large chains, SOK and KESKO, who between themselves control ca 80% of the retail market. Group’s fish producing companies have enjoyed a long and reliable business partnership with both of the chains. Due to the very concentrated retail market, the entry barriers for new producers could be considered significant.

At the same time, the Finnish HoReCa sector provides a developing market for fish producers. Thanks to the long fish consumption traditions of Finnish consumers, the Finnish HoReCa sector has developed good skills to cater fish dishes in all segments starting from canteens and fast foods restaurants to high-end restaurants.

The consumption of fish and fish products is growing in the Baltic markets. Consumers are in particular eager to purchase fresh unprocessed fish. The campaigns of large retail chains (such as Rimi and Maxima) have further popularised the consumption of fresh fish (in particular salmon and trout).

As compared with Finnish market, the inflow of new tastes and products is faster in the Baltics, as the Baltic consumers are generally more experimental.

The consumption of fish and fish products in the Baltic HoReCa segment is also gradually rising, which provides expansion opportunities for local fish providers.

FROZEN FOOD MARKET

Frozen food segment is characterized by the plurality of the product range starting from frozen vegetables, fruits and French fries to meat products and ready-made food such as pizzas, dumplings, etc. Therefore, the range of potential consumers of such products varies to a great degree too, including vegetarians, as well as those who appreciate semi-ready and ready-made food. Frozen foods, especially meat and vegetables, are also a significant input for HoReCa sector.

The sales of certain frozen foods (such as vegetables and French fries) are seasonal depending on the time of the year. The sales of such products peak from January to April.

Building up the facilities and logistic capabilities for operating in the frozen food segment requires significant investments. Therefore, the range of potential distributors is rather limited. At the same time, once the investments have been occurred, the products portfolio of distributors can be increased by adding new frozen foods to the product offering. Moreover, operating the ice cream business line and frozen food business line simultaneously enables to achieve economies of scale and scope and further decreases the economic vulnerability due to the drop in ice cream sales during low seasons.

The three Baltic markets do not differ significantly in terms of the consumption of frozen foods. The sales throughout the Baltics have been somewhat negatively affected by the recent crises, but such changes have not been structural.

ICE CREAM MARKET

The trend in the ice cream consumption is that during winter period the preference shifts from the impulse ice cream products to the family ice cream products. Altogether it may be said that the consumption of ice cream among Estonians is rather stable and not so much affected by the seasonality, thus the difference in the consumption during summer and winter period is approximately double. In Estonia, per capita consumption of ice cream is eight litres annually.

At the same time, in Lithuania the consumption of ice cream is about six times on average bigger during the summer period than it is in the winter period. Such difference apparent in the Lithuanian market is due to the fact that the demand for the family ice cream products that are mostly consumed during the winter period is not as remarkable as it is in Estonia. In Lithuania, per capita consumption of ice cream is approximately five litres annually.

The consumption of ice cream in Latvia has its seasonality, but the difference has smaller effect compared to Lithuania. As mentioned, in Estonia the difference in consumption when comparing winter and summer periods, is approximately double, however in Latvia the difference is about five times bigger,. Both family ice cream and impulse ice cream markets in Latvia are well developed. In Latvia, per capita consumption of ice cream is approximately six litres annually.

The consumption of ice cream in St Petersburg per capita is two times higher than Russian average, being 8 litres annually. As in the Baltics, the consumption is affected by seasonality and there is strong habit of consuming impulse ice creams, whereas the habit of consuming take-home ice creams needs efforts to be developed furthermore. St Petersburg area is very loyal to locally produced brands, this is the reason why the market is dominated by local producers, Khladokombinat No 1 being one of the strongest in this market.

The recent crisis has marginally negative effect on the market of ice cream in the Baltics, but consumption has remained very resilient. Consumers generally have cut back mainly on luxury expenses and non-essential purchases in favour of less expensive alternatives. Such environment favours producers who are able to swiftly react to the challenging market conditions and who are able to provide offers for price-sensitive consumers. Having a large product portfolio in the Baltics has enabled the Company to go along with the campaigns of large retail chains, which reflect positively in the sales. In St Petersburg, OOO Khladokombinat No 1 has strengthened its brand portfolio as well as widened its client base and sustained strong positions in key accounts, also started deliveries in HoReCa segment.

BUSINESS PROCESSES

FISH AND FISH PRODUCTS

The Group's fish and fish products business line is operated by SMK and its subsidiaries. SMK is a holding company established at the end of 2006 in order to consolidate different fish producers under the same holding: HK and Saaristomeren Kala OY (the latter has been merged into HK by now) in Finland, Vettel and GH in Estonia, SF and ÖF in Sweden.

SMK's Finnish subsidiary HK operates fish farming facilities in Finland (mainly rainbow trout and whitefish) and its Swedish subsidiaries SK and ÖF operate fish farming facilities in Sweden (mainly rainbow trout and arctic char). Moreover, HK produces hot and cold smoked fish in its facilities located at Uusikaupunki in Finland. HK's Hämeenlinna office is in charge of financial administration, as well as commercial and logistics operations.

SMK's Estonian subsidiary Vettel performs fish filleting, processes roe and produces marinated, salted and breaded fish products, sliced products and HoReCa sector products in its facilities located at Saaremaa in Estonia. The production of Vettel is distributed through HK. The production facilities of Vettel are considered to be one of the of most modern ones in the Baltics and Scandinavia.

The sales of the SMK group are carried out by HK, which focuses mainly on the Finnish market. At the same time, the SMK's subsidiary GH is responsible for commercial and logistics operations in the Baltic region selling currently mainly fresh fish to Estonian retailers. The Group has started to expand its Finnish operations to HoReCa segment and to expand the sales of chilled packed fish products in the Baltic market.

The Group has a definite advantage by having vertical integration – fish-hatching, production and sales. Trout that is bred in lakes of Sweden and in Finland, Turku archipelago, and salmon brought in from Norway, are processed in modern production facilities of HK in Uusikaupungi, Finland, and Vettel in Saaremaa, Estonia. The Group's own distribution network in Finland and Baltics allows expedient and good quality distribution to our customers.

FROZEN FOODS

The frozen food business line of the Group is handled by PTKH in Estonia, KPC in Lithuania and FFL in Latvia. The Group has its own warehouses and logistic system covering Estonia, Latvia and Lithuania.

The Group operates its own frozen food brands "Maahärra", "Bueno!", "Natali" and "Polar Fish" and simultaneously acts also as the distributor of several well-know frozen foods brands (such as "Aviko", "Hortex", "Esva", "Grandiosa", "Findus", "Apetit", "Ardo", "Saga", "Greens", "Lacu Ledu"s etc). The Company does not process any of the frozen foods itself, but orders ready-made and packaged products from its suppliers and sells both under its own brands as well as under the suppliers' brands.distributor of several well-know frozen foods brands (such as “Aviko“, “Hortex“, “Esva”, “Grandiosa”, “Findus”, “Apetit”, “Ardo”, “Saga”, “Greens”, “Lacu Ledu” etc). The Company does not process any of the frozen foods itself, but orders ready-made and packaged products from its suppliers and sells both under its own brands as well as under the suppliers' brands.

ICE CREAM
The ice cream is produced in PTKH's modern factory in Tallinn for the Baltic states as well as for export markets. The annual capacity of the factory is 8,000 tons. PTKH produces ice cream mainly under its own brands, but also for private label segment.

The distribution of ice cream produced by PTKH, is arranged by PTKH in Estonia, FFL in Latvia and KPC in Lithuania. Operating integrated pan-Baltic warehouse and logistic network, which simultaneously serves the frozen foods business line allows significant cost benefits and economies of scale and scope.

The ice cream business line in St Petersburg is run by OOO Khladokombinat No 1, the second largest ice cream factory in St Petersburg. OOO Khladokombinat No 1 produces, distributes and sells ice creams in the North-Western Russia.

PRODUCTS AND BRANDS OF THE GROUP

FISH AND FISH PRODUCTS
The Group provides the fresh fish and various fish products to respond to the demanding needs of modern consumers with regard to their taste, comfort of use and budget. The most popular products include:

- Smoked (common whitefish, rainbow trout, mackerel and salmon, etc);
- Cold-smoked fish (rainbow trout, salmon, common whitefish, etc);
- Freshly-salted fish (rainbow trout, salmon, etc).

In addition, the product selection includes:

- Fried fish (Baltic herring fillets, salmon balls, fried fish fillets and rainbow trout fillets);
- Grilled fish (salmon);
- Salted fish (rainbow trout and salmon slices);
- Sliced fish (semi-cooked products such as rainbow trout slices);
- Fresh fish (unpackaged or vacuum-packed);
- Roe (from rainbow trout, common whitefish and vendee);
- Convenience food (ready-to-eat fish fillets, fried fish fillets and fish balls);
- Frozen products (fish fillets, ready-to-eat signal crayfish, etc).

The Group's Finnish trademarks include Heimon Gourmet and Saaristomeren. These are well-known and respected fishing brands, whose products have for more than twenty years been parts of everyday and festive dishes on Finnish dining tables. The Group's other trademarks include gurmé and Viking , which are sold in the Baltic markets.

FROZEN FOOD
The Group's product portfolio contains a wide variety of frozen foods marketed under its own brands:

- “Maahärra” in Estonia (vegetable mixes, berries, French fries, doughs, pizzas, dumplings, meat balls, cabbage rolls, etc);
- “Natali” in Lithuania (vegetable mixes, strawberries, pizzas, dumplings, meat balls, etc);
- “Bueno!” throughout the Baltics (vegetables, fries, pizzas);
- “Polar Fish” throughout the Baltics (frozen fish products).

The Group is also acting as a distributor of various other brands of various frozen food products:

- French fries and potato products (“Aviko”);
- Vegetables and berries (“Hortex”, “Ardo”, “Apetit”, “Oma mari”, “Vetrija”, “Greens”);Pizzas (“Saarioinen”, “Felix”);
- Dough products (“Jüri”, “Bojaar”, “Mantinga”);
- Frozen poultry products (“Saga”, “Doux”);
- Frozen fish products (“Esva”).

Besides providing branded frozen food products, the Group provides also non-branded frozen food such as exotic fish (mintai, pangasius), seafood and meat (pork, beef, lamb, chicken, turkey).

ICE CREAM
The Group offers a wide selection of ice cream in different shapes (sticks, cones, waffle, family packaging, etc) and flavours. During the recent years the selection of ice cream products has perceptibly increased.

In Estonia, the main ice cream brands of the Group include “Premia“, “Väike Tom“, “Põhjatäht“, “Vau“, “Regatt“, “Eskimo“ and “Aurora“. In Lithuania and Latvia the main ice cream brands of the Group include, in addition mentioned above, “Bravo“ and “Klasika“. In St Petersburg the most famous ice cream brands produced by Khladokombinat No 1 are “Sahharnaja Trubochka“, “Baltiiskoje“ and “Etalon“.

Several of the Group’s brands represent so called nostalgia articles, for example, Regatt (originally released for the 1980 Olympic Games), Eskimo, Aurora and Klasika, which associate with memories from the past for adults.

At the same time, several brands enjoy the benefit of co-branding. For instance, the Group has started co-operation with the Estonian dairy producer AS Tere in Estonia, whereby AS Tere has introduced a yogurt under Väike Tom trademark and PTKH in turn has started offering ice cream containing pro-biotic bacteria ME-3 under brand name “Hellus”. Moreover, the Group also uses the trademark Limpa and Lotte being popular cartoon characters in Estonia.

MATERIAL COMMERCIAL PARTNERS

FISH AND FISH PRODUCTS

As the fish and fish products business line of the Group is vertically integrated, the majority of the input needed for processing and sale of fish is obtained from Group entities. However, the input suppliers include also third party suppliers. The market for fresh fish is a commodities market, where sales occur mainly through trading. Therefore, the Group entities do not have written framework agreements with its major suppliers and sales are done mainly on order-by order basis. Therefore, the supply prices of the raw materials procured from third party suppliers may fluctuate.

The main clients of the Group’s fish and fish products business line are located mainly in Finland and include all central Finnish companies and retail chains (such as SOK/Inex Parters Oy, Kesko, Lidl, Lähikauppa (Siwa, Valintatalo, Euromarket) and Stockmann). Other important customers include companies in the hotel, restaurant and catering industry, wholesale dealers and fish wholesalers. Reliable services, secure deliveries and long-term cooperation with customers have established a solid base for long-term partnership.

The Group’s most important clientsfor fish and fish products in Estonia are Rimi Eesti Food AS, ETK and Prisma Peremarket AS, which are supplied by GH.

FROZEN FOOD

The Group does not process any of the frozen foods itself, but orders ready-made and packaged products from its suppliers. In terms of sales volume, the most important suppliers of frozen food products include Paljassaare Kalatööstus AS (frozen fish products bearing “Esva” brand), HK Ruokatalo OY (frozen meat products), Rose Poultry A/S (frozen chicken products), Aviko B.V (frozen potato products), Hortex (frozen vegetables), etc. The Group has written supply agreements with some of its major frozen foods suppliers, while the supplies with other suppliers are arranged on order by order basis. Such order based supplies, without any written framework agreements, are common in this sector. The written supply agreements are usually concluded using the standard forms of agreements provided by the suppliers.

The main clients of the Group’s frozen foods business line include large retail chains in the Baltic region – Rimi Eesti Food AS, ETK, A-Selver AS, Maxima Eesti, Statoil Eesti AS, Prisma Peremarket AS in Estonia; Maxima Latvija SIA; Rimi-Latvia SIA, Palink SIA, MEGO SIA in Latvia; UAB Maxima LT, UAB Rimi Lietuva, UAB Palink, UAB Senukų prekybos centras, UAB Rivona in Lithuania. The agreements with major clients regulate the terms of delivery and the procedure of delivery and acceptance in detail. As a rule, the Group entity being party to the agreement (PTKH, FFL or KPC) delivers its products to the clients’ retail stores or to their logistics centres. The agreements set out specific times for making orders and deadlines for making deliveries. All agreements with major clients set out various discounts, rebates, bonuses and marketing support fees in favour of the clients. Such discounts vary from client to client. It is customary that specific general discounts are agreed with major clients depending for each product category. It should be noted that the large retail chains hold rather strong market positions and are able to dictate the terms and conditions to their suppliers to a great extent. In addition to retail chains, HoReCa sector has a significant role in the Group’s frozen food business.

ICE CREAM

The most important supplies for the Group’s ice cream business line consist of sugar, milk products and vegetable fats, waffle, fillings, glazings and other value added products and packaging. None of the major suppliers is non-substitutable. Hence, should the supplies of any of the major suppliers cease or their prices or other terms become adverse, PTKH will be able to procure respective materials from other suppliers. However, it should be noted that the prices of most of the products necessary for the production of ice cream depend on the worldwide market prices. Therefore, the production costs of ice cream vary depending on the worldwide price levels of input (e.g prices of milk powders, cream, butter, sugar, etc).

In the Baltic region, the major clients for the Group’s ice cream business line are the same retail chains as in the case of frozen food and ice cream is mostly provided under the same contracts as frozen food. Additionally, PTKH provides ice cream for private label brands and HoReCa sector in the Baltic region. However, such sales are rather important part of Group's ice cream business in all Baltic states.

The Group provides ice cream also to Finnish private label brands. PTKH has succeeded in becoming the co-operation partner to Inex Partners OY, who is the owner of one of the biggest chain stores in Finland, for the production and supply of Inex Rainbow series private label ice cream product.

INTELLECTUAL PROPERTY

The Group's operations are generally not dependent of patents, utility models or industrial designs or other such intellectual property. The factory equipment used in the production process has not been developed by the Group entities, but is purchased from equipment providers. The production processes do not require specific intellectual property licenses. The most important intellectual property in the production process of the Group entities is the product recipes, which cannot be registered and which can only be protected as business secret.

The Group owns a vast range of registered trademarks in Estonia, Latvia, Lithuania, Finland and Russia. The Group also holds various registered domain names www.premiafoods.eu, www.premiafoods.ee, www.premia.ee, www.vettel.ee, and www.gourmethouse.ee in Estonia, www.premia.lv and www.ffl.lv in Latvia, www.premia.lt, www.bravo.lt and www.jocker.eu in Lithuania, www.heimonkala.fi and www.saaristomerenkala.fi in Finland.

The Group entity PTKH has concluded several license agreements with the owners of various trademarks under which PTKH has obtained the right to use certain third party trademarks ("LIMPA", "Tere", "Hellus" and "Lotte") on the labels of its ice creams and in marketing materials in Estonia. PTKH has in turn granted the right to use its trademark "Väike Tom" under the license agreement concluded with AS Tere. According to the Management, cooperation with other companies in the field of intellectual property rights has proven to be quite beneficial for all parties.

Some of the Group entities (PTKH, FFL and KPC) are distributors of the frozen foods marked with trademarks owned by their suppliers (such as "Aviko", "Findus", "Apetit", "Esva", etc). The agreements with most major suppliers do not grant licenses to use their trademarks or other intellectual property owned by such suppliers in the activities of the Group, including their use for advertising and promotion activities. According to the certain agreements with the major suppliers marketing or advertising of the suppliers' goods must be always coordinated with the suppliers. As to the fact that promotion campaigns contribute to increase of the sales and creates additional value to trademarks, the risk that suppliers would file any claims against the Group with regard to infringement of their intellectual property rights is minimal.

RESEARCH AND DEVELOPMENT

Research and development activities of the Group are related mostly to the development of new products (new tastes and recipes). Such activities are generally not science intensive.

However, the Group entity PTKH has also co-operated with Competence Center of Food and Fermentation Technology in relation to improvement of product quality and development of functional products. Moreover, as a cooperative product with the Estonian dairy producer AS Tere, PTKH brought to the Estonian market the first ice cream containing pro-biotic bacteria Hellus in July 2009. The new vanilla ice cream Hellus (with chocolate-covered coating and strawberry jam ice cream) contains lactic acid bacteria Lactobacillus fermentum ME-3, developed on the basis of the licence of the University of Tartu, and LA-5. The bacteria Lactobacillus fermentum ME-3 is the world's first scientifically studied lactic acid bacteria that facilitate improvement of digestion and reinforcement of the immune system, but thanks to its natural antioxidant character it helps to fight cardio-vascular diseases. The product is a part of the Hellus series functional dairy products, which AS Tere has developed already for seven years.

COMPETITIVE POSITION

BASIS OF STATEMENTS

To the best of the Company's knowledge, no current, reliable and comprehensive reviews of the competitive situation in all the markets in which the Group operates are available (with the exception of a limited amount of data collected by AC Nielsen). As a consequence, in presenting the below overview of the competitive position of the Group in the relevant markets, the Management has relied principally on its own assessment and analysis of such competitive position. In doing so, the Management has used the market information obtained from AC Nielsen as well as the information collected by its own staff and advisors for such purpose, either available on the basis of public information or derivable from the same.

FISH AND FISH PRODUCTS

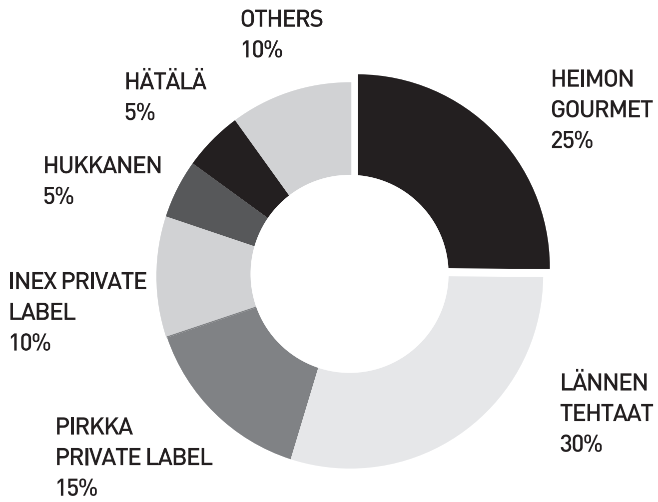
Thus far, the Group has not targeted its fish and fish products business line to the Baltic markets. Therefore, the Group's presence in the respective market in the Baltic region today is not significant yet. Nevertheless, the Group entity GH could be seen as the market leader in the wholesale of fresh fish in Estonia. However, according to the Management, the markets for the wholesale of fresh fish and fish products are rather wide and fragmented consisting of various different market participants. Therefore, GH cannot be regarded as holding dominant position in Estonia.

According to the Management, in Finland Heimon Kala's market share in retail market in chilled packaged fish is approximately 25% and the size of the retail market is approximately EUR 75 million (approximately EEK 1,173 million). There is also the deep frozen fish market with size of approximately 29 million EUR (approximately EEK 454 million). This is mainly HoReCa business, where HK has just entered. The main competitors are Apetit (Lännen Tehdaat) with market share in chilled fish sector also around 30%, Hukkanen, Chipsters. During year 2009, the sales of Apetit have been dropped by 15%, whereas sales of Heimon Kala have increased by 1%. HK is an actively developing company – Heimon Gourmet and Saaristomeren trademarks will be aimed at larger market areas in the future.

HK's delivery reliability and high quality are guaranteed by its overall process management from fish fry production up to the end product. The company's fish breeding and farming operations reduce a number of quality- and delivery-related risks. This has made HK a valued co-operation partner for major Finnish retailers and procured the satisfaction of consumers.

The Group sells also some quantities of fresh fish in Sweden, but its market share in Sweden is marginal yet, as sales to this market were just started.

The Group's market shares in the Finnish the retail market for packaged fish products have been illustrated below:



Source: AC Nielsen, Management's estimation, the Company's sales data 2009

FROZEN FOODS

The Group's target markets for the frozen foods business line are Estonia, Latvia and Lithuania.

According to the Management, in Estonia, the market share of PTKH with respect to the various frozen food products is as follows: vegetables and french fries – slightly below 40%; dumplings and meat – approximately 30%; fish and semi-ready fish products – approximately 30%. The Group's main competitors in the Estonian market for distribution of frozen foods are Balbiino, Maag, Uvic, LM Trading, RusHolod and main retail chains with their private labels.

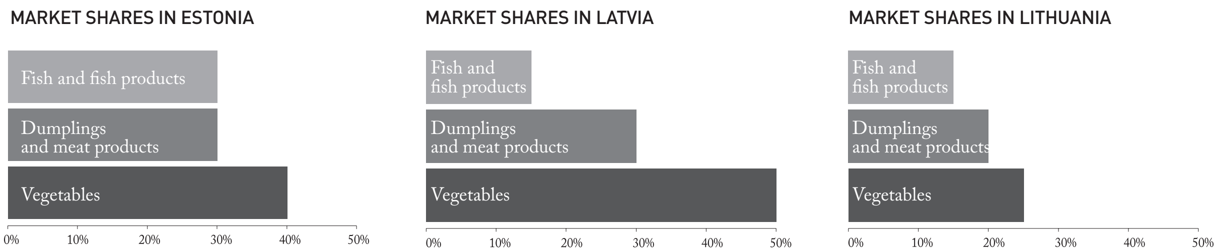
According to the Management, in Latvia, the market share of FFL with respect to the various frozen food products is as follows: vegetables and french fries – below 50%; dumplings and meat – approximately 30%; fish – approximately 30%. The Group's main competitors in the Latvian market for distribution of frozen foods are Koning, Ingman, VL servis, Rigas Miesnieks, Uvic, Viciniuai, Salas Zuvis and main retail chains with their private labels.

According to the Management, in Lithuania, the market share of KPC with respect to the various frozen food products is as follows: vegetables and french fries – approximately 25%; dumplings and meat – approximately 20%; fish and semi-ready fish products – 15%. The Group's main competitors in the Estonian market for distribution of frozen foods are Sanitex, Nowaco, Salu Zuvis, Viciunai, Judex, Mantinga, Liutukas and ko, Kaiciadoriu paukstynas, Nematekas, Krekenavos agro, and Abela.

The market is characterised by high entry barriers, as the sunk costs into the equipment and facilities are high. At the same time, frozen foods represent only an insignificant segment of the whole food sector. Therefore, it takes time to earn back the investments. Hence, the current market players, who have already incurred the sunk costs, are in preferred position as the sources of potential competition are rather limited.

The relative competitive advantage of the Group as compared with its current competitors is its pan-Baltic presence. This allows its suppliers and clients to deal with one partner instead of having to establish relations with separate local market players in each Baltic market.

The Group's market shares in frozen goods markets in the Baltic states have been illustrated below:



Source: Management's estimation, the Company's sales data 2009

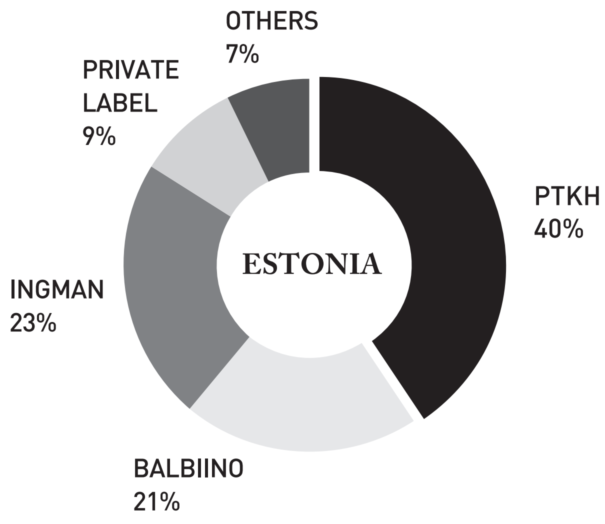
ICE CREAM

The Group's target markets for the ice cream business line are Estonia, Latvia and Lithuania. Approximately 35% of 30% of the Group's ice cream sales revenue is earned in Estonia, 30% in Lithuania, 20% in Latvia and the remaining 15% in Finland (private label) and Russia.

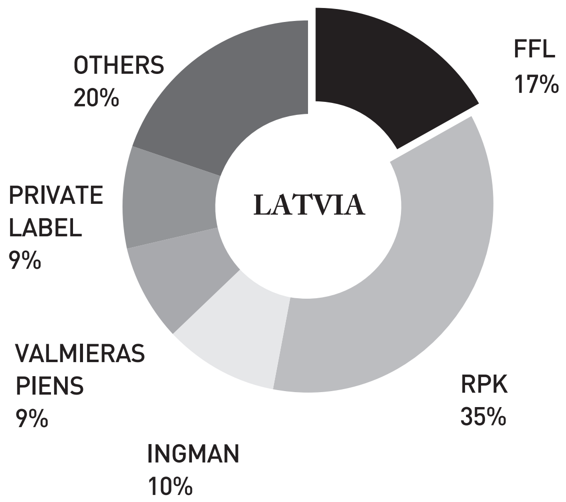
According to the AC Nielsen data (as at June and July of 2009), the Group is the market leader in the market for production and sale of ice cream in Estonia, having market share of approximately 40% (based on value share). Its main competitors are Ingman Group and AS Balbiino, having both a market share of slightly above 20%. In addition, private label brands represent around 9% of the market. In Latvia, the Group's market share is slightly over 11% and its main competitors are Rigas Piens Kombinats (37%), Ingman (10%) and Valmieras Piens (9%). In Lithuania, the Group's market share is around 20% and its main competitors are Ingman (19%), Vikeda (18%), Klaipedos Pienas (13%) and Pieno Zvaigzdes (11%). In St Petersburg area, OOO Khladokombinat No 1 holds second position with 20% market share and its main competitors are Petroholod with 22% of market share and Talosto with 18% of market share.

The Group's market shares in Estonian ice cream market have been illustrated below:

Source: Company's Annual Report 2009

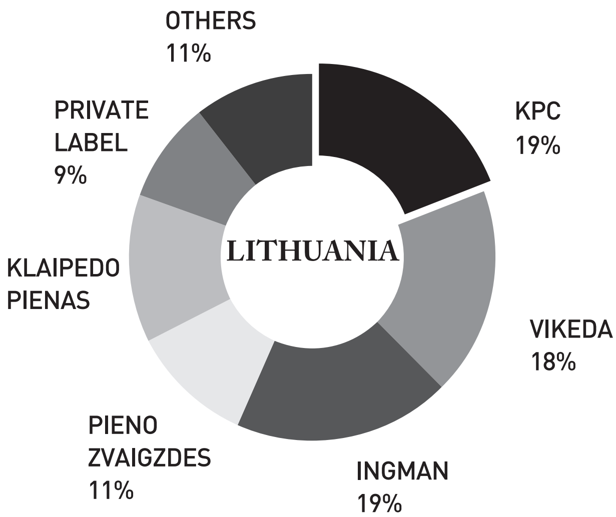


The Group's market shares in Latvian ice cream market have been illustrated below:



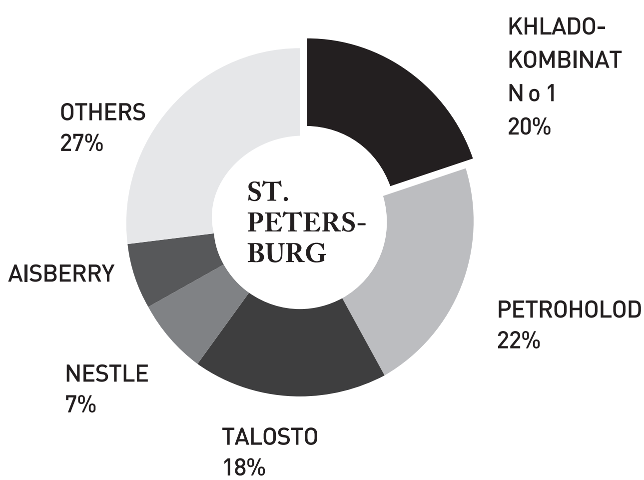
Source: AC Nielsen, Management's estimation, Company's sales data 2009

The Group's market shares in Lithuanian ice cream market have been illustrated below:



Source: Management's estimation, Company's sales data 2009

The Group's market shares in St Petersburg's ice cream market have been illustrated below:



Source: AC Nielsen, Value Shares, June-July 2009, Management's estimation

LICENSES, PERMITS AND REGISTRATIONS

OVERVIEW

Various Group entities are subject to different regulation as concerns regulatory compliance depending on the jurisdiction and areas of operation. The fish breeding facilities located in Finland and Sweden are subject to various environmental regulations concerning the fish breeding and prevention of diseases and require respective environmental permits. The production entities in Finland and Estonia are also subject to general environmental regulations and permit requirements (for instance relating to ambient air pollution or special usage of water). At the same time, food processing and food storing facilities are subject to sanitary regulations and require respective approvals or certificates. Furthermore, the requirements relating to waste and packaging management apply.

The operations of the Group are carried out in compliance with applicable laws and the Groups entities have obtain necessary licences, permits and registration or are in the processes of applying or renewing the same. Regulatory authorities have carried out inspections in the various Group entities over the past years, but in most cases not major non-compliances were established. Where non-compliance with the applicable requirements was established, the relevant Group entity took measures to rectify such non-compliance and the cases are closed by now.

ESTONIA

Applicable rules

According to Estonian law, all food business operators, which are engaged in handling of primary products of animal origin in a manner, which does not alter the initial shape and characteristics thereof, or in processing food, including manufacturing or packaging of food or in storing of food at temperatures different from room temperature in order to ensure the safety of food, must acquire an approval from the Estonian Veterinary and Food Board.

Moreover, Estonian law requires that all companies engaged in providing goods and services in its economic activity, whether as wholesale or retail, must register the place of business with the Estonian Register of Economic Activity. The validity of the registrations can be checked from the website of the Estonian Register of Economic Activities, located at http://mtr.mkm.ee. Companies are obliged to confirm the correctness of the registration every year by 15 April and in case of failure to confirm the registration in 15 days from the due date, Registrar will halt the validity of the registration and terminates the registration, if the correctness has not been confirmed in six months.

Moreover, the according to Ambient Air Protection Act, companies, whose air pollution levels exceed the enacted limits, must acquire ambient air pollution permit and according to Water Act, companies, whose conduct influences state of body of water or groundwater to extent stipulated in the Water Act, must acquire a permit for special use of water from the Environmental Board

Compliance with applicable rules

PTKH holds currently two valid approvals issued for unspecified term by the Estonian Veterinary and Food Board. The first approval No 191, dated 28 January 2003 was issued to the PTKH's production facility located at Betooni 4, Tallinn and it includes approval for storing food and raw material for food, more specifically packaged fresh domestic animal meat, bush meat, poultry and rabbit meat, piece meat products, meat products, minced meat, dairy products, French fries, fruits and roots, berries, pizzas, fish and fish products, sea delicacy, animal and vegetable fat, ice, pastry products. The second approval No 263, dated 9 October 2007 was issued to PTKH's facility located at Peterburi tee 42, Tallinn and it comprises approval for food processing in the field of packaged dairy ice cream and other frozen milk-based products, milk-based fruit and juice ice cream, fruit and juice ice, edible ice.

Vettel holds currently two valid approvals issued for unspecified term by the Estonian Veterinary and Food Board. Under the approval No 382, dated 19 April 2006, and the approval granted under Control Act No 2/439/2008, dated 16 April 2008, the Veterinary and Food Board granted Vettel an approval to be engaged in the production of fish products, more specifically, in the field of chilled, frozen, salted and minced fish, packaged crabs, fish preserves and vegetable products.

As regards registration with the Estonian Register of Economic Activity, PTKH holds currently 15 valid registrations for retailing, one valid registration for providing services and one valid registration for wholesale, Vettel holds currently one valid registration for retailing and one valid registration for wholesale, and GH holds currently one valid registration for wholesale.

To comply with the environmental regulations, PTKH has acquired two ambient air pollution permits, No L.ÕV.HA-176873 for the facility located at Peterburi tee 42, Tallinn and No L.ÕV.HA-176872 for the facility located at Betooni 4, Tallinn. Both ambient air pollution permits have been issued by the Environmental Board on 18 March 2008 and are valid without term. Under the permit for the facility located at Betooni 4, Tallinn, PTKH may release into air 0.706 tons of nitrogen dioxide, 0.706 tons of carbon monoxide, 0.047 tons of volatile organic compounds, 656.4 tons of carbon dioxide and 1.2 tons of ammonia per year. Under permit for the facility located at Peterburi tee 42, Tallinn, PTKH may release into air 0.202 tons of nitrogen dioxide, 0.202 tons of carbon monoxide, 0.013 tons of volatile organic compounds, 187.6 tons of carbon dioxide and 0.6 tons of ammonia per year.

Moreover, PTKH and Vettel also hold permits for special use of water issued by the Environmental Board. PTKH has acquired permit for special use of water concerning bore well located at Peterburi tee 42, Tallinn, which allows PTKH to extract water in amount of 47,450 m^3 per year. The permit is until 1 July 2014. Vettel has acquired permit for special use of water, which allows Vettel to utilize 250m^3 of groundwater in twenty-four hour period from three bore wells and to direct wastewater into receiving body of water. The permit is valid until 31 December 2013.

LATVIA

Applicable rules

Business activities in Latvia require special permits only in cases, if it is expressly prescribed by law. Accordingly, enterprises involved in any of the stages of food handling have to be recognized or registered in the Republic of Latvia, which is verified by a recognition number granted by the Latvian Food and Veterinary Service. The fact that operations of a food enterprise is recognized or registered certifies that the enterprise is able to continuously ensure compliance of its operations and products with the requirements set forth in the laws and regulations and is under supervision and control of the Latvian Food and Veterinary Service.

Compliance with applicable rules

Taking into account that several structural units of FFL perform food packaging, it has obtained Food Enterprise Approval Certificates issued by the Latvian Food and Veterinary Service. FFL holds currently two valid certificates issued for unspecified term – on 13 February 2008, approval No A 007504 was issued to FFL's branch located at Murmuizas iela 11b, Valmiera, for repackaging of meat and meat processing products and warehousing of food products, and on 25 February 2008, approval No A 001376 was issued to FFL's branch located at „Saldetavas", Smarde district, Tukums region for repackaging of food products and warehousing of food products.

LITHUANIA

Applicable rules

According to the Lithuanian law, companies engaged in processing food products must obtain certificate from the authorities.

Compliance with applicable rules

KPC holds currently one valid certification issued for unspecified term by the Kaunas city state food and veterinary agency. The certificate, with registration No 190002981, was issued on 26 March 2008 and it confirms that KPC has the right to conduct business in food processing in the following economic activities: custody and storage (major), and wholesale of other food products (additional).

FINLAND

Applicable rules

Finnish law contains permit and approval requirements whereby, inter alia, activities that may in general cause pollution or contamination of environment or that relate to animal transport require permit by competent authorities. Moreover, as a general rule, premises where food is manufactured, transported, stored, sold, served or otherwise handled (food processing premises) must be approved by a supervisory authority.

According to the Finnish Environmental Protection Act (86/2000, as amended) environmental permit is needed for all activities that may in general lead to pollution of air or water or contamination of the soil. The Environmental Protection Decree (169/2000, as amended) further specifies activities, which are always considered to require environmental permit. Such activities include, inter alia, processing and breeding of fish.

According to the Finnish Food Act (2006/23, as amended) food premises must be approved by the competent supervisory authority before they are taken into use and also in the event of substantial change in activities of the respective party. The main purpose of pre-approval of food premises and other food control is to ensure, *inter alia*, that food is safe and is handled safely and that the quality of food is sufficient.

Transfer of live animals is regulated under the Finnish Animal Transport Act (1429/2006, as amended) as well as under Council Regulation (EC) No 1/2005 on the protection of animals during transport and related operations. According to the Animal Transport Act, transfer of fish in conjunction with commercial activity requires a license granted by competent authority. Business operations of HK are subject to animal transfer license.

Compliance with applicable rules

HK has been issued two environmental permits, one for the Hämeenlinna site (granted on 20 October 1996 by environmental board of the municipal federation for national health work in Hämeenlinna region) and the other for fish processing activity Uusikaupunki site (granted on 21 April 2009 by the environmental and licensing board of the city of Uusikaupunki). The validity of the permits is not limited in time.

HK has also been granted several environmental permits for fish breeding, storing of fish in net reservoirs during winters and piping of water. Some of these permits have expired and are currently subject to renewal. Appeals on three permits, which are to be renewed, are pending in the Finnish Supreme Administrative Court. The details of such permits are set out below:

- Permit for breeding of fish in net reservoir at the site located at Pukkeenluoto, Kustavi municipality, the permit is pending Supreme Administrative Court;
- Permit for breeding of fish in net reservoir at the site located at Hupaniitty, Kustavi municipality, the permit is pending Supreme Administrative Court;
- Permit for breeding of fish in net reservoir at the site located at Ytterstö, Iniö municipality, valid until 31 December 2014;
- Permit for breeding of fish in net reservoir, at the site located at Mossala, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Stornäset, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Bästholmen, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Alöarna, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Penlot, Houtskari municipality, valid 31 December 2014;
- Permit for storing of fish in net reservoirs during winters at the site located at Långholmen, Houtskari municipality, valid 31 December 2014;
- Permit for breeding of fish in net reservoir at the site located at Norrskata, Korppoo municipality, the application for the permit is pending;
- Permit for breeding of fish in net reservoir at the site located at Storströmmen, Korppoo municipality, valid 31 December 2011;
- Permit for storing of fish in net reservoirs during winters at the site located at Wattkast, Korppoo municipality, the application for the permit is pending.

All the permits listed above were granted by the Environmental Permit Agency of Western Finland. Please note that as of 1 January 2010 onwards the tasks of the Environmental Permit Agency of Western Finland have been transferred to the Regional State Administrative Agency of Southern Finland.

HK has also been issued licenses for food premises located at Rajatie 6, Renko Hämeenlinna (granted on 20 May 2009 by city of Hämeenlinna) and to the fish processing factory located at Suukari, Uusikaupunki (granted on 3 September 2009 by the director of environmental health of the city of Uusikaupunki), according to which the premises have been approved pursuant to the Food Act. The validity of the licenses is not limited in time. These premises have also been included in the publicly available list of approved establishments handling fishery products maintained by Finnish Food Safety Authority (EVIRA). EVIRA is Finnish authority that controls and inspects the quality and safety of food products as well as of the production input of agriculture and forestry, the health and wellbeing of animals as well as plant health.

HK holds animal transportation license, granted by the County Administrative Board of Western Finland, which is valid until February 2013.

According to the Management the current licenses, permits and consents are sufficient for conducting the activities of HK in their current scope.

SWEDEN

Applicable law

Under Swedish law, fish breeding operations (or "aquaculture") and slaughtering fish are deemed as environmental hazardous activities. Such operations require either a permit from the County Administrative Board or submission of notice to the environmental and health board of the municipality, depending on the amount of fodder used in the fish breeding annually. Fish breeding or fish hibernation, where more than 40 tons of fodder is used annually, is a licensable operation, while fish breeding or fish hibernation, where more than 1.5 tons of fodder is used annually, is only an operation subject to notification.

Moreover, according to the Fishery Decree, which is aimed at preventing the spreading of fish disease and unwanted fish species, permit from the County Administrative Board is required for fish breeding operations.

Transfer of live fish for commercial purposes must be registered with the Swedish Board of Agriculture. Such registration is valid for two years and must thus be renewed when the registration has expired. Furthermore, employees who carry out the transfer of live fish must have necessary training and the means of transportation that are used within the operation must meet certain requirements.

Compliance with applicable rules

SF has been granted the following permits:
- Fish breeding permit at Utanende, in Ragunda for 36 tons of fodder annually;
- Fish breeding permit issued by the County Administrative Board on 24 March 2009 under the Fishery Decree.

ÖF has been granted the following permits:
- Fish breeding permit at Luspholmen (Luspen 14:2) granted by the County Administrative Board on 5 August, 1998;
- Slaughter of fish permit at Luspholmen (Luspen 14:1) granted by the County Administrative Board on 22 June 2000;
- Fish breeding permit at Ankarsund granted by the County Administrative Board on 29 February 2008.
- Permit issued by the Swedish Board of Agriculture on 5 November 2007 for handling of certain materials;
- Permit issued by the Swedish National Food Administration of 11 October 2006 as regards approval of a food plant at Luspholmen (Luspen 14:1 and 14:2);
- Fish breeding permit issued by the County Administrative Board on 14 September 1998 for Luspholmen (Luspen 14:2) under the Fishery Decree;
- Fish breeding permit issued by the County Administrative Board on 24 June 2002 for Ankarsund under the Fishery Decree;
- Permits to plant fish issued by the County Administrative Board on 16 October and 16 November 2007 under the Fishery Decree.

During 2008, the County Administrative Board recorded some deficiencies in regard to ÖF's operations and with respect to compulsory self control. ÖF took measures to remove such shortcomings and the proceedings by the authority have been closed by now.

LEGAL AND ARBITRATION PROCEEDINGS

Certain Group entities are or have been during the 12 months preceding the date of this Prospectus a party to some minor civil court cases and claims as well as administrative proceedings that have arisen in the ordinary course of business. However, none of the Group entities have been during the 12 months preceding the date of this Prospectus and are not currently involved in any proceedings, which may have or have had a material adverse effect on the Company's financial condition or profitability. Nevertheless, the overview of the most significant proceedings has been given below.

LATVIA

During the course of 2009, FFL was involved in a dispute with Polish company Kilargo Sp.Z.o.o. concerning the use of trademarks Bomba and Rolls Ice. Kilargo Sp.Z.o.o. is the registered owner of the Community Trademark /fig/ "Kilargo Bomba ICE" as well as /fig/ "Kilargo Rolls Ice". FFL distributed products of Kilargo Sp.Z.o.o. bearing trademarks Bomba and Rolls Ice. Kilargo Sp.Z.o.o. filed a claim with Riga Regional Court requesting the court to prohibit FFL and to order to recall the infringing products and destroy packaging of such products. It also filed objections with the Latvian Patent Office to challenge the registration of the trademark "Bomba" by FFL. At the same time, FFL raised a claim against SIA VK Serviss, distributor of Kilargo ice cream in Latvia, based on unwarranted application of FFL name on Kilargo Sp.Z.o.o.'s ice cream packaging. FFL requested to prohibit further distribution of improperly labeled products. Currently, FFL and Kilargo Sp.Z.o.o. have signed out of court settlement, which states that FFL and Kilargo Sp.Z.o.o. discontinue distribution of debatable ice cream, both sides resign from any further claims and in particular Kilargo Sp.Z.o.o. recalls the claim from Riga Regional Court.

SWEDEN

ÖF has two litigations pending at the Environmental Court with the District Court of Umeå, commenced on 23 September and on 9 October 2009. In the first dispute ÖF has appealed the County Administrative Board's decision concerning prohibition for ÖF to transfer fish from one fish breeding to another.

The other dispute, in which ÖF is the defendant, concerns an appeal against the County Administrative Board's decision on ÖF's production level with regard to slaughter of fish during 2009. It is not expected that a negative outcome for ÖF in any of these litigations will give rise to any negative consequences or costs for ÖF. However, the accuracy of this conclusion is very difficult for us to assess.

PROPERTY, PLANTS AND EQUIPMENT

FIXED ASSETS

As the Group started operating under its current organisational structure only from the beginning of 2009, no consolidated audited annual figures on the changes in the fixed assets of the consolidation group over the earlier periods are available. Therefore, the information below is provided company by company.

PTKH

PTKH's fixed assets comprise objects in the ownership of the PTKH and objects being used under financial and operating lease. As at 31 December 2009, the residual value of the fixed assets in the ownership of PTKH equalled to EUR 4,182,646 (EEK 65,444,189). The most important fixed assets of PTKH include cold storage plant, ice cream factory, land (Peterburi tee 42) and machinery (refrigeration equipment, production lines).

The fixed assets, which PTKH uses under operational leasing arrangements, include 30 motor vehicles with leasing agreements ending mostly in 2010-2011. Moreover, PTKH uses certain fixed assets such as refrigerators and ice cream production line machinery also under financial leasing agreements. Both the operational and financial lease arrangements have been entered into with AS SEB Liising.

The movable property of PTKH has been encumbered with four commercial pledges in favour of AS SEB Pank in the total pledge amount of EUR 2,939,936 (EEK 46,000,000).

KPC

KPC's fixed assets comprise objects in the ownership of the KPC and objects being used under financial and operating lease. As at 31 December 2009, the residual value of the fixed assets in the ownership of KPC equalled to EUR 944,309 (EEK 14,775,225). The most important fixed assets of KPC include freezers, ice cream-carts, vehicles and office equipment such as computers, printers, etc.

The total value of the fixed assets taken on financial lease by KPC amounted to ca. EUR 756,740 (EEK 11,840,408) as at 31 December 2009. The fixed assets, which KPC uses under leasing arrangements with UAB Danske lizingas and one with "Swedbank Lizingas" UAB, include electric hoists, freezers, ice cream-carts, vehicles and IT equipment with leasing agreements ending mostly in 2011-2013. Under Lithuanian laws, the leasing companies register financial leasing agreements with the Lithuanian register of agreements in order to invoke the agreements against the third parties.

FFL

FFL's fixed assets comprise objects in the ownership of the FFL and objects being used under financial leasing. As at 31 December 2009, the residual value of the fixed assets in the ownership of FFL equalled to EUR 3,349,565 (EEK 52,409,304). The most important fixed assets of FFL include vehicles, equipment, buildings and real estate.

The fixed assets, which FFL uses under financial leasing arrangements, include 84 motor vehicles with leasing agreements ending mostly in 2010-2013. Most of the financial leasing agreements have been concluded with SEB Līzings.

The assets of FFL (including stocks, intangible investments, deposits, rights of claim, securities, bonds, other shareholding and tangible fixed assets) have been encumbered with two commercial pledges – the first ranking commercial pledge in favour of AS UniCredit Bank in the amount of EUR 1,365,957 (EEK 21,372,583) and the second ranking pledge in favour of A/S Swedbank in the amount of EUR 1,637,946 (EEK 25,628,286).

HK

As at 31 December 2009, the aggregate book value of the fixed assets of HK equalled to EUR 2,345,110 (EEK 36,692,998) (of which assets of HK's totalled EUR 1,207,178 and assets of Saaristomeren Kala Oy totalled EUR 1,137,932 (EEK 17,804,767). The most valuable fixed assets include buildings and expansions thereof, aggregate value of which totals EUR 1,045,066 (EEK 16,351,730) and real estate, aggregate value of which totals EUR 234,164 (EEK 3,663,870).

The assets (other than real estate and other assets that can be mortgaged) of HK have been encumbered with floating charges (Finnish equivalent to commercial pledge) in the aggregate amount of EUR 2,165,222 (EEK 33,878,362). All the floating charges are in the possession of Sampo Bank plc (subsidiary of Danske Bank), which has given bank guarantee to Varma Mutual Pension Insurance Company as collateral for loans granted by Varma to HK and Saaristomeren Kala Oy (upon merger the latter loan has been assigned to HK).

SF

As at 31 December 2009, the aggregate net book value of the fixed assets of SF equalled to EUR 424,986 (EEK 6,649,586). The most valuable fixed assets include land and buildings, aggregate value of which totals EUR 212,402 (EEK 3,323,369) and fish farming machinery and equipment, aggregate value of which totals EUR 212,585 (EEK 3,326,232).

The assets (other than real estate and other assets that can be mortgaged) of SF have been encumbered with a floating charge in the aggregate amount of SEK 668,000 (EEK 1,017,103 or EUR 65,005) in favour of the County Administrative Board of Västernorrland as a security for received EC subsidies.

ÖF

As at 31 December 2009, the aggregate net book value of the fixed assets of ÖF equalled to EUR 1,043,588 (EEK 16,328,604). The most valuable fixed assets include land and buildings, aggregate value of which totals EUR 245,044 (EEK 3,834,105), machinery, aggregate value of which totals EUR 293,857 (EEK 4,597,863), and ongoing building projects regarding fixed assets, aggregate value of which totals EUR 500,410 (EEK 7,829,715). Ongoing projects include investment into Ankarsund fish farming expansion and new automatic fish feeding system. In spring 2008, ÖF was granted with a double fold increased farming volume in Ankarsund. Necessary investments were carried out by fall 2008. At the same time ÖF applied for EU subsidies. Due to the Swedish regulations these investments should be reflected under "construction in progress" until the decision on EU subsidies has been made. Decision on EU subsidies in amount of SEK 1,197,708 (EEK 1,823,642 or EUR 116,552) has been made as of 10 March 2010 and paid out on 11 March 2010.
The assets (other than real estate and other assets that can be mortgaged) of ÖF have been encumbered with a floating charge in the aggregate amount of SEK 1,000,000 (EEK 1,522,610 or EUR 97,313) in favour of the County Administrative Board of Västernorrland as a security for received EU subsidies.

VETTEL

Vettel's fixed assets comprise objects being used under operating lease. As at 31 December 2009, the residual value of the fixed assets in the ownership of Vettel equalled to EUR 2,801,208 (EEK 43,829,381). The most important fixed assets of Vettel include buildings (cold storage, culinary department of factory, etc), land (registered immovable in Saaremaa, registered under the name Kärsa) and machinery (culinary production line, filleting line, packaging line, etc.). In 2008, the amount of fixed assets of Vettel increased on account of building of new slicing department to the factory and purchase of packaging line with the value of around one million euros.

In addition to fixed assets in the ownership, Vettel has concluded 12 operational leasing agreements with Swedbank Liising AS, Inchape Liising AS and Elion Ettevõtted AS. Under these operational leasing agreements, ending in 2010-2011, Vettel uses seven motor vehicles and six computers.

The movable property of Vettel has been encumbered with a commercial pledge in favour of UniCredit Bank AS in the total pledge amount of EEK 10,000,000 (EUR 640,000).

GH

GH has concluded three operational lease agreements with Danske Bank A/S, under which GH uses three motor vehicles, and one financial leasing agreement concerning pasteurization machine, vacuum coverer and two refrigerator chambers. The leasing agreements end in 2010-2011.

LAND AND BUILDINGS OWNERSHIP

The Company itself does not own or lease any real estate.

PTKH

PTKH currently owns a real estate located at Peterburi tee 42, Tallinn, with total area of 33,076 m^2. Currently, ice cream production factory is located on the immovable. The immovable is encumbered with five mortgages in aggregate amount of EUR 9,267,189 (EEK 145,000,000). Mortgages from the first to the fourth rank are established in favour of AS SEB and the fifth ranking mortgage has been established in favour of Danske Bank A/S to secure PTKH's obligations arising out of loan and overdraft agreements with the banks.

KPC

Further to the termination of the ice cream production operations of KPC, all the real estate of KPC, which consisted mostly of ice cream production facilities, was sold to UAB "KPC nekilnojamas turtas" in March 2007. Currently, KPC does not own any real estate.

FFL

FFL owns a real estate consisting of land plot in area of 9,597 m^2 located at Saldetava, Smarde county, Tukuma district, and five non-residential buildings located on the land plot, including refrigeration plants (freezers), compressor building, pass office/picket, and administrative building). The real estate is encumbered with mortgage in favour of AS UniCredit Bank with the mortgage amount of EUR 1,365,957 (EEK 21,372,583) to secure the obligation of FFL arising out of loan agreement with AS UniCredit Bank.

In addition to the real estate owned by the FFL, it owns buildings that are located on the land plots, which belong to third parties and which FFL uses on the basis of long-term lease agreements.

Firstly, FFL owns two buildings (a wholesale outlet and a freezer) located at Murmuizas iela 11B, Valmiera, Valmiera district. FFL leases the land plot, where the buildings are located, from two private persons. The total area of the leased land plot is 2,770 m^2. The lease has been registered with the Latvian Land Register and the lease is valid until 1 June 2027. The rent for the land usage is 5% of market value of the leased land plot, whereas as of 1 January 2010 the market value is determined based on the value of similar land plots in the area of Valmiera city. The buildings belonging to FFL have been encumbered in favour of A/S Swedbank with the mortgage amount of EUR 1,091,963 (EEK 17,085,508) to secure FFL's obligations arising out of credit line agreement with A/S Swedbank.

Secondly, FFL owns a building (machinery depot) located at Jauna iela 3, Smarde, Smarde county, Engure region. FFL leases the land plot, where the building is located, from Smarde County Council. The total area of the leased land plot is 16,590 m^2. The lease is valid until 10 May 2016, however, at the time being the lease agreement is not registered with the Land Register. The annual rent for the land usage is EUR 4,721 (EEK 73,868). No encumbrances are registered in respect of this real estate.

HK

HK owns (i) one piece of real estate in Hämeenlinna, the area of which is 1,6535 hectares, (ii) three pieces of real estate in Kustavi, total land area of which is 3,413 hectares and water area of which is 3,75 hectares, and (iii) three pieces of real estate in Länsi-Turunmaa, total land area of which is 1,823 hectares and water area of which is 17 hectares.

The real estate in Hämeenlinna is primarily used for collecting and delivery of fish, in addition to which it also includes building with office premises. The pieces of real estate in Länsi-Turunmaa (registration numbers 445-667-8-24, 445-663-12-1, 445-663-12-0) are used for breeding of fish. There is no business activity in any of the three pieces of real estate located in Kustavi.

Three pieces of real estate owned by HK in Hämeenlinna and Länsi-Turunmaa are encumbered by mortgages, the aggregate amount of which is EUR 1,394,382 (EEK 21,817,337). In total EUR 899,183.18 (EEK 14,069,160) of the mortgages have been pledged to Sampo Bank plc. The remaining mortgage securities in the amount of EUR 495,199 (EEK 7,748,177) are in possession of HK itself (i.e. not given as collateral to creditors of HK or to other third parties).

In addition, HK owns one building situated on a real estate leased from the municipality of Korppoo.

SF

SF owns three real estates, all three located in the municipality of Ragunda:

- Utanede 3:121, with the area of 1.47 hectare. A fish farming building is located on the real estate. The real estate has been encumbered with three property mortgages in a total amount of SEK 2,152,000 (EEK 3,276,657 or EUR 209,417) in favour of the County Administrative Board of Jämtland as security for received EC subsidies.
- Utanede 3:120, with the area of 1.07 hectare. A fish farming building is located on the real estate.
- Österede 1:70, with the area of 3,271 m^2. A house attached to SF employee's post is located on the real estate. Three property mortgages in a total amount of SEK 237,000 (EEK 360,859 or EUR 23,063) have been issued in the real estate. However, these property mortgages have not been pledged and are currently held by SF.

ÖF

ÖF owns four real estates, all four located in the municipality of Storuman:

- Luspen 14:1, with the area of 2.82 hectare. A fish slaughterhouse is located on the real estate.
- Luspen 14:2, with the area of 9,614 m^2. Warehouses, fish food stores and different fish farming facilities are located on the real estate. The real estate has been encumbered with nine property mortgages in a total amount of SEK 2,800,000 in favour of the County Administrative Board of Västernorrland as security for received EC subsidies.
- Ankarsund 1:57 with the area of 1.06 hectare. An old school building, mainly used by ÖF during summer as employees' social and office estate, is located on the real estate.
- Ankarsund 1:83, with the area of 2,198 m^{2,} used for fish farming operations. A fish food store (approximately 400 m^2) is located on the real estate.

VETTEL

Vettel currently owns a real estate named Kärsa, located at Pihtla borough, Suure-Rootsi village with area 36,476 m^2. The intended purpose of the immovable is production land and currently a cold storage plant, the culinary department of factory, a sewage plant treating technological waste waters, a pump building, the fishery department of factory, a building for fyke nets, a fishermen building, a warehouse, the department of factory for smoked fish, a cold storage plant for fast freezing, a garage, a compressor room and a fish pump room are located on the immovable. The real estate is currently encumbered with six mortgages in the total mortgage amount of EUR 5,112,932 (EEK 80,000,000). The first ranking mortgage has been established in favour of the Republic of Estonia and all other mortgages have been established in favour of UniCredit Bank AS to secure the obligation of Vettel arising out of loan agreements with the bank. In addition to the aforementioned, the immovable has been encumbered with personal right to use for a fee in favour of Harrington OÜ for erection of wind mills and with personal right to use for a fee in favour of Jaotusvõrk OÜ in order to operate power network.

LEASED PREMISES

PTKH

PTKH used to own the real estate located at Betooni 4, Tallinn, which hosts cold storage premises. On 9 September 2008, PTHK sold the real estate to Eften Kinnisvara AS. Despite the sale, PTKH continues using the cold storage premises located at the real estate under the lease agreement entered into with Eften Kinnisvara AS for the monthly rent of EUR 47,100 (EEK 736,975) plus VAT and utility fees. The lease expires on 9 September 2018.

In addition, PTKH leases several warehouse premises in Estonia. Firstly, it leases premises located at Ravila 59, Tartu, with area of 144 m^2, from Tiigi Keskus AS. This lease is for an unspecified term and can be terminated by either party with three months prior written notice. Secondly, it leases premises located at Rägavere tee 44, Rakvere, with total area 53.9 m^2 (office premises 23.3 m^2 and warehouse premises 30.6 m^2) from Rakvere Autobaas OÜ. The lease is for an unspecified term, and can be terminated by either party with one month prior written notice. Thirdly, PTKH leases premises located at Parmu 6, Pärnu, with area of 920.8 m^2 from Nematode Finance OÜ. The lease expires on 31 August 2010.

KPC

KPC uses various warehouse and office premises under eight lease agreements with third parties. The most significant leased premises include (i) storage and office premises located at Taikos av. 94, Kaunas, with area of 1,075 m^2, leased from UAB Kauno žuvis; (ii) storage premises located at Šilutės str. 9, Klaipėda, with area of 1.320 m^2, leased from UAB Ketonas; (iii) storage and office premises located at Basanavičiaus str. 129, Šiauliai, with area of 246.41 m^2, leased from UAB Novitela; (iv) storage and office premises located at V. A. Graičiūno str. 2, Vilnius, with area of 526.25 m^2, leased from UAB Žuvies šaldytuvai, (v) office premises located at Taikos av. 96, Kaunas, with area of 440.96 m^2, leased from UAB Kauno žuvis. All the agreements are short term leases and may be easily terminated by KPC or the landlord.

FFL

FFL uses currently two office premises under lease agreement from third parties. Firstly, it leases premises located at Uzavas iela 8, Ventspils, with area of 35.4 m^2, from Nekustamā īpašuma pārvalde. Secondly, FFL leases premises located at Meza iela 4, Riga, with total area of 244.5m^2, from Mr Andrejs Vinniks. Both agreements are short term leases and may be easily terminated by FFL or the landlord.

HK

HK has leased real estate, premises and water areas from other companies, public entities, private persons and local fishery associations under 18 separate lease agreements. The aggregate amount of annual rent under the aforementioned agreements is EUR 242,409.30 (EEK 3,792,881).

The most valuable lease agreements, entered into on 9 May 2008, relate to business premises in Uusikaupunki leased by HK from Kalasataman Kiinteistöt Oy, which premises are used for processing of fish. The aggregate monthly rent for these premises totals EUR 13,070 (EEK 204,501) and the fixed lease period is ten years. In spite of the fixed term, however, after six years HK may terminate the lease agreement by no less than 12 months' prior written notice.

Other lease objects comprise mostly water areas, where fish is being grown, along with a real estate leased from the municipality of Korppoo comprising of both land and water area. The real estate and the building situated thereon are used for breeding of fish. Furthermore, HK has leased premises such as a cold storage used in processing of fish in Uusikaupunki and an apartment in Korppoo, which is used for lodging of employees of HK. All of the leased premises, water areas and the real estate are located in Southwestern Finland.

The leases have not been registered with the land register.

ÖF

ÖF leases two real estates: the water area in front of the real estate Storuman Ankarsund 1:83, with the area of approximately 28,500 m^2 and part of the real estate Storuman Luspen 1:5, with the area of approximately 6,000 m^2. Both leased real estates are used for fish farming and host no facilities, but only floating fish farming equipment.

EMPLOYEES

Company	Employees as at 31.12.2007	Employees as at 31.12.2008	Employees as at 31.12 2009	Breakdown of employees as 31. December 2009
Company	-	-	-	-
KPC	103	102	95	Logistics 47 Sales 32 Administrative 16
PTKH	220 (incl 7 on maternity leave)	210 (incl 6 on maternity leave)	201 (incl 9 on maternity leave)	Production 72 Logistics 32 Sales 30 Other 67
FFLS	-	-	-	-
FFL	163	146	111	Logistics 61 Sales 38 Administrative 12
TCS	-	-	-	-
SMK	1	4	3	Administrative 3
HK (incl. Saaristomeren Kala Oy)	93	82	72	Production 55 Logistics 4 Sales 8 Administrative 5
Vettel	67	86	81	Production 69 Logistics 10 Administrative 2
GH	2	2	2	Administrative 2
ÖF	7	11	13	Production 13
SF	3	4	3	Production 3
Total	**659**	**647**	**581**	

Most of the employment contracts of the Group have been concluded for an indefinite term and the number of temporary employees is not significant. However, during high season of ice cream production from March to August, PTKH hires additional 30 employees. Additionally, ÖF has proportionally a significant share of temporary employees (more than half) out of the total number of its employees.

RELATED PARTY TRANSACTIONS

The Group entities have entered into certain agreements with related parties. The most relevant and material of the recent and on-going agreements (excluding intra-group party transactions) are the following:

- Loan agreement between the Company and Amber Trust S.C.A II, dated 6 April 2009. Amber Trust S.C.A II is the majority shareholder of the Company. Pursuant to the agreement, Amber Trust S.C.A II has granted the Company with an unsecured loan in the amount of EUR 1,257,500 (EEK 19,675,600) with the effective annual interest rate of 12.67%.
- Loan agreement between PTKH and Amber Trust S.C.A II, dated 3 December 2008. Amber Trust S.C.A II is the majority shareholder of the Company. Pursuant to the agreement, Amber Trust S.C.A II has granted PTKH with an unsecured loan in the amount of EUR 2,000,000 (EEK 31,293,200) with the effective annual interest rate of 8.87%. In addition to the shareholder loans described in this Section, there are numerous intra-group loans, which have all been executed on market terms.
- Consultation agreement between the Company and Rododendron OÜ, dated 1 March 2009. The sole shareholder of Rododendron OÜ is the member of management board of the Company, Mr Kuldar Leis. Pursuant to the agreement, Rododendron OÜ provides management services to the Company and its subsidiaries in Estonia, Latvia, Lithuania, Finland and Russia. Rododendron OÜ receives a monthly payment in the amount of EEK 20,000 (+VAT) (EUR 1,278). Besides the monthly fee, Rododendron OÜ has a right to demand the reimbursement of travel expenses that have been agreed with the Company. Penalty for late payment is 0.1% per day in delay. The agreement has been concluded for an indefinite term and may be terminated by giving two months' prior written notice.
- Consultation agreement between the Company and Footsteps Management OÜ, dated 1 March 2009. The sole shareholder

of Footsteps Management OÜ is the member of management board of the Company, Ms. Katre Kõvask. Pursuant to the agreement, Footsteps Management OÜ provides marketing related management services to the Company and its subsidiaries in Estonia, Latvia, Lithuania, Finland and Russia. Footsteps Management OÜ receives a monthly payment in the amount of EEK 20,000 (+VAT) (EUR 1,278). Besides the monthly fee, Footsteps Management OÜ has a right to demand the reimbursement of travel expenses that have been agreed with the Company. Penalty for late payment is 0.1% per day in delay. The agreement has been concluded for an indefinite term and may be terminated by giving two months' prior written notice.

- Consultation agreement between the Company and Freespirit OÜ, dated 1 March 2009. The sole shareholder of Freespirit OÜ is the member of management board of the Company, Mr Silver Kaur. Pursuant to the agreement, Freespirit OÜ provides sales related management services to the Company and its subsidiaries in Estonia, Latvia, Lithuania, Finland and Russia. Freespirit OÜ receives a monthly payment in the amount of EEK 20,000 (+VAT) (EUR 1,278). Besides the monthly fee, Freespirit OÜ has a right to demand the reimbursement of travel expenses that have been agreed with the Company. Penalty for late payment is 0.1% per day in delay. The agreement has been concluded for an indefinite term and may be terminated by giving two months' prior written notice.
- Consultation agreement between the Company and Kamakamaka OÜ, dated 31 March 2009. The sole shareholder of Kamakamaka OÜ is the member of supervisory board of the Company, Mr Erik Haavamäe. Pursuant to the agreement, Kamakamaka OÜ provides to the Company and enterprises belonging to the same group management accounting services, analysis and consultations regarding mergers and takeovers of companies and services related to organising communication between the shareholders and banks regarding financing possibilities. Kamakamaka OÜ receives a monthly payment in the amount of EEK 100,000 (+VAT) (EUR 6,391). Besides the monthly fee, Kamakamaka OÜ has a right to demand the reimbursement of travel expenses that have been agreed with the Company. Penalty for late payment is 0.1% per day in delay. The agreement has been concluded for an indefinite term and may be terminated by giving six months' prior written notice.
- Agreements between the Company, PTKH, AS Nordic Foods, OÜ Rododendron, OÜ Freespirit and OÜ Footsteps Management, dated 1 June 2009, under which the initial loan agreement between PTKH (lender) and AS Nordic Foods (borrower, a company (under liquidation) belonging to Mr Silver Kaur, Ms. Katre Kõvask and Mr Kuldar Leis) was restructured into a loan agreement between PTKH (lender) and the Company (borrower). According to the loan agreement, OÜ Rododendron, OÜ Freespirit and OÜ Footsteps Management (sureties under the loan agreement, guaranteeing performance of the obligations of AS Nordic Foods) transferred respectively 9,925, 2,809 and 3,468 shares of the Company to the Company for the purchase price of EUR 15.7 (EEK 246), which was determined on the basis of the last subscription price of the shares of the Company. In turn, the Company assumed the debt of AS Nordic Foods in front of PTKH. The assumption of the obligations by PF was transformed into loan agreement between the Company and PTKH with the amount of EUR 254,735 (EEK 3,985,740), with an annual interest rate of 4% and maturity on 30 June 2012.
- Sale and purchase agreement between KPC and UAB "KPC nekilnojamas turtas" relating to the real estate of KPC, dated 2 March 2007 for the price of EUR 2,478,684 (EEK 38,782,977). At the time of concluding the agreement, the purchaser UAB "KPC nekilnojamasis turtas" was a 100% subsidiary of KPC.
- Share purchase agreement between KPC and Amber Trust II S.C.A, dated 10 December 2008, whereby KPC purchased from its then sole shareholder Amber Trust II S.C.A. 355,959 own shares at the price LTL 11.64 per share and sold on at the same price to OÜ Footsteps Management, OÜ Nordelor (company owned by the then management board of PTKH), OÜ Freespirit and Kamakamaka OÜ pursuant to share purchase agreements, dated 12 December 2008. KPC also issued 756,358 new shares of KPC at the price of LTL 11.64, which were acquired by OÜ Rododendron and OÜ Freespirt under share subscription agreements, dated 12 December 2008. After these transactions Amber Trust II S.C.A., OÜ Footsteps Management, OÜ Nordelor, OÜ Freespirit, Kamakamaka OÜ and OÜ Rododendron became shareholders of KPC. On 14 January 2009, the aforementioned shareholders of KPC transferred the shares of KPC as a non-monetary contribution into the authorised capital of the Company and respectively subscribed for the shares of the Company. On the ground of these transactions the Company became the sole shareholder of KPC. At the same time, KPC and Amber Trust II S.C.A agreed on two years payment term for the shares buyback.
- Share swap agreements between SMK and Mr Juhani Salminen and Mr Jukka Salminen, dated 31 January 2007, SMK acquired all the shares of Saaristomeren Kala Oy by a share exchange with Messrs. Salminen, who in exchange received in the aggregate 17.25% of shares in SMK. The then majority owner of SMK, Amber Trust S.C.A, bought the 17.25% of the shares of SMK from Messrs. Salminen on 9 May 2008. At the same time Messrs. Salminen acquired the shares of Polar Fish Oy and Imatran Kala and Kaviaari and certain real estate from Saaristomeren Kala Oy and, therefore, these companies ceased to be subsidiaries of Saaristomeren Kala Oy.

The Group entities have also executed several intra-group transactions such as agreements for sale and purchase of goods, share purchase agreements regarding the shares of Group entities, loan agreements, guarantees and other agreements. For additional information regarding related party transactions see Section 30 of the 2009 Consolidated Annual Report of the Company annexed to this Prospectus.

Management believes that all the above agreements have been entered into materially at an arm's length basis. Moreover, the Group has performed an extensive analysis regarding compatibility with arms length principle of terms of the sale of ice cream by PTKH to KPC and FFL and a comparable study of manufacture of ice cream to minimise possible transfer pricing concerns with regard to the intra-group sales of ice cream.

MATERIAL CONTRACTS

ACQUISITION OF SHAREHOLDINGS IN SUBSIDIARIES

SHARE PURCHASE AGREEMENT BETWEEN BALTICS SMALL EQUITY FUND LLC, MR SANDIS STAKS, MR NORMUNDS OZOLINS AND PTKH RELATING TO SHARES OF FFLS AND FFL, DATED 24 OCTOBER 2007

According to the share purchase agreement between Baltics Small Equity Fund LLC, Mr Sandis Staks, Mr Normunds Ozolins and PTKH, dated 24 October 2007, PTKH acquired 100% of the shares of FFLS, whereas 500 shares of FFLS were acquired from Mr Normunds Ozolins and 1,500 from Mr Sandis Staks. At the same time, the Baltics Small Equity Fund LLC sold 132,786 shares of FFL, representing 46.16% Mr Sandis Staks sold 45,149 shares of FFL, representing 15.69%, to PTKH. As a result, PTKH holds 61.85% of the shares of FFL. Moreover, as FFLS owns 109,747 shares of FFL, representing 38.15%, PTKH held 100% of the shares of FFL as a result of the transaction. The purchase price of the shares was EUR 8,150,000 (EEK 127,519,790).

SHARE PURCHASE AGREEMENT BETWEEN PTKH AND MR NORMUNDS OZOLIŅŠ, DATED 1 NOVEMBER 2007

According to the share purchase agreement between PTKH and Mr Normunds Ozoliņš, dated 1 November 2007, PTKH sold 14,384 shares of FFL, representing 5%, to Mr Normunds Ozoliņš. The purchase price of the shares was EUR 407,500 (EEK 6,375,999). The agreement sets out that PTKH must re-purchase the shares at the respective written request of Mr Normunds Ozoliņš, if made after 1 January 2009 or upon termination of the agreement of the member of the management board concluded by and between PTKH and Mr Normunds Ozoliņš. Initially, it was agreed that the purchase price of the shares payable by PTKH in the event of re-purchase of the shares will equal the purchase price, which will be increased annually by 8% for the whole period Mr Normunds Ozoliņš has owned the shares. However, on 17 December 2009, it was further agreed, that the re-purchase price will equal only the purchase price, whereas PTKH agreed to pay the part of the re-purchase price calculated according to previously agreed principle until the 17 December 2009 in the amount of EUR 72,679 (EEK 1,137,179) to Mr Normunds Ozoliņš within ten banking days. If PTKH sells whole of part of FFL's shares to any third party, Mr Normunds Ozoliņš must sell the shares to such third party upon the same terms and conditions under which PTKH is selling its shares.

SALE OF REAL ESTATE

SALE OF REAL ESTATE OWNED BY KPC

Under the sale and purchase agreement between KPC and UAB "KPC nekilnojamas turtas", dated 2 March 2007, KPC sold to KPC's then subsidiary UAB "KPC nekilnojamas turtas" all real estate: five industrial premises, two administrative premises, one garage, one pump-building, one ice cream freezer and other engineer buildings such as fence, yard site and trestle. The purchase price of the real restate was EUR 2,478,684 (EEK 38,782,977). The main reason of selling the real estate was the decision to terminate production activities. On 30 March 2007 KPC sold the shares of UAB "KPC nekilnojamas turtas" to Mr Gintaras Kateiva and UAB "Žemės ūkio investicijų centras" for the purchase price of EUR 3,000,000 (EEK 46,939,800).

SALES AND LEASE-BACK OF COLD STORAGE PREMISES OF PTKH

Under the sale and purchase agreement between PTKH and Eften Kinnisvara AS, dated 9 September 2008, PTKH sold real estate located at Betooni 4, Tallinn, which hosts cold storage premises, to Eften Kinnisvara AS. The purchase price of the real estate was (including VAT) EUR 7,345,494 (EEK 114,932,000). Despite the sale, PTKH continues using the cold storage premises located at the real estate under the lease agreement entered into with Eften Kinnisvara AS for the monthly rent of EUR 47,100 (EEK 736,975) plus VAT and utility fees. The lease expires on 9 September 2018.

LOAN AND FINANCING AGREEMENTS

The loan agreements and other financing arrangements of the Group entities are discussed in detail in Section 16 of the 2009 Consolidated Annual Report of the Company annexed to this Prospectus. All loans and other financings have been fully used for their designated purpose. Material loan agreements and financing arrangements in a nutshell have been described below.

The Company has no loan or other financing arrangements in place with banks or other financial institutions. There are two loan agreements in place with the majority shareholder of the Company Amber Trust II S.C.A., which have been described in Section *"Related Party Transactions"*.

PTKH has four loan agreements in place with AS SEB Pank with the total outstanding amount as at 31 December 2009 EUR 2,729 thousand (EEK 42,689 thousand). Interest rates in the mentioned loan agreements are calculated either on the basis of 6 months EURIBOR or base interest rate of the Bank of Estonia. The loans have been provided for construction of the cold storage premises, repayment of loan to KPC, refinancing of existing loan, redemption of notes, financing operations and overdraft. The loans have been secured with mortgages encumbering the immovable of PTKH located at Peterburi tee 42, Tallinn, and commercial pledge over the assets of PTKH. In addition to the loan arrangements in place with AS SEB Pank as referred to above, there is a loan agreement executed with the Estonian branch of Danske Bank A/S in the outstanding amount as at 31 December 2009 of EUR 3,714 thousand (EEK 58,117 thousand). The interest rate is calculated on the basis of 6 months EURIBOR. The loan has been granted for the purchase of the shares of FFL and has been secured by a pledge established over the shares of FFL. Further, for financing its everyday business activities, PTKH has also executed a guarantee limit agreement and a factoring agreement with AS SEB Pank and AS SEB Liising respectively.

In order to finance construction works of a cold storage premises in Latvia, FFL has taken a loan from AS UniCredit Bank. The outstanding balance of the loan as at 31 December 2009 was EUR 736 thousand (EEK 11,515 thousand). The interest rate applicable to the loan is calculated on the basis of 6 months EURIBOR rate. The loan is collateralised with a mortgage over the same cold store located at Tukuma district, Smarde county, Latvia. For financing its everyday business activities, FFL has entered into a credit line agreement with AS Swedbank.

SMK has executed a loan agreement with the Estonian Branch of AS UniCredit Bank with the purpose of refinancing the loan granted by the Estonian Branch of Danske Bank A/S. The outstanding balance of that loan as at 31 December 2009 was EUR 488 thousand (EEK 7,632 thousand). The interest rate payable under the agreement is based on 3 months EURIBOR. The loan has been secured by a mortgage over the immovable of Vettel in Saaremaa (Kärsa immovable), commercial pledge over the assets of Vettel, surety by KredEx and guarantees issued by Amber Trust S.C.A and Amber Trust II S.C.A. The Estonian Branch of AS UniCredit has also granted a loan to Vettel for refinancing of the loan granted by the Estonian Branch of Danske Bank A/S and Bonds arranged by Swedbank. The interest rate is also calculated on the basis of 3 months EURIBOR and the unpaid amount of the loan as at 31 December 2009 was EUR 3,027 thousand (EEK 47,365 thousand). The loan is collateralised with the same securities as the loan granted to SMK as described above.

HK has executed a loan agreement with Varma pension insurance company with the purpose to streamline its loan portfolio in Finland by refinancing different facilities from Osuuspankki, Nordea, Sampo and Varma. The interest rate of the loan is fixed and the loan has been secured by the guarantee from Sampo Bank plc. As at 31 December 2010 the outstanding balance of the loan was EUR 1,275 thousand (EEK 19,950 thousand).

HK is party to a term loan facility agreement and the multicurrency revolving credit facility agreement with Sampo Bank plc (Danske Bank A/S). As at 31 December 2010 the outstanding balance of these loans was EUR 2,089 thousand (EEK 32,688 thousand). The interest rate payable under the agreement is based on 6 months EURIBOR. The loan has been granted for the purchase of the shares of Saaristomeren Kala Oy. Further, for financing its everyday business activities, HK has also executed a factoring agreement with Sampo Bank plc. All Sampo Bank plc facilities have been secured by a mortgage over the immovable of HK in Renko, Finland, commercial pledge over the assets of HK, shares pledge of HK and guarantee issued by Amber Trust S.C.A.

MANAGEMENT

MANAGEMENT STRUCTURE

The Company fully complies with the corporate governance regime of the Republic of Estonia in which it is incorporated. In accordance with the Estonian law, the operational management is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is eligible to represent the Company on the basis of the law and the Articles of Association. The Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board.

MANAGEMENT BOARD

The Management Board of the Company is responsible for the day-to-day management of the Company's operations, the representation of the Company and the organisation of its accounting. Further, according to the Estonian Commercial Code, it is the obligation of the Management Board to draft the annual accounts and submit the accounts to Supervisory Board for its review and to the General Meeting of shareholders for approval. The Management Board is accountable to the Supervisory Board and must adhere to its lawful instructions.

The Management Board must present an overview of the economic activities and economic situation of the Company to the Supervisory Board at least once every four months and is under the obligation to give immediate notice of any material deterioration of the economic condition of the Company or of any other material circumstances related to its operations. If the Company is insolvent and the insolvency, due to the Company's financial situation, is not temporary, the Management Board must immediately submit a voluntary bankruptcy petition in respect of the Company.

The Management Board may only enter into transactions which lie outside the Company's ordinary scope of business with the consent of the Supervisory Board. In particular, according to Articles of Association of PF, in addition to any other issues that are within the competence of the Supervisory Board pursuant to law, the consent of the Supervisory Board is required for conclusion of the following transactions:

- entry into, amendment or termination of any such contract or agreement (a) which is beyond the scope of everyday business activities or (b) the objective whereof is to bind the Company for over 12 months and which obligates the Company to incur expenditures or obligations exceeding EUR 50,000 (indexed) (EEK 782,330), including on unanticipated bases;
- initiating any court or arbitration proceedings related to claims (including related expenses) that exceed or may exceed EUR 50,000 (EEK 782,330), and regard other than routine debt collection in any jurisdiction, or termination thereof by an agreement;
- making of any investments in other persons or business, or full or partial realization or transfer of any investments made by the Company;
- acquisition or transfer of any assets the value whereof exceeds EUR 50,000 (indexed) (EEK 782,330), unless it is prescribed in the budget;
- making any other amendments than those required under law or under the Estonian GAAP to the accounting principles or to rules of accounting applied by the Company;
- capitalization or returning of any reserves of the Company, withdrawal of shares from circulation or purchase of shares by the Company, or increase, reduction or reorganization of the share capital of the Company or its subsidiary company;
- assumption of debt obligations or granting of a guarantee in any other way than by commercial credit assumed under normal trading conditions and in the course of everyday business operations in accordance with previous practices, or the assumption of any such debt obligations (including but not limited to premature repayment) or amendment or termination of contracts regarding the granting of any guarantee;
- encumbering of any funds, assets, enterprise or uncalled capital of the Company with a mortgage, claim, debt obligation, pledge, lien or other encumbrance or right of security, or waiver thereof in any other way than by commercial credit assumed under normal trading conditions and in the course of everyday business operations in accordance with previous practices;
- appointment of such employees or consultants of the Company whose annual income exceeds EUR 50,000 (indexed) (EEK 782,330) and who are not members of the management board, determination of the terms of their employment contracts, their transfer or removal, as well as determination of the remuneration of or granting of benefits to the members of the management board or supervisory board;
- any material change in the nature or scope of business activities, including implementation of a new area of activity or winding up an area of activity, as well as relocation or extension of the premises of the Company or foundation of companies outside Estonia;
- conclusion of transactions or amendment thereof by PF with (i) a shareholder; (ii) a member of the supervisory board or management board; (iii) persons related to the aforesaid persons; or (iv) officers, members of the management board or employees of the aforesaid persons;
- performance of any acts set out in the articles of association of the Company by a subsidiary of the Company.

The Management Board of the Company currently consists of four members, whose authorities are valid for three years since appointment. According to the Articles of Association of the Company, the Management Board may have from one to four members. The Articles of Association of the Company set forth joint representation right of the Management Board members – the chairman of the Management Board is entitled to represent the Company alone, while the other members of the Management Board may only represent the Company jointly by two.

SUPERVISORY BOARD

In accordance with the Estonian Commercial Code, the Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board. The Supervisory Board is accountable before the shareholders of the Company (acting through the General Meeting).

In accordance with the Estonian Commercial Code, before the ordinary General Meeting of shareholders is held, Supervisory Board must review the annual accounts and provide the General Meeting of shareholders with a written report on the annual accounts indicating whether Supervisory Board approves the accounts but also providing information on how Supervisory Board has organised and supervised the activities of a company. In practise the referred report is made available along with the notice on calling the General Meeting of shareholders.

According to the Articles of Association of the Company, the Supervisory Board consists of three to six members who are appointed by the General Meeting of shareholders for a period of five years. The members of the Supervisory Board elect among themselves a chairman of the Supervisory Board who is responsible for organising the activities of the Supervisory Board. The Supervisory Board of the Company convenes according to actual necessity, but in any case at least once every three months. An extraordinary meeting of the Supervisory Board is convened when so demanded by a member of the Supervisory Board, the Management Board, the auditor or the shareholders whose shares represent at least 1/10 of the share capital of the Company. The meetings of the Supervisory Board must be summoned with at least 10 days' notice, specifying the agenda for the meeting. A meeting has quorum when at least one half of all members is present and decisions are taken by simple majority of all members of the Supervisory Board.

INTERNAL AUDITOR

Under the applicable Estonian law, the Company is not required to have an audit committee or a remuneration committee and there are no legal norms governing the activities of such bodies.

EXTERNAL AUDITOR

In accordance with the Estonian Commercial Code, annual accounts of a public limited company (in Estonian: *"aktsiaselts"* or *"AS"*) must be audited by an external independent auditor. An auditor is appointed by the General Meeting of shareholders of a public limited company.

In accordance with the resolution of the General Meeting of shareholders of the Company, dated 17 August 2009, the auditor of the Company is Alliott Kangust OÜ (address Narva mnt 5, 10117, Tallinn). The auditor was elected for auditing the financial year ending on 31 December 2010.

DECLARATIONS IN RESPECT OF THE SENIOR MANAGEMENT

To the best of the Company's knowledge, none of the persons listed under Sections *"Management – Management Board of the Company"*, *"Management - Supervisory Board of the Company"* or *"Management - Other Key Executive Personnel"* below have received any convictions in relation to fraudulent offences for the previous five years, nor were any of such persons in the same period associated with any bankruptcies, receiverships or liquidations in their capacity as members of the administrative, management or supervisory bodies, partners with unlimited liability, founders or senior managers (other than the cases specifically indicated below). To the best of the Company's knowledge, no such persons were subject to any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies) nor have they been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company for the previous five years.

Likewise, with respect to the persons listed below, the Company is not aware of any conflict of interest between any of their duties to the Group and their private interests. There are also no family relations between them. For all persons listed below, the business address is Betooni 4, 11415 Tallinn, Estonia.

MANAGEMENT BOARD OF THE COMPANY

Currently, the Management Board of the Company consists of the following members:

Name	Position	Date of appointment	Date of expiry of the term
Kuldar Leis	Chairman	8 December 2008	8 December 2011
Katre Kõvask	Member	9 June 2009	9 June 2012
Silver Kaur	Member	9 June 2009	9 June 2012
Andri Avila	Member	5 March 2010	5 March 2013

Kuldar Leis (born 1968) has been the chairman of the Management Board of the Company since its foundation and of AS Premia Tallinna Külmhoone since 2006. In addition, he serves as a member of the Management Board of AB "Premia KPC", SIA "F.F.L.S" and OÜ TCS Invest, and as a member of Supervisory Board of Saaremere Kala AS, Vettel OÜ and AS "Premia FFL". Mr Kuldar Leis graduated from the University of Tartu in 1993, specialising in credit and finance. He also holds a diploma in dairy technology. He has previously been employed as the chairman of the Management Board of the food company AS Nordic Foods (2004-2007) and the beverages company AS Ösel Foods (2001-2003) and as sales and marketing director in AS Ösel. Prior to that, he held managing positions in dairy processing companies AS Ühinenud Meiereid (1998-2000) and AS Põlva Piim (1991-1994). During 1996-1998, Mr Kuldar Leis was the regional manager of Hoiupank. He is currently a member of Supervisory Board of AS Linda Nektar (a company specialised in producing fermented beverages for drink industry) 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 OÜ.

Katre Kõvask (born 1975) has been the marketing director and a member of the Management Board of AS Premia Tallinna Külmhoone since 2006 and of the Company since June 2009. She is also a member of the Supervisory Board of AS "Premia FFL" and Saaremere Kala AS. Ms Katre Kõvask graduated from University of Tartu in 1998, having specialised in marketing and foreign trade. She has previously been employed as marketing manager and member of the Management Board of the food company AS Nordic Foods (2004-2006), where she lead the launch of ready-meals' brand "Maakera" to the Estonian market. Prior to that, she served as marketing manager and a member of the Management Board of the beverages company AS Ösel Foods (2000-2004), while the leading beverage brand "Aura" was launched to the Baltic markets. During 1994-2000 she worked as project manager in advertising agencies belonging to AGE Group. She is currently the member of the Management Board of OÜ Footsteps Management.

Silver Kaur (born 1973) has been the sales director and member of the Management Board of AS Premia Tallinna Külmhoone since 2006 and of the Company since June 2009. He is also a member of the Supervisory Board of AS "Premia FFL" and Saaremere Kala AS. Mr Silver Kaur graduated as a fisheries' consultant from Estonian Maritime Academy in 1997. He has previously been employed as sales director and a member of the Supervisory Board of food company AS Nordic Foods (2004-2006). Prior to that, he served as sales manager and a member of the Management Board of the beverages company AS Ösel Foods (2000-2003). During 1997-2000 he worked as sales manager in the dairy processing company AS Ühinenud Meiereid and during 1996-1997 as product presenter in Tetra Pak Estonia AS. Mr Silver Kaur is currently a member of the Management Board of RüsiGrupp OÜ and OÜ Freespirit.

Andri Avila (born 1975) is the Chief Financial Officer of the Company. Mr Andri Avila graduated from Concordia International University in Estonia in 2000 with a degree in international business management. He has previously been employed by various real estate and investment companies, mostly in the capacity of the Chief Financial Officer. Before joining the Company, Mr Andri Avila served as Chief Executive Officer of Olympic Entertainment Group AS, in the CEE region leading casino operator. Mr Andri Avila also serves on the Management Boards of AS RVC Investeeringud, and OÜ Geoplast. His previous affiliations as a member of managing bodies include AS Kawe Kinnisvara, Eldore Kinnisvara OÜ, Metro Aktivate AS, Creco AS, AS Kawe Haldus, OÜ Magister Morum, AS Lahekalda and OÜ S&B Kinnisvara.

SUPERVISORY BOARD OF THE COMPANY

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

Name	Position	Date of appointment	Date of expiry of the term
Indrek Kasela	Chairman	8 December 2008	8 December 2013
Lauri Kustaa Äimä	Member	8 December 2008	8 December 2013
Erik Haavamäe	Member	8 December 2008	8 December 2013
Aavo Kokk	Member	5 May 2009	5 May 2014

Harvey Sawikin	Member	5 May 2009	5 May 2014
Jaakko Karo	Member	17 August 2009	17 August 2014

Indrek Kasela (born 1971) has been a member of the Supervisory Board of the Company since its foundation. In addition, he serves as a member of Supervisory Board of several Group entities, such as AS Premia Tallinna Külmhoone, Saaremere Kala AS, Vettel OÜ and OÜ TCS Invest. Mr Indrek Kasela 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. Since 2003, he has been the partner of the largest Baltic private equity fund manager Amber Trust being responsible for Amber Trust's activities in Estonia, Latvia and Russia. Prior to that, he has acted as the Chief Executive Officer of HEX Tallinn (Tallinn Stock Exchange) (2002), CEO of the data protection software development company AS Privador (2000-2001), consultant in the investment banking firm Baltic Cresco Investment Group (1996-2000) and as an attorney in law firm HETA (1994-1995). He serves as Supervisory Board member of Vettel OÜ, AS Toode, AS PKL, ELKE Grupi AS, EPhaG AS, Salva Kindlustuse AS, Ridge Capital AS and a Management Board member of OÜ X-pression, AS Fine, Wood and Company OÜ, Lindermann, Birnbaum & Kasela OÜ and Managetrade OÜ, as well as board member of several companies domiciled in Baltics and Russian Federation.

Lauri Kustaa Äimä (born 1971) has been a member of the Supervisory Board of the Company since its foundation and of AS Premia Tallinna Külmhoone since 2005. He holds a masters degree in Economics from the University of Helsinki. Mr Lauri Kustaa Äimä is the managing director and founding shareholder of Kaima Capital Oy. Before launching Kaima Capital in February 2009, he gained more than fifteen years professional experience from various leading financial institutions including Danske Bank's and ING Group's investment management operations. He serves as a Management or Supervisory Board member of AS Tallink Group, Salva Kindlustuse AS, AS Baltika and AS PKL 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.

Erik Haavamäe (born 1968) has been a member of the Supervisory Board of the Company since its foundation. In addition, he serves as a member of board of directors of Heimon Kala OY and a member of Supervisory Board of several Group entities, such as AS Premia Tallinna Külmhoone, Saaremere Kala AS, Vettel OÜ, AS "Premia FFL" and OÜ TCS Invest. Mr Erik Haavamäe holds a cum laude diploma in economics from Tallinn Technical University. He has long term financial experience as a controller and Chief Financial Officer in different industries (airline, apparel, food, media) and six years of experience in investment banking. He has been senior analyst and Management Board member in Baltic Cresco Investment Group and participated in the World Bank mission to Ukrzaliznytsia (Ukranian Railways). He is a member of the Supervisory Board of AS Toode and a member of the Management Board of AS EPhaG, AB Premia KPC- and OÜ Kamakamaka.

Aavo Kokk (born 1964) has been a member of the Supervisory Board of the Company since May 2009. Mr Aavo Kokk graduated from Tartu University in 1990, having specialised in journalism, and Stockholm University in 1992, having specialised in banking and finance. Currently he is the managing director and partner in the property advisor Catella Corporate Finance (Estonia). Prior to that, he has served as CEO and publisher of Eesti Päevaleht (2002-2008), editor in chief of Eesti Ekspress (1997-2002), executive board member in Estonian Savings Bank (1993-1997), head of tax policy department in the Ministry of Finance (1992-1993). Mr Aavo Kokk is currently a member of the Super-visory Board of AS Audentes and a member of the Management Board OÜ Synd&Katts.

Harvey Sawikin (born 1960) has been a member of the Supervisory Board of the Company since May 2009. Mr Harvey Sawikin holds degrees from the Columbia University and Harvard Law School, where he was a editor of the Harvard Law Review. He co-founded Firebird in 1994 and is currently a lead manager of Firebird Fund, Firebird New Russia Fund, Firebird Republics Fund and Firebird Avrora Fund. Before founding Firebird, he was a clerk on the U.S. Court of Appeals and an M&A specialist at the U.S. law firm of Wachtell, Lipton, Rosen & Katz. He is a member of the New York State Bar.

Jaakko Karo (born 1962) has been a member of the Supervisory Board of the Company since August 2009. Mr Jaakko Karo graduated from the Helsinki School of Economics in 1986 with M.Sc. (Econ) in finance and international marketing and received a licentiate (Econ) degree in 1996. At present, he is a partner at Cumulant Capital Fund Management, managing Cumulant Capital Northern Europe fund. Previously, he has worked for General Electric (GE) in several Merger & Acquisition projects (2003-2005) and for Instrumentarium Corporation as vice president for global sales and marketing (2000). During 1986-2000, he worked for the global food ingredients group Danisco (previously Cultor Groups) in many senior management positions, including vice president for marketing, vice president for North American operations (Xyrofin Division), group vice president (Nutrition Business Area), vice president and deputy to the president (Danisco Sweeteners), in London and New York.
He has held numerous board memberships in various Danisco, Cultor companies internationally and in various Sanoma-WSOY-subsidiaries: AAC Group (Finland), Interverbum AB, AAC Global AB.

OTHER KEY EXECUTIVE PERSONNEL OF THE GROUP

Pekka Lahtinen (born 1971) has been the production director and a member of management board of Vettel since 2005 and of SMK since 2007. He also serves as board member of SF, ÖF and as a procurator of HK. During 2003-2005, he was the production manager of HK. Mr Pekka Lahtinen has graduated as food technician from Turku University of Applied Science in 1998. He has served as production and quality manager of the Finnish fish and fish products company V. Hukkanen Oy (1995-2003) and in various positions in other Finnish fish or meat processing companies.

Juha Alanen (born 1977) has been a sales director of HK since 2009. Priot to that, he served in HK as a sales representative since 2004, as key account manager 2004-2008 and as sales manager 2008. He is also a procuration holder in HK. Mr Juha Alanen has graduated from Tampere commercial college, specialising in customer services and marketing. During 2000-2004 he was a salesman in fishcompany V. Hukkanen Oy, during 1998-2000 he was a fish department manager in Stockmann´s Seston Etujätti store, during 1996-1998 he worked in fishmongers in covered hall of Tampere).

Margus Rebane (born 1968) has been the CFO of SMK since 2007. He is also the member of the management board of SMK and GH. Mr Margus Rebane has graduated from Mainor Business School in 1998, having specialised in financial management, and from Tallinn Technical University in 1994, having specialised in machine engineering. He has been serving as the managing director and member of the management board (2000-2007) of the provider of galvanised coating OÜ Vasar and in managing positions in various other companies, including AS Frio Tööstus and AS Tööriistavabrik.

Normunds Ozoliņš (born 1965) has been the CEO and chairman of the management board of FFL since November 2007. He has been working for FFL since 2004, when he started as the logistics director, and soon moved to the position of commercial director and became a member of the management board. Mr Normunds Ozoliņš s has graduated from the Latvian University of Agriculture with master's degree in economics. He has been commercial director of Tukuma piens (2002-2004) and Limbazu piens (2000-2002), both of which are among the largest dairies of Latvia. He has advised many Latvian food companies, working as the manager of Centre of Cooperation and scientific researcher and privatization consultant in the Institute of Economics of Agriculture of Latvia.

Andis Kļaviņš (born 1981) is the financial director and the member of the management board of FFL since November 2007. He has been working for FFL since 2004, when he started as the IT manager, and moved to the position of financial analyst and became the member of the management board since 2006. Mr Andis Kļaviņš has graduated from the University of Latvia with the degree in mathematics-statistics in 2004 and from the Riga International School of Economics and Business Administration with the masters' degree in business management. He has previously worked in several IT companies. He is currently a member of the supervisory board of SIA "Rīgas tirdzniecības osta" and a member of the management boards of SIA Aconsults and SIA Latmorporttrans.

Alvydas Malakauskas (born 1975) has been the CEO of KPC since 2008. Prior to becoming the CEO, he was the sales director (2005-2008), regional sales manager (2001-2005) and the director of Alytus department (1999-2001) of KPC. Mr Alvydas Malakauskas has graduated from Alytus Higher Business School in 1999, specialising in business management. Prior to joining KPC, he worked as a manager in R.Cegialis company "Ceromas".

Kristina Daniliniene (born 1980) has been the chief financial officer of KPC from 2009. Ms. Kristina Daniliniene holds the master degree in economy (2006) and bachelor degree in management and business administration (2002) from Vilnius University, Kaunas Faculty of Humanities. She has the Lithuanian professional accountant qualification since 2009. Prior to joining KPC, she has worked as a general financier and accountant in UAB "Linolitas" (2002-2009) and as an administrator-accountant in UAB "Pramoninis servisas".

REMUNERATION AND BENEFITS

At the moment, no agreements are concluded with the members of the Management Board of the Company and the members of the Management Board do not receive remuneration from the Company. However, besides serving on the Management Board of the Company, they also serve as members of the management board in other Group entities and receive remuneration for their services on the basis of board member agreements concluded with respective entities.

As mentioned above, all the members of the Management Board of the Company, except for Mr Andri Avila (Mr Kuldar Leis, Ms. Katre Kõvask and Mr Silver Kaur) serve simultaneously at the management board of PTKH. PTKH concluded written agreements with all three members of the management board on 11 January 2006. The agreements were prolonged on 11 January 2009, after the members of the management board were re-elected to the management board of PTKH. Pursuant to the agreements, each of the members of the management receives a monthly gross salary in the amount of EUR 3,365 (EEK 52,650) since 1 October 2009. If the members of the management board are recalled from the management board, they are entitled for compensation in the sum of their six months' salary. The compensation is not paid if the member will be recalled from the management board due to the breach of duties or conditions set forth in the agreement and legal acts or in case of voluntary withdrawal from the management board. All members of the management board of PTKH must follow a one-year non-competition obligation after the termination of the agreement. If the member will breach the non-compete obligation, PTKH is entitled to claim a penalty fee in a sum of the member's three months' salary.

At the moment, no agreements are concluded with the members of the Supervisory Board of the Company. Four out of six members of the Supervisory Board of the Company do not receive remuneration from the Company. On 17 August 2009, the general meeting of shareholders decided to pay to Mr Vesa Jaakko Karo a monthly remuneration in a sum of EUR 320 (EEK 5,000). On 5 May 2009, the general meeting of shareholders decided to pay to Mr Aavo Kokk a monthly remuneration in a sum of EUR 320 (EEK 5,000).

The aggregate remuneration of the members of the senior management of the Group (incl. members of the Management and Supervisory Boards and the key executive personnel mentioned above) in the financial year ended 31 December 2009 was approximately EUR 914,000 (EEK 14,300,992), including dismissal compensations of EUR 113,000 (1,768,066).

No employees or members of senior management of the Group are entitled to any pensions other than those prescribed by the applicable national laws. Correspondingly, the Group companies do not accrue or set aside any amount to provide pension, retirement or similar benefits.

STOCK OPTION PLAN

In accordance with a decision of the Extraordinary General Meeting of shareholders of the Company dated 15 March 2010, the Supervisory Board of the Company has been granted the right to increase the share capital of the Company approximately by up to 2% of the share capital on the post-Offering basis (i.e. to issue up to 1,000,000 Shares) in order to implement the employee and management stock option plan. Under the stock option plan, certain individuals are granted the right to purchase new Shares of the Company at a price which is determined in accordance with the conditions of the stock option plan to be approved by the Supervisory Board of the Company or the General Meeting of the Company as the case may be post-Offering. The eligibility to exercise rights under the stock option plan is generally related to certain pre-determined objectives which need to be met by each relevant employee or member of the management. Pursuant to the Articles of Association of the Company, the Supervisory Board is entitled to increase the share capital of the Company by issuing up to 1,000,000 as from 1 April 2010 until 1 April 2013. With respect to all participants of the stock option plan excluding the members of the Supervisory Board of the Company, the Supervisory Board will be eligible to decide on the amount of Shares to be issued to each particular employee and other details of the exercise. With respect to the members of the Supervisory Board, the decision concerning their eligibility for the realisation of their rights under the stock option plan is in the competence of the General Meeting of shareholders of the Company.

SHARE OWNERSHIP

Some members of the senior management of the Group hold minority shareholdings in the Company either directly or through companies owned by such members of senior management. The details of the shareholdings of the members of senior management at the date of this Prospectus are summarised below:

Name of the Shareholder	Number of Shares	%
OÜ Footsteps Management (company held by Ms. Katre Kõvask)	485,040	2.0006%
OÜ Freespirit (company held by Mr Silver Kaur)	386,280	1.5937%
Kamakamaka OÜ (company held by Mr Erik Haavamäe)	179,000	0.7402%
Mr Pekka Pentti Olavi Lahtinen	192,360	0.7940%
OÜ Rododendron (company held by Mr Kuldar Leis)	1,295,240	5.3560%

In addition to the ownership of shares in the Company, certain amounts of shares of other Group entities are held by managers of such entities. Namely, the CEO and chairman of the management board of FFL, Mr Normunds Ozoliņš, holds 5% of the shares of FFL pursuant to the share purchase agreement between PTKH and Mr Normunds Ozoliņš, dated 1 November 2007. Please see in more detail under *"Business Overview – Material Contracts"*. Additionally, the member of the management board of GH Mr Indrek Loorens holds 24.3% of the shares of GH.

No other members of senior management or employees of the Group hold any shares in any other Group entities. Neither any employees of the Group nor the members of its management hold any options or other similar rights to acquire Shares of the Company.

CONFLICTS OF INTERESTS AND OTHER DECLARATIONS

The members of the Management or Supervisory Boards of the Company have not had interest in transactions effected by the Company or its subsidiaries, which are unusual in their nature or which contain unusual terms or conditions during the financial years ended 31 December 2008 and 2009 or the current financial year. The companies held by some of the members of the senior management of the Company have entered into consultancy agreements with the Company and therefore, these members may be considered to have potential conflicts of interests between their duties to the Company as members of the managing bodies and their private interests and duties to the companies held by them. For more details see *"Business Overview – Related Party Transactions"*. The Company is not aware of any other potential conflicts of interests between the duties of such members of the managing bodies and their private interests or other duties.

Some of the members of the Supervisory Board of Company (Mr Lauri Kustaa Äimä and Mr Indrek Kasela) provide consultancy services to Amber Trust S.C.A. and Amber Trust II S.C.A., which hold together the majority of shares of the Company. Acting as members of Supervisory Board of the Company is part of their duties towards the majority shareholder.

The Company is not aware of any convictions in relation to fraudulent offences or any official public incrimination and/or sanctions with respect to the members of senior management of the Group, nor were any of such persons in the same period associated with any bankruptcies. Currently, AS Nordic Foods is under liquidation proceedings further to the sale of its operations to AS Põltsamaa Felix at the beginning of 2007. AS Nordic Foods is indirectly owned by the members of the Management Board of the Company and several members of the Management and Supervisory Boards of the Company, namely Mr Kuldar Leis, Mr Silver Kaur, Mr Indrek Kasela, Ms Katre Kõvask and Mr Erik Haavamäe, serve as the members of the managing bodies of AS Nordic Foods. The liquidation is voluntary and has not been triggered by insolvency of AS Nordic Foods.

The Company is not aware that any member of senior management of the Group has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company for the previous five years.

OWNERSHIP STRUCTURE

OWNERSHIP STRUCTURE, MAJOR SHAREHOLDERS

As at the date of this Prospectus, the shareholder structure of the Company is as follows:

Shareholder	**Number of shares**	**%**
Firebird Avrora Fund, Ltd.	638,010	2.6383%
Firebird Republics Fund, Ltd.	535,480	2.2143%
OÜ Footsteps Management	485,040	2.0006%
OÜ Freespirit	386,280	1.5937%
ING Luxembourg S.A., holding the shares of:	20,309,430	83.9827%
Amber Trust S.C.A.	5,381,370	22.2528%
DCF Fund II Baltic States	1,914,520	7.9168%
Amber Trust II S.C.A.	13,013,540	53.8131%
Mr Pekka Pentti Olavi Lahtinen	192,360	0.7954%
Kamakamaka OÜ	179,000	0.7402%
Premia Foods AS	162,020	0.6700%
OÜ Rododendron	1,295,240	5.3560%
Total	**24,182,860**	

All shareholders of the Company have equal voting rights. Prior to the Offering, the Company is controlled by Amber Trust II S.C.A., which holds 53.8% of the shares of the Company. Together with Amber Trust S.C.A., which holds 22.3% of the shares of the Company, Amber Trust II S.C.A. and Amber Trust S.C.A. hold 76.1% of the shares of the Company prior to the offering.

Amber Trust S.C.A. (launched in 2002) and Amber Trust II S.C.A. (launched in 2005) are private equity funds domiciled in Luxembourg and regulated by Luxembourg's *Commission de Surveillance du Secteur Financier*. Danske Capital Finland Ltd. and Firebird Private Equity Advisors LLC act as joint investment advisors with equal rights and responsibilities. The funds' objective is to generate long-term capital gains by making investments primarily in the Baltic States.

The Company currently holds 162,020 its own shares, representing 0.6700% of all the shares of the Company. The Company acquired its own shares in the course of the re-structuring of a loan agreement between PTKH (lender) and AS Nordic Foods (borrower, a company (under liquidation) belonging to Mr Silver Kaur, Ms Katre Kõvask and Mr Kuldar Leis). More detailed information on the transaction has been provided in Section *"Related Party Transactions"*. Under the Estonian Commercial Code, as a general rule a public limited company (in Estonian: *"aktsiaselts"* or *"AS"*) is not allowed to own its own shares with certain exemptions. Namely, a public limited company may own its own shares if (i) this has been resolved by the General Meeting of shareholders of a public limited company, (ii) the amount of shares owned by a public limited company does not exceed 10% of the share capital of a public limited company, and (iii) the acquisition of own shares by a public limited company does not result in decrease of its net assets below the sum of share capital and reserves, which according to law and Articles of Association is not allowed to be paid out to shareholders. Own shares belonging to a public limited company do not carry shareholders' rights attached to such shares. Acquisition of the referred 162,020 own shares by the Company was duly authorised by the General Meeting of shareholders of the Company on 17 August 2009. The acquisition of its own shares by the Company is in compliance with the requirements of the Estonian Commercial Code as described above. In the future, the Company intends to transfer the ownership to its own shares or annul the shares owned by the latter.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company. No person has, directly or indirectly, an interest in the Company's capital or voting rights which is notifiable under the laws of Estonia.

DILUTION

The Offer Shares represent approximately 37.5% of the share capital of the Company immediately after the completion of the Offering provided that the number of Offer Shares does not change from that indicated on the cover of this Prospectus. Following the completion of the Offering, Amber Trust II S.C.A., Amber Trust S.C.A. and DCF Fund II Baltic States will hold approximately 52.5% of the Shares of the Company.

SHAREHOLDERS' AGREEMENTS

As of the date of this Prospectus, the Company is not aware of any existing agreements between the shareholders of the Company on the use of voting rights.

ESTONIAN SECURITIES MARKET

THE NASDAQ OMX TALLINN STOCK EXCHANGE

NASDAQ OMX Tallinn Stock Exchange is the only regulated secondary securities market in Estonia. The owner of the NASDAQ OMX Tallinn Stock Exchange is NASDAQ OMX, Inc.. The NASDAQ OMX Group, Inc. is the world's largest exchange company. It delivers trading, exchange technology and public company services across six continents, with over 3,800 listed companies. NASDAQ OMX Group offers multiple capital raising solutions to companies around the globe, including its U.S. listings market; NASDAQ OMX Nordic, NASDAQ OMX Baltic, including NASDAQ OMX First North; and the U.S. 144A sector. The company offers trading across multiple asset classes including equities, derivatives, debt, commodities, structured products and ETFs.

NASDAQ OMX Group technology supports the operations of over 70 exchanges, clearing organizations and central securities depositories in more than 50 countries. NASDAQ OMX Nordic and NASDAQ OMX Baltic are not legal entities but describe the common offering from NASDAQ OMX Group exchanges in Helsinki, Copenhagen, Stockholm, Iceland, Tallinn, Riga, and Vilnius.

The NASDAQ OMX stock exchanges in Tallinn, Riga and Vilnius form the Baltic Market, the core idea of which is to minimize to the extent possible the differences between the three Baltic markets in order to facilitate cross-border trading and attract more investments to the region. This includes sharing the same trading system and harmonizing rules and market practices, all with the aim of reducing the costs of cross-border trading in the Baltic region.

NASDAQ OMX Tallinn is a self-regulated organisation, issuing and enforcing its own Rules and Regulations consistent with standard exchange operating procedures. NASDAQ OMX Tallinn is licensed and supervised by the Financial Supervisory Authority of Estonia. NASDAQ OMX Tallinn is a member of Nordic-Baltic stock exchange alliance NOREX since April 2004.

NASDAQ OMX Tallinn uses the NASDAQ OMX, Inc. trading system INET, which in addition to U.S. is used by exchanges in Sweden, Finland, Denmark, Iceland, Estonia, Latvia, and in Lithuania as of February 2010.

THE ECRS AND REGISTRATION OF SHARES

The shareholders' registers of all public limited companies (and some private limited companies who opted to register their shares) including those that are traded in NASDAQ OMX Tallinn Stock Exchange are held by the Estonian Central Register of Securities (ECRS). ECRS also keeps book entry records of all securities, pension accounts, registered bonds and all other electronic securities and transaction with the same. This register is maintained by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus that is owned by AS Tallinna Börs and belongs to the NASDAQ OMX Group.

Every individual, regardless of nationality, has the right to open an account with the ECRS, where all securities are registered in book entry form on securities accounts of their owners. All transactions are recorded and can be performed only through account operators. Account operators are either investment companies or credit institutions operating in Estonia, or other certified individuals. In some cases, account supervisor can also be a foreign company. For Shares registered in ECRS, no share certificates are issued.

The amount of information from the ECSR that is available to the public is limited and includes information on the issuer (name, seat and registry code) and the details of securities (type, nominal value and number of shares). Unless Shares are listed on the stock exchange, information about shareholders is not available to the public (except for shareholdings exceeding 10% of the entire share capital that need to be disclosed in annual accounts of companies).

In addition to regular securities accounts, qualified member of the securities market (account holder) can open a nominee account. This account type gives the account holder the right to hold securities on behalf of another person – the client – but in its own name. The client retains the right to dispose of the securities or use its rights as a shareholder of the issuer, though a power of attorney must be obtained for the latter purpose.

LISTING SHARES ON THE TALLINN STOCK EXCHANGE

The Baltic stock exchanges have a common presentation of all listed Baltic companies on a common list, the companies in which are grouped in the lists below. In legal terms, the companies are listed on home market, i.e. the exchange in Tallinn, Riga or Vilnius and supervised by the local financial supervisory authority.

Structure of lists of securities traded in the NASDAQ OMX Tallinn, Riga and Vilnius exchanges:

- Baltic Main List
- Baltic Secondary List
- Baltic Funds List
- Baltic Bond List

BALTIC MAIN LIST

The Baltic Main List is a line-up of all blue-chip companies listed on the Tallinn, Riga and Vilnius stock exchanges. To be eligible for inclusion, a company must have 3 years of operating history, an established financial position, market cap of not less than EUR 4 million, with reporting according to the International Financial Reporting Standards, and a free float of 25% or worth at least EUR 25 million.

BALTIC SECONDARY LIST

The Baltic Secondary List comprises companies that do not meet quantitative admission requirements (free float, capitalization). The admission requirements are not as strict compared with those of the Baltic Main List. The Baltic Secondary List comprises of companies that do not meet quantitative admission requirements (free float, capitalization) of the Main List.

BALTIC FUNDS LIST

The Baltic Funds List contains the investment fund units or shares of collective investment subjects that are listed and traded on the Baltic exchanges in a similar manner as equities.

BALTIC BOND LIST

Baltic fixed-income instruments are presented in a joint Baltic Bond List. The fixed-income instruments include Latvian and Lithuanian government bonds, corporate and mortgage bonds of different maturities. Listing of and trading in fixed-income instruments in possible in both national (EEK, LVL, LTL) and non-national currencies (USD and EUR). NASDAQ OMX Riga and NASDAQ OMX Vilnius has a developed infrastructure for primary placement of new bond issues, which is used by both the Latvian Government and corporate issuers. NASDAQ OMX Riga and NASDAQ OMX Vilnius has a developed infrastructure for primary placement of new bond issues, which is used by both the Latvian and Lithuanian Government and corporate issuers.

TRADING ON THE TALLINN STOCK EXCHANGE

NASDAQ OMX Tallinn, NASDAQ OMX Riga and NASDAQ OMX Vilnius employ the NASDAQ OMX, Inc. trading system INET. All NASDAQ OMX Nordic exchanges as well as Iceland stock exchanges use the same trading system. The trading system has the following features besides the common ones:

- Transactions can be made simultaneously with securities traded on different exchanges;
- Investors' transaction orders can be entered and matched automatically without the direct involvement of a broker;
- Multiple types of transaction orders can be used (limit order, market order, etc.).

Trades on the Baltic stock exchanges may be effected as automatically matched trades or manual trades.

Orders, entered into the order book, participate in the opening call auction at the beginning of the trading session, automatic matching in the trading system during the trading session and in the closing auction conducted after the trading session as a result automatically matched trades could be concluded.

Manual trades are trades, which are concluded outside the order book. A manual trade can be concluded by specifying one of the trade types, which are:

- standard trade concluded on standard market terms during the trading session;
- exchange granted trade concluded pursuant to individual or general authorization from the exchange. Joint authorization of the exchange may be granted to all members for conclusions of a particular type of transactions.

SUPERVISION OF THE TALLINN STOCK EXCHANGE AND OF TRADING ON THE TALLINN STOCK EXCHANGE

The Estonian Financial Supervision (EFSA) is the agency that supervises the NASDAQ OMX Tallinn Stock Exchange under the rules established by the Financial Supervisory Authority Act. The main purpose of the EFSA is not only to ensure reliable and secure operation of the stock market and the financial sector as a whole. In addition to the EFSA, the Listing and Supervisory Committee of the Tallinn NASDAQ OMX Stock Exchange has a specific duty to ensure that the members of the NASDAQ OMX Tallinn Stock Exchange comply with applicable rules and regulations.

Transactions that can unfairly alter the price of a security (e.g. transactions based on inside information or manipulating the market) are strictly prohibited. All suspicious transactions must be notified by the NASDAQ OMX Tallinn Stock Exchange to the EFSA immediately.

DISCLOSURE OF INFORMATION ABOUT TRANSACTIONS AND SHAREHOLDERS

Whenever a person acquires (directly or indirectly, alone or in concert with a third party) 5%, 10%, 20%, 33%, 50% or 66% of all shares issued by one public limited company, such person must inform the Estonian Financial Supervision Authority (EFSA), the public limited company and the account holder about the number of shares obtained from the transaction. These same rules also apply to the investor whose shareholding falls below any of the same levels. Exceptions to the above requirements may be granted by EFSA alone. The same requirement applies to holders of nominee accounts, who must report to the EFSA when a particular account exceeds or falls below the above-mentioned thresholds.

It is prohibited to enter into agreements concerning Shares of a public limited company that restrict free transfers in the market or have a significant impact on the price of a security, and the public limited company involved in such transactions must report to the EFSA.

In addition, the Rules of the Tallinn Stock Exchange include certain specific regulations related to transactions entered into by an issuer and involving its own securities.

ABUSE OF THE STOCK MARKET

According to the Securities Market Act, abuse of the stock market is defined as either mishandling of inside information or manipulating the market. Provisions of the Securities Market Act relating to disclosure of confidential information also apply to securities that are not traded in the Estonian Stock market or in any of the Member States of the European Economic Area, but whose value depends on the financial instruments traded on those markets.

According to the Estonian Securities Market Act, "insider information" is defined as specific information that directly relates to the issuer or its securities. Among numerous other things, this includes information on operations and future prospects of the issuer, insofar as not yet officially disclosed. When such information is made public, there is an increased risk of fluctuations in the price of the relevant security and related derivative instruments. There are certain specific rules in the Securities Market Act that help established if a particular piece of insider information can be released or not.

Insider information can only be possessed by "insiders". As defined in the Securities Market Act, an insider is a member of the management of the issuer, a person who obtains access to insider information in discharge of his/her professional duties or a shareholder with over 10% stake in the issuer, as well as certain third persons such as friends and relatives who knowingly obtain insider information from the insider.

Insider information is usually regarded to be misused when used as basis for transactions (or as basis for advise to third parties) or disclosed to the public. The Estonian Securities Market Act establishes a number of administrative offences related to insider information that are punishable with fines of various gravity.

In order to reduce the risk of the abuse of insider information, each issuer whose shares are listed on the Stock Exchange is required to establish internal information rules, extending to individuals which are related to the issuer. The connection can be directly through the issuer, through its subsidiary, or through its parent undertaking.

It is also forbidden that members of the management, officials of the company, or individuals related to them use insider information for their personal benefit. It is illegal to take advantage of the short-term price changes and trade during time periods when trading is not accessible to other members of the market. Exclusions to these rules can only be made by the Listing and Supervisory Committee of the Tallinn Stock Exchange.

Since the Tallinn Stock Exchange has complete control over the Estonian stock market, the ECRS must provide it with information about all the trades taking place on the market. Besides guaranteeing the secure functioning of the market, this also helps detect and avoid illegal trading on the basis of insider information.

OBLIGATORY TAKEOVER BID

An obligatory takeover bid must be made by a shareholder who, acting alone or in concert with others, gains dominant control over a company whose shares are listed on the NASDAQ OMX Tallinn Stock Exchange.

According to the law, dominant control is obtained when a person: (i) owns over 50% of the votes represented by shares, or (ii) as a shareholder of the company, has the right to assign or recall a majority of the Management Board or Supervisory Board of the company, or (iii) as a shareholder of the company, controls at least 50% of the votes represented by shares on the basis of an agreement entered into with other shareholders.

A person acquiring dominant control over a listed company has to make a mandatory takeover bid for all the outstanding shares of the company within 20 days. Only in special cases, the Estonian Financial Supervision Authority can make exceptions to the above rule.

TAXATION

GENERAL INFORMATION

The general principles of corporate and industry-specific taxation in the relevant jurisdictions are summarised below. Information for Estonia includes a more detailed description of corporate, capital gains and individual taxation on account of the Company being an Estonian resident Information for other jurisdiction is limited to the extent that local taxation rules any affect the results of operations of the relevant Group entities and the Group.

The section dealing with the Estonian tax system is meant to give an overview of the tax regime applicable to the Company and its shareholders, including the taxation of dividends and capital gains as applied to the dividends paid out and Shares issued by the Company. The sections dealing with other jurisdiction are included to give an overview of the tax regime in which the subsidiaries of the Company operate and are of no relevance with respect to distributions made to or capital gains realised by the Company's shareholders. Note that the below summary is in no way exhaustive and is not meant to constitute professional advise to any person. In order to establish particular tax consequences of the Offering or the ownership of Shares, each individual investor is strongly encouraged to seek specialist assistance.

ESTONIA

CORPORATE INCOME TAX

The system of corporate earnings taxation currently in force in Estonia is a unique system that shifts the point of corporate taxation from the moment of earning the profits to the moment of their distribution. Corporate income tax is charged on profit distributions such as dividends, payments in the course of a reduction of the share capital and redemption of own shares and implicit distributions (i.e., fringe benefits, gifts and donations, as well as expenditures and payments not related to the business activities of the Company).

All of the above profit distributions are taxed at a rate of 21/79 of the net distribution, which amounts to 21% of the gross amount of the distribution. Corporate income tax imposed on distributed profits is not a withholding tax and thus is not influenced by the applicable international tax treaties. The Company is responsible for calculating and paying the corporate income tax as described above.

TAXATION OF DIVIDENDS

Dividend payments made by Estonian resident companies are not subject to withholding tax in Estonia but instead are taxed with the corporate income tax on distribution as described under sub-section *"Taxation - Corporate income tax"* immediately above. Dividend payments are subject to corporate income tax irrespective of the residence of the recipient or whether the recipient is a legal person or individual.

However, in certain limited cases Estonian companies are exempt from income tax on dividends. In particular, dividends are not subject to income tax, in case the income underlying the dividends is from dividends received from a company which is a resident taxpayer in an EEA member state or Switzerland (except off-shore territories), and provided that the Estonian company owned at the moment of receiving the dividends at least 10% of votes in the subsidiary (measure for avoidance of economic double taxation).

CAPITAL GAINS, TAX CONSEQUENCES OF SALE OR EXCHANGE OF SHARES

Income tax at the rate of 21% will be charged on gains realized by Estonian resident individuals upon sale or exchange of Shares. Since earnings of resident legal persons, including capital gains, are taxed only upon distribution, capital gains realized by resident legal persons are not subject to immediate taxation.

Income tax is charged on capital gains realized by non-residents from the sale or exchange of shares in an Estonian company only in very specific circumstances. Namely, income tax at the rate of 21% is charged in case of sale or exchange of at least 10% of Shares in a company of whose property, at the time of transfer or during certain period within two years immediately preceding the transfer, more than 50 per cent of the company's assets was directly or indirectly made up of immovable or structures as movables, which are located in Estonia.

At the moment, the Company does not meet the above criteria and thus the non-resident shareholders selling or exchanging their Shares will be exempt from Estonian income tax.

For the purposes of capital gains taxation, the gain derived from the sale of shares is the difference between the acquisition cost and the selling price of the sold shares. The gain derived from the exchange of shares is the difference between the acquisition cost of shares subject to exchange and the market price of the property received as a result of the exchange. A shareholder has the right to deduct certified expenses directly related to the sale or exchange of shares from the shareholder's gain.

Taxation of the payments made in the course of a reduction of the share capital of the Company, and in the case of redemption of its shares is similar to the taxation of dividends as described under sub-section *"Taxation - Corporate income tax" above.* Such payments will be taxed (at rate 21/79) at the corporate level to the extent exceeding the monetary and non-monetary contributions made before into this company.

PLAN OF DISTRIBUTION

RELATIONS WITH THE GLOBAL LEAD MANAGER

Swedbank AS as the Manager of the Offering is acting as the Global Lead Manager and book-runner of the Offering.

The Global Lead Manager has from time to time performed investment banking and advisory services for the Company for which they have received customary fees. The Global Lead Manager may, from time to time, engage in transactions with the Company and perform services for the Company in the ordinary course of their business.

EXPENSES OF THE ISSUE

The Management estimates that the Company's portion of the total expenses of the Offering will be approximately EEK 9.4 million (EUR 0.6 million), including the Company has agreed to pay to the Global Lead Manager a commission equal to 2.25 % of the Offer Price per each Offer Share. Therefore, in connection with this Offering, the Global Lead Manager will receive total commissions of approximately EEK 4.73 million (EUR 0.3 million) based on the mid-point of the Offer Price Range and assuming that the number of Offer Shares is not changed. The Company has also agreed to reimburse the Global Lead Manager for certain expenses and indemnify them against certain losses and liabilities arising out of or in connection with the Offering.

GEOGRAPHIC DISTRIBUTION

The Global Lead Manager proposes to market the Offer Shares in the course of the Institutional Offering at the Offer Price outside the United States in reliance on Regulation S to qualified institutional buyers. In addition to institutional investors internationally, Offer Shares will be marketed in a public offering (Retail Offering) in Estonia.

The Offer Shares have not been and will not be registered under the United States Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. In addition, until 40 days after the commencement of this Offering, an offer or sale of Shares within the United States by a dealer that is not participating in this Offering may violate the registration requirements of the Securities Act.

ALLOCATION TO EMPLOYEES AND MANAGEMENT

The members of the Supervisory Board and the Management Board of the Company and its employees may receive preferential allocation of Offer Shares in connection with the Offering. The Members of the Management Board (or the Supervisory Board) of the Company and employees of the Company or their relatives may choose to purchase Offer Shares at their own discretion. For more information on the preferential allocation to employees and Management, please see "Terms and Conditions of the Offering – Conditions" above.

LOCK-UP

Except for the Offer Shares, the Company and its shareholders have agreed that, without the prior written consent of the Global Lead Manager, none of such persons will issue, offer, sell, contract to sell, or otherwise dispose of any Shares owned by them at any time or any securities convertible into or exercisable or exchangeable for Shares, or enter into any swap or other agreement or any transaction to transfer the economic consequence of ownership of the Shares, or publicly announce an intention to effect any such transaction, during the period commencing on the date of this Prospectus and ending 360 days after the commencement of trading in the Shares on the NASDAQ OMX Tallinn Stock Exchange. However, lock-up does not apply to any Shares that the Company may issue and sell pursuant to any employee stock option plan, stock ownership plan or dividend reinvestment plan.

DETERMINATION OF THE OFFER PRICE

Prior to this Offering, there has been no public market for the Shares. Consequently, the Offer Price for the Offer Shares will be determined by negotiations between the Company, its shareholders and the Global Lead Manager. Factors relevant to the determination of the Offer Price include the results of operations of the Company, its current financial conditions, future prospects, markets, the economic conditions in and future prospects for the industry in which the Company competes, its management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly-traded companies considered comparable to the Company. For more information on the determination of the Offer Price, please see *"Terms and Conditions of the Offering – Conditions"* above.

OFFERING AND TRANSFER RESTRICTIONS

GENERAL OFFERING AND TRANSFER RESTRICTIONS

This Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law. No action has been or will be taken in any jurisdiction other than Estonia, Latvia and Lithuania where action for that purpose is required, which would permit a public offering of the Shares or the possession, circulation or distribution of this Prospectus or any material relating to the Shares offered hereby. Accordingly the Shares may not be offered, sold, resold, allotted or subscribed to, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any other country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Subject to certain exceptions:

- the Shares may not be offered, sold, resold, granted, delivered, subscribed to, allotted, taken up, transferred or renounced, directly or indirectly, in or into any jurisdiction in which it would not be permissible to offer such Shares (referred to as the *"Ineligible Jurisdictions"*);
- this Prospectus may not be sent to any person in the Ineligible Jurisdictions;

Subject to certain exemptions, custodians are not permitted to send this Prospectus or any other information about the Offering into any Ineligible Jurisdiction.

Subject to certain exemptions, Subscription Undertakings or instructions sent from or postmarked in any Ineligible Jurisdiction may be deemed to be invalid. The Company reserves the right to reject any Subscription Undertaking (or renunciation thereof) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, renunciation, subscription to or delivery of Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction, or who appears to the Company or its agents to have submitted its Subscription Undertaking, or dispatched it from, an Ineligible Jurisdiction.

FOR SHAREHOLDERS IN THE UNITED STATES

The Shares have not been and will not be registered under the Securities Act of 1933 (the "Securities Act") or under the securities laws of any state of the United States and, accordingly, may only be offered, sold or allotted in the United States only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Any person in the United States who obtains a copy of this Prospectus is requested to disregard the contents of this Prospectus. In addition, until the expiration of 40 days after the later of commencement of the Offering or the closing date, any offer or sale of the Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act, unless such offer or sale is made pursuant to an exemption from, in a transaction not subject to, such requirements.

Each purchaser of the Shares purchasing such Shares in accordance with Rule 144A will be deemed to have represented, agreed and acknowledged that the purchaser is a qualified institutional buyer and is aware that the sale of the Shares to it is being made in reliance on Rule 144A and such acquisition will be for its own account or for the account of a qualified institutional buyer.

In making its decision to purchase the Shares, the purchaser understands and acknowledges that:

- it has made its own investment decision regarding the Shares based on its own knowledge;
- it has had access to such information as it deems necessary or appropriate in connection with its purchase of the Shares;
- it has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated independently, the merits, risks and suitability of purchasing the Shares; and
- the Shares have not been, nor will they be, registered under the Securities Act and may not be re-offered, resold, pledged or otherwise transferred except (1) (A) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (2) in accordance with all applicable securities laws of the states of the United States.

FOR SHAREHOLDERS OUTSIDE THE UNITED STATES

Each purchaser of the Shares offered, sold or allotted in reliance on Regulation S will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- the purchaser or the subscriber (i) is, and the person, if any, for whose account it is acquiring such Shares is, outside the United States, and (ii) is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- the purchaser or the subscriber is aware that the Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on Regulation S;
- the Company shall not recognize any offer, subscription to, sale, pledge, or other transfer of the Shares made other than in compliance with the above-stated restrictions;
- the Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S under the Securities Act; and
- the purchaser or the subscriber acknowledges that Company and its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.

INDEX TO FINANCIAL STATEMENTS

Historical financial information presented below has been duly audited.
The following financial statements have been annexed to this Prospectus:

- 2009 Consolidated Annual Report of the Company;
- 2008 Consolidation Table
- AB Premia KPC Consolidated and Company's Financial Statements for the Year ended 31 December 2008;
- AB Premia KPC Consolidated and Company's Financial Statements for the Year ended 31 December 2007;
- Consolidatation Group Annual Report of AS Saaremere Kala for the period 1 July 2008 – 30 September 2009;
- Consolidatation Group Annual Report of AS Saaremere Kala for the Financial Year ended on 30 June 2008;
- Consolidatation Group Annual Report of AS Saaremere Kala for the Financial Year ended on 30 June 2007.

AS PREMIA FOODS
2009 CONSOLIDATED ANNUAL REPORT
(translation from Estonian original)

Business name:	**AS PREMIA FOODS**
Reg. code	11560713
Location:	Betooni 4, Tallinn, 11415
Phone:	+372 6033-800
Fax:	+372 6033-801
E-mail:	premia@premia.ee
web:	www.premiafoods.eu
Main areas of activities:	Production of ice-cream Wholesale of food products Production and sale of fish products Fish farming
Reporting period:	1 January 2009 – 31 December 2009
Auditor:	Alliot Kangust OÜ

CONTENTS

COMPANY OVERVIEW

AS Premia Foods was established in Estonia in December 2008 by Premia Tallinna Külmhoone AS with the purpose of creating a holding company for the group consolidating various food companies, including the ice-cream, frozen food and fish business lines, while having production and sales operations in 5 countries. Today, operating in the Baltic States as well as in Finland and Sweden, the Group has become influential company, known for its highly valued and appreciated consumer brands.

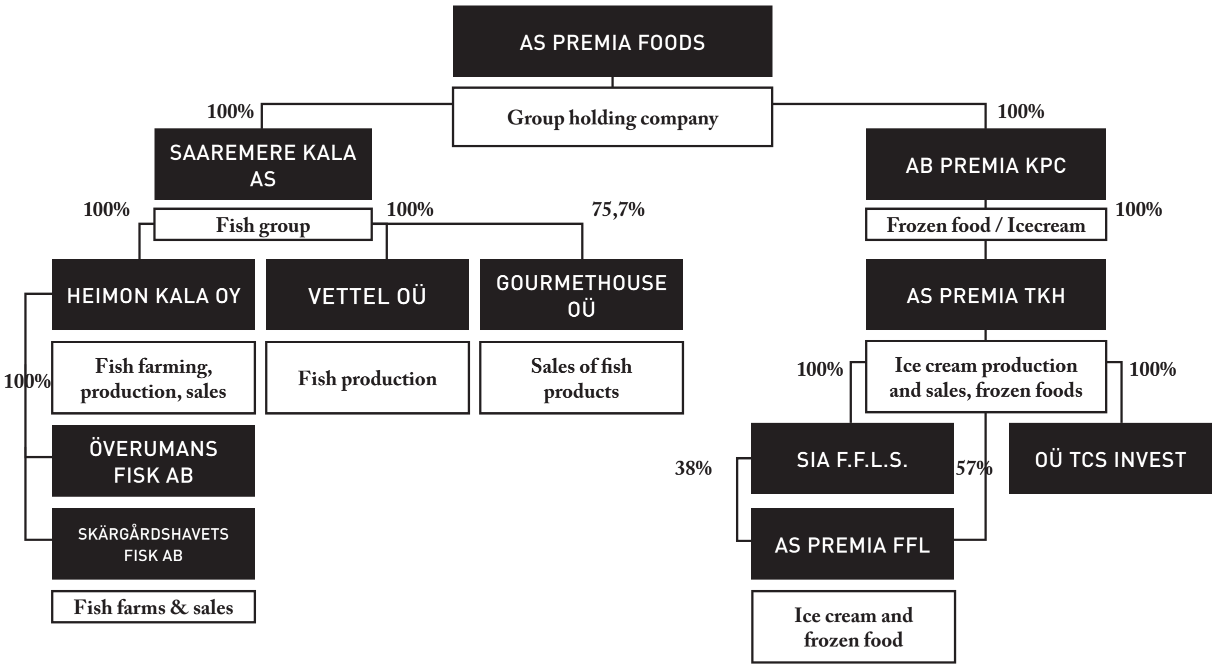
The flagships of Premia Foods are Premia, Väike Tom, Vau, Heimon Gourmet, Saaristomeren Kala, Maahärra, Põhjatäht, Regatt, Natali, Bueno!, Polar Fish and others.

As of 31 December 2009 the number of employees of the Group was 581, as of 31 December 2008 – 647.

The contact details of Premia Foods are as follows:

AS Premia Foods
Betooni 4, Tallinn 11415, Estonia
Phone: +372 603 3800
Fax: +372 603 3801
E-mail: premia@premia.ee
web: www.premiafoods.eu

Premia Foods Group chart:



The owners of AS Premia Foods are international investment funds Amber Trust S.C.A. and Amber Trust II S.C.A., DCF Baltic States, Firebird Republics Fund, Firebird Avrora Fund and the company's management.

STATEMENT OF THE CHAIRMAN

At the beginning of the year two food companies were merged: AB Premia KPC, acting with its subsidiaries primarily in the Baltic States and dealing with distribution and sales of frozen foods and production and sales of ice-cream, and Saaremere Kala AS, operating in Finland, Sweden and Estonia with fish farming, processing and selling. For managing those merged companies, a holding company AS Premia Foods, managed from Tallinn, was created.

Merging two strong groups of companies with long historical background, created one of the biggest and unique food businesses in Baltic States, Finland and Sweden, which has the ability and the team to develop further with its diversified portfolio in existing Baltic and Scandinavian markets as well as in North-Western Russia.

The team of Premia is one of the highest values in our company. Consisting of various nationalities and cultural backgrounds, we are able to maximize the best experiences of those people in order to bring the brands close to customers' hearts. Great team and good team spirit is a value that can not be directly expressed in balance sheet rows, but reflects very well in our results also in year of big economic crisis as 2009 was.

Difficult global economic situation is influencing both businesses and customers and there are a few of companies, which enjoyed turnover and profit growth in 2009. Food products consumption went through a smaller drop than the economy as a whole, but still there was decline in consumption. Hence also turnover of Premia Foods showed a decrease and the turnover of 2009 was 1.1 billion Estonian kroons (68.7 million EUR) compared to 1.2 billion EEK (77.3 million EUR in 2008) [1]. But in contrast to the overall economy, which mainly talked about decline in profits, Premia Foods was able to earn an annual profit instead of loss in 2008. Net profit of 2009 was 10.8 million EEK (0.7 million EUR), while in 2008 company's loss was 24.1 million EEK (1.5 million EUR).

The most stable market situation is in Finland, where Premia Foods is selling mainly packed chilled and frozen fish, the turnover remained stable compared to the period a year ago. In Finland, fish products consumption per capita is very high. The trend of increase in sale of bulk fish in 2009 is noticed and in the market was some deficiency of cheaper fish at the end of the year and slight increase in prices in relation with diseases in Chilean salmon farms. But as 40% of the amount of fish required for our products Premia Foods farms itself, we are also less affected by the increase in fish prices. Finnish food consumption was also positively affected by lowering foods VAT from 17% to 12% in October 2009. In July 2010, the VAT on food will be increased to 13%, but also a similar tax will be applied for HoReCa sector (hotels, restaurants, catering), which should give a boost to consumption in this sector. And for Premia Foods it means good news, because developing specific HoReCa-sector products was one of the main targets already in 2009. In 2010, development of new products to the retail market and also development of Heimon Gourmet brand, our flagship in Finnish market, are the key areas for Premia Foods.

Estonia in 2009 had background of decreasing economy and this has made consumers very conservative and dependent of price campaigns. Only in the end of the year 2009 the anticipation of Euro started to grow and the notes of optimism is felt that the second half of 2010 the economy could start to rise. Unemployment rate growth to 15% by the end of 2009 has decreased consumption a lot and biggest downfall has been with consuming of products with bigger added value and average and above-average price level. From Premia products it bears most on expensive ice-creams and frozen products like french fries, vegetables and pizzas. However, the fall is less noticeable in dumplings and in other semi-finished products. Thanks to its powerful trademarks and high-quality products behind those marks, we have been able to maintain our market share in the conditions of declining market and fallen prices. Compared to a year ago, we are especially glad with increased sales of our frozen products trademark Maahärra and with recently launched new pan-Baltic trademark Bueno! It is expected that the market shares will be continuously rearranged in the 2010 and stronger companies will benefit from this. On the other hand the competition increase between retail chains is expected and it also increases pressure on producers across the Baltics, which will lead to campaign price fall and retail chains increase the share of private label products.

Latvia was the cause of concern in the Baltic States in 2009 and the situation continues this year as well. Unemployment rate has reached 20% and regular consumers can be impressed only with campaign prices. In comparison to 2008 our turnover in Latvia dropped by 35%, which was in the same time less than the decline on the whole food market there. The number of bankruptcies has risen drastically in Latvia. In order to survive, the producers in a difficult economic situation make reduced-price offers, which will abnormally lower the price level of the whole market respectively. At the same time, according to the data of AC Nielsen, we have managed to increase especially the market share in ice cream market in Latvia from 14% to 17% and this has been possible due to the strong brands and good distribution in the whole Latvia, which means continuing on the leading position in frozen goods market there.

Lithuanian market is characterized by a stabile sales turnover in comparison to the year before, which indicated increase in market share as the whole food market of Lithuania was decreasing. Although we may feel content with the increase of market share

1 As the holding company Premia Foods was founded in December 2008, the comparison of financials of 2008 is presented on pro forma basis, i.e. the consolidated data for entities AB Premia KPC and Saaremere Kala AS.

up to 19% and thus having reached the point of sharing the first place in ice cream market, it is still overshadowed by the ever increasing price war and the decrease of pressure towards producers due to tight competition between retail chains. Lithuanian market is characterized by vast fragmentation of the sellers of both ice cream and frozen products, as there are a lot of small companies and distributors. The assortment of products in Lithuania is the most diverse of the Baltic States and differs by retail chains, because Poland as a neighboring country with its devalued zloty has allured the Polish producers to the Lithuanian market. For years the Lithuanian consumer has been the most disloyal to domestic products, as only a few strong local brands, including Premia's flagships there, have been consistently successful.

The significant events of 2009 for Premia and expectations in 2010 are as follows:

- We began to exploit the advantages of our various markets, intending to take the know-how obtained from the Baltic States, the brands and products to the Scandinavian countries and vice versa. We are one of the few food concerns in the area who can make it possible.
- We will launch the sales of chilled fish products in the Baltic States under the new brand name Viking. The products come from our Saaremaa factory Vettel and present a large challenge for our companies in the Baltic States, who for the first time in the history of Premia launch the sale of chilled products under their own brand name on the retail market.
- In Finland we started in 2009 and in 2010 we will continue powerful development in the HoReCa sector, which offers us plenty of challenges for expanding the sale of fish products.
- 2009 was the year of reducing expenses in the Baltic States, including cuts in salaries. In 2010 a slight increase in the price of raw material of ice cream is foreseen, which means that production must increase its efficiency further on.
- In Finland the year 2009 also marked the era of reorganization of production and logistics, which will be completed during 2010. Increase in efficiency is the goal here.
- In April 2010 the electricity market will open, which means the status of a large-scale enterprise for our three units in Estonia and an increase in the cost of electric power by approximately 40%. This will respectively force us to increase efficiency in all units even more.
- In 2009 we introduced the new economic software Navision 5.0 in Premia Tallinna Külmhoone, Estonia; the same will take place in Premia FFL, Latvia in April 2010 and after that in Premia KPC, Lithuania.

Premia Foods was established during a very interesting time - at one hand the recession harms many companies, on the other hand, in the long perspective, it gives a chance for solid companies to grow. The crisis will front the strong businesses and Premia Foods is assuredly one of them.

It is our team's goal to become the leading frozen and chilled food product production and sale group in the Baltic, Scandinavia and North-West region of Russia.

Thank you all - customers, clients, employees and partners for exciting year 2009! 2010 means for Premia Foods a plenty of challenges and entering into new markets and I promise on behalf of Premia Foods to present many surprises this year.

Kuldar Leis
Chairman of the Management Board
AS Premia Foods

MANAGEMENT REPORT

Year 2009 showed us difficult times in all markets. Cutting costs, increasing efficiency and reviewing business logics on all markets were natural part of everyday life. It is clear that crisis makes the selection and strong ones survive. Premia Foods was established in most difficult times, but thanks to maximization of synergies, cutting costs and great team spirit, the company was able to earn profit and increase its EBITDA level.

At the same time, Premia Foods continued to pay full attention to the products quality by amending HACCP in all production sites as well as carefully quality-wise selecting the co-operation partners of raw materials for its brands.
The year of crises provided the company a unique experience of adapt quickly to the changes on the markets and maximising all outcomes, including economical results of it.

PERFORMANCE RESULTS

Net sales of the Premia Foods Group in 2009 were 1,075.0 million EEK (68.7 million Euros), of which export amounted to 67% or 718.8 million EEK (45.9 million Euros). Net profit for the period was 10.8 million EEK (0.7 million Euros).

KEY FINANCIAL RESULTS AND PERFORMANCE INDICATOR

indicator	formula	2009 EEK mln	2009 EUR mln
Sales		1,075.0	68.7
Gross profit		278.2	17.8
EBITDA	earnings before financial items, tax, depreciation & amortization	97.1	6.2
Net profit		10.8	0.7

indicator	formula	31.12.09 EEK mln	31.12.08 EEK mln	31.12.09 EUR mln	31.12.08 EUR mln
Net debt		289.7	308.5	18.5	19.7
Equity		434.1	425.9	27.7	27.2
Total assets		983.1	1,028.3	62.8	65.7
Gearing (%)	[net debt / (net debt + equity)]	40	42	40	42
Current ratio	[current assets / current liabilities]	1.2	1.1	1.2	1.1

indicator	formula	2009
gross margin (%)	[gross profit / net sales]	25.9
ebitda margin (%)	[EBITDA / net sales]	9.0
EPS (EEK)	[profit attributable to equity holders/average number of shares]	8.19
EPS (EUR)	[profit attributable to equity holders/average number of shares]	0.52

GROUP COMPANIES

The companies belonging to the Group are as follows:

1. Saaremere Kala AS – holding company that covers:
   Heimon Kala Oy – fish farming, production and sale of fish products in Finland;
   Vettel OÜ – production of fish products in Estonia;
   Gourmethouse OÜ – sale of fish products in Estonia;
   Överumans Fisk Ab – fish farming and sales in Sweden;
   Skärgårdshavets Fisk Ab – fish farming and sales in Sweden.

2. AB Premia KPC – sale of ice cream and frozen food products in Lithuania
   Premia Tallinna Külmhoone AS – production and sale of ice cream, sale of frozen food products in Estonia
   AS Premia FFL – sale of ice cream and frozen food products in Latvia
   SIA F.F.L.S. – holding company in Latvia
   TCS Invest OÜ – holding company for expansion to Russia.

MACROECONOMIC ENVIRONMENT

The economic environment of 2009 was the most difficult in the last 10 years. Consumption of food products on the markets of Premia Foods decreased 10-20% in comparison to 2008 and remained on the same level only in Finland, where Premia Foods managed to found ways for increasing sales, though also Finnish market was experiencing depression. The situation in Latvia is the most complicated of all the markets Premia Foods is operating in.. Average prices of food products decreased in addition to their quantities in the Baltic States – 10% on average in the ice cream and frozen food sector. Consumption decreased less in the sector of cheaper products. The decrease in the sales price of products was compensated by the decrease in raw material prices on the world market and salary cuts as well as other cuts in costs in all group companies. The situation in the financial sector remained complicated in 2009 with companies finding it increasingly harder to get financing from banks and their payment discipline suffering as a result. The pressure of retail chains in order receiving better conditions from producers can be expected to increase in 2010, which means that weaker producers will either go bankrupt or get bought up.

OPERATING SEGMENTS

The Group's primary segment reporting format is business segments and secondary segment reporting format is geographical segments. Following three primary segments are distinguished:

"Ice cream" – production and wholesale of ice cream;
"Frozen food" – wholesale of frozen food products;
"Fish" – fish farming, production and wholesale of fish and fish products;

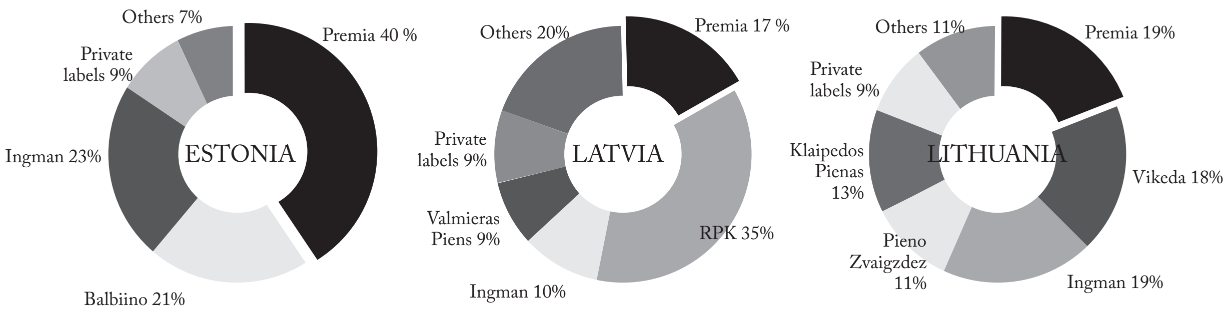
In 2009 Fish contributed 43%, Frozen food 33% and 23% ice cream 23% of Group's total sales.
Other services and sales constituted 1%.

ICE CREAM

FROZEN FOOD

FISH AND FISH PRODUCTS

ICE CREAM



Source: AC Nielsen June-July 2009 value share, management estimation

The combined market size of the Baltic ice cream market is, according to management estimation 73 million Euros (at wholesale prices). Premia's estimated market share is 24%. Ice cream consumption per capita is 8l in Estonia, 6l in Latvia and 5l in Lithuania. Consumption in these markets can be characterised by high seasonality, varying up to 6 times between winter and summer. The markets have fairly intensive product development and large variety of brands from all producers on those markets, also close to 10% of the market is owned by retailers' private labels.

Compound annual growth rate of the market during past 4 years has been 3-5%, though during 2009 the decline was up to 15% on Baltic markets, because of economic crisis.

Year 2009 was a year of increased price campaigns in all Baltic markets, people became more dependent on the decreased price levels. Premia was able to sustain or even increase value market shares in all three countries and continued its ice cream exports to Finland under private labels and to Russia under Premia brand. Premia continues as leading ice cream supplier in the Baltic States.

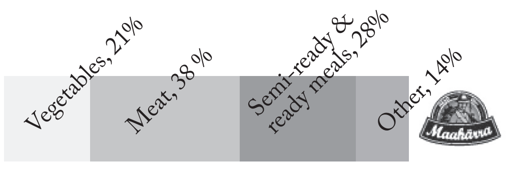
FROZEN FOOD

The relative competitive advantage of the Group is its pan-Baltic presence by having key areas within the company - both deep frozen distribution and sales services.

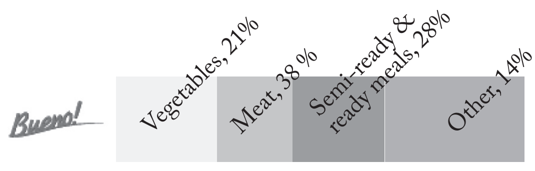
Premia's success bases on strong local and pan-Baltic brands as well as strong overall portfolio of distributed brands. Leading own brands are Maahärra in Estonia, Natali in Latvia and Bueno! and Polar Fish in pan Baltic level. Also, the famous trademarks like Aviko, Esva, Hortex, Felix and others are Premia's partners in the Baltic States as Premia is able to offer outstanding sales and distribution frozen goods' services in all those countries.

Nearly half of the Group's frozen foods sales revenue is earned from Estonia, 38% from Latvia and 14% from Lithuania. The portfolio of frozen goods covers the whole range, starting from vegetables and ending with pastries, also covering frozen fish and meat products for both retail and HoReCa markets.

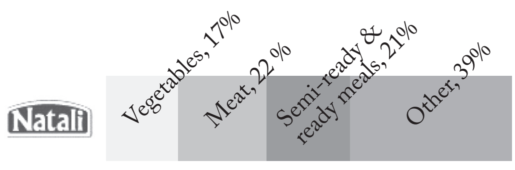
ESTONIAN FROZEN FOOD PORTFOLIO



LATVIAN FROZEN FOOD PORTFOLIO



LITHUANIAN FROZEN FOOD PORTFOLIO



The market of frozen food is in development phase, facing very active product and brand development in order to meet the change in consumers' demands due to the change in their lifestyles. Though year 2009 showed decline in consumption of more expensive products like French fries or pizzas, the share of dumplings and some other local specialities in semi-ready products' range was growing. Premia's portfolio covers premium, mainstream and cheap segments of all frozen foods categories and therefore the company is able to react quickly on changes in consumption behaviour caused by changes in economical environment or lifestyle

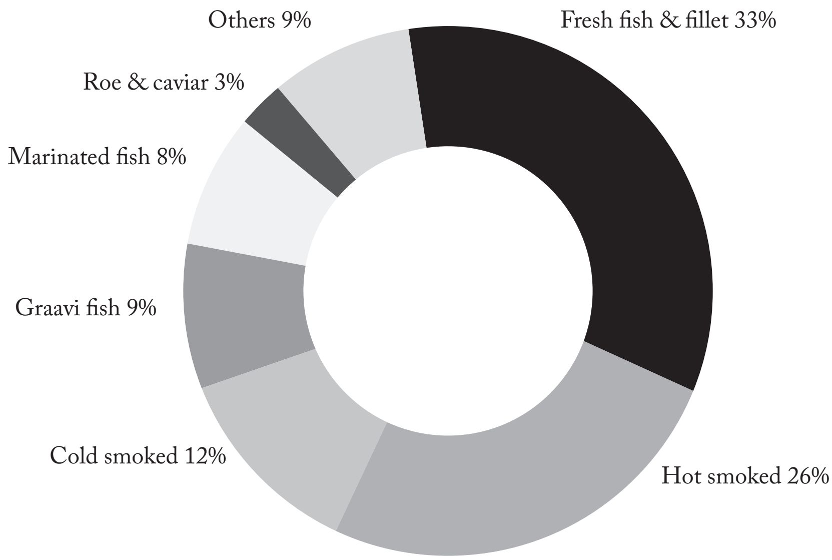
FISH SEGMENT

Premia's main market for fish and fish products is Finland, followed by Estonia and Sweden.

Size of chilled fish retail market in Finland is approximately 155 million Euros and Premia's share is 24 m EUR of it. Premia's flagship brand in mentioned segment is Heimon Gourmet, which was also face lifted in the end of 2009, when modern look and easy-open packages were introduced in Finnish market. Retail market in Finland remains top priority and as packaged fish products makes 80% of sales in chilled fish market in Finland; improvements in branding and packaging were long awaited.

Last year was successful for Saaremere Kala AS, who managed to increase its sales even in depressed market conditions; Fish sales increased in all operated markets.

Thanks to vertical integration in fish line, Premia is more flexible in supplies of raw fish as well as less affected by the fluctuations of the prices of salmon and trout prices in the world. Today, 40% of fish need for production comes from Premia Foods' own fish farms.



In Estonia, Premia is selling mainly fresh raw fish to retail chains. In total 43% of Premia's turnover comes from fish line, which clearly makes the development of this product group very important for the company.

Secondary segment reporting format is geographical segments

ESTONIAN MARKET

According to the preliminary data of Statistics Estonia the retail sales in 2009 was 54.9 billion EEK (858 million Euros). and in constant prices the retail sales decreased by 15%, whereas the retail sales of food products decreased by 8% in the same time.

On the Estonian market, the companies of Premia Foods mainly sell ice cream and frozen food products, but the share of fish products in sales has also been increasing gradually. The market share of ice cream produced in the Tallinn plant under the Premia umbrella-trademark according to research company ACNielsen as of June and July 2009 was 40% in Estonia, which makes it a strong market leader. People in Estonia consume approximately 8 litres of ice cream per person per year and the market volume has been going up gradually.

Premia Tallinna Külmhoone also holds a 40% market share in respect of frozen food products. Consumption decreased in the last year due to the economic situation, especially in respect of more expensive product groups such as deep frozen French fries and some frozen vegetables and pizzas. In the same time cheaper products as dumplings, cheaper vegetables and cheaper minced meat remained on their usual levels with their sales volumes.

Gourmethouse OÜ is the main seller of the group's fish products in Estonia. Fresh chilled salmon, trout, etc., are the top sellers. Sales of fresh fish have increased constantly in recent years whilst consumption of packaged fish products per person is considerably smaller than in Nordic countries.

The most famous brands Premia has on Estonian market are Premia, Väike Tom, Regatt, Vau, Põhjatäht, Maahärra, Bueno, Gourmet, PolarFish, etc., on the Estonian market.

LATVIAN MARKET

Products of the Premia Foods Group are sold in Latvia by Premia FFL that has an office in Riga and a warehouse in Smarde and the main products sold are frozen products and ice cream, sales of chilled food products and fresh fish make minor part of the business. The retail market share of Premia umbrella-branded ice cream in Latvia is 12% and it has grown in recent years, enabling to achieve second position on Latvian ice cream market. Consumption of ice cream is approximately 6l per person per year. Also, the company holds strong position in frozen food market, selling and distributing both its own brands Bueno! and Polar Fish as well as leading brands in frozen goodsä sector as Ariols, Aviko, Hortex, Felix and so on.

However, the events in 2009 have had the biggest impact on consumption in Latvia and consumption in both ice cream and deep frozen goods has decreased on average 20 to 30%. The decrease in consumption has been the smallest in the segment of cheap products. The company was still able to experience decline in smaller percentages than market's average, therefore strengthening its position in the market.

The most famous brands in Latvian market are Premia, Klasika, Bravo, Bueno, PolarFish, etc.

LITHUANIAN MARKET

Products of the Premia Foods Group are sold in Lithuania by Premia KPC that has an office and a warehouse in Kaunas. The company mainly sells Premia umbrella- branded ice cream, whose market share in Lithuanian retail is 20% being number 2 on the market, and frozen food products. Consumption of ice cream is approximately 5 l per person per year. The Lithuanian market is characterised by compartmentalisation of ice cream manufacturers and distributors of frozen food. The company is also active in frozen food market both with its own brands Natali, Bueno! and Polar Fish as well as representing brands with high awareness, imported from Europe as well as based in Lithuania.

The most famous brands of Premia in Lithuanian market are Premia, Klasika, Bravo, Natali, Bueno, PolarFish, etc.

FINNISH MARKET

Fish products are the main sales article of Premia in Finland.

Heimon Kala Oy breeds fish and fingerlings in 5 different regions of Finland and processes fish in Uusikaupunki. The total volume of breeding permits in Finland is approximately 1,100 tons per year. The main emphasis of our fish breeding activities is on breeding and development of different trout species and whitefish. Salmon imported from Norway and Denmark is used as raw material in addition to the fish bred by the company itself.

Products are sold on the Finnish market through the sales and logistics centre in Hämeenlinna, which sells the products of Heimon Kala as well as the chilled and frozen fish products of Vettel OÜ, the group's fish industry located in Saaremaa, Estonia. The product portfolio includes fillet and smoked products, salted fish, breaded fish products, fish roe. Fish roe comes from our own fish farms.

The Finnish fish market experienced recession as well, but Premia Foods has found a way to stabilize its sales in the market also in year 2009 thanks to constantly strong sales and marketing activities on the market and the market share of the chilled fish products in retail market of Premia Foods is today about 30%, being strong number 2 player on the market. Premia Foods has entered also the Horeca-segment with fish business during year 2009.

Products are sold under the trademarks Heimon Gourmet and Saaristomeren Kala on the Finnish market.

SWEDISH MARKET

The company owns 2 fish farms in Central and Northern Sweden – Överumans Fisk and Skärgardshavets Fisk. The total volume of fish farming permits in Sweden is approximately 1,500 tons. The farms breed rainbow trout and arctic char.
Last year, the group started selling chilled and deep frozen fish products also on the Swedish market.

EVENTS IN THE FINANCIAL YEAR

In order to bring different food business lines under common management, the Company named AS Premia Foods was established on 23 December 2008. Upon foundation, the shares of the Company were held by Premia Tallinna Külmhoone AS, which resolved the issuance of the new shares to the shareholders of Saaremere Kala AS and AB Premia KPC on 30 December 2008. The new shares of the Company were paid for entirely with in-kind non-monetary contributions, consisting of shares of Saaremere Kala and Premia KPC. Prior to the completion of the issuance of new shares in January 2009, the existing shares of the Company, which were held by Premia Tallinna Külmhoone, were also sold to the subscribers of the shares of the Company.

INVESTMENTS

The group invested 10.6 million EEK (680 thousand Euros) in fixed and intangible assets during year 2009 the majority of which were investments in production equipment and freezers for selling ice cream, installation of the new version of the Navision business software in Saaremere Kala group companies and Premia Tallinna Külmhoone AS.

The planned investments of the group for 2010 amount to 14.1 million EEK (900 thousand Euros).

STAFF

As of 31 December 2009 the number of employees of the Group was 581, as of 31 December 2008 – 647.The labour costs of the company totalled 155.9 million EEK (10 million Euros).

In the financial period 01.01.09 – 31.12.09 the management and supervisory boards of the Group companies and other key members of the management received payments (salary, bonus, other allowances) in the total amount of 14,296 thousand EEK (914 thousand Euros). The abovementioned management remuneration included dismissal compensation in the total amount of 1,761 thousand EEK (113 thousand Euros).

FUTURE PERSPECTIVES

The main goal of Premia Foods in 2010 is to enlarge the synergy and effectiveness created with the establishment of a group, including management of the group, marketing and production activities.

In 2010 the plan is to enter the Russian ice-cream market and acquire, besides Khladokominat No 1 trademarks, ice-cream production with selling structures and logistics. Khladokombinat No 1 market share of the St. Petersburg region ice-cream market has risen up to 20% and is the second largest vendor in the region.

With regard to opening up the electricity market in Estonia from 1th of April, 2010, are Group's 3 Estonian units among those big companies, to whom the free market rules are applied to. In this context, the cost of electricity may rise about 40% for Group's Estonian enterprises.

By spring 2010 the company is planning to complete streamlining its logistics in Finland. After one-off expenses of 1.6 million EEK (0.1 million Euros) the restructuring of logistics should contribute additional savings of approximately 4.7 million EEK (300 thousand EUR) on annual basis.

The group plans to expand sales of fish products in the Baltic States in 2010 by launching a new range of chilled and packaged fish products under brand name Viking that are produced in Vettel, in Saaremaa. The product selection under the Bueno! trademark in the frozen food segment will be expanded in the Baltic States and the company is also developing new ice cream varieties for all countries, including Finland. The group is taking more and more of its fish products to the HoReCa (hotels, restaurants, catering) sector in Finland and more active sales of fish products are being developed in Sweden.

THE CORPORATE GOVERNANCE REPORT

The Corporate Governance Recommendations 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.

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 outlining the principles of CGR, which are not complied with accompanied by issuer's explanation for such failure to comply.

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

GENERAL MEETING

GENERAL REMARKS

The highest governing body of a public limited company (in Estonian: aktsiaselts) is general meeting of shareholders. According to law, general meetings are either ordinary or extraordinary.

An ordinary general meeting is convened by management board once a year within 6 months as of the end of financial year. As extraordinary general meeting 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 10% of the 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. An ordinary general meeting must be convened at least 3 weeks in advance and extraordinary general meeting at least 1 week in advance.

The issues in the competence of a general meeting are determined by law and articles of association of a company. A general meeting is eligible to adopt resolutions if more than half votes represented by shares are present at the meeting unless law or articles of association provide higher quorum requirement. A resolution of general meeting is deemed to be adopted if more than half votes represented at the meeting vote in favour, unless law or articles of association provide higher requirement.

GENERAL MEETINGS OF AS PREMIA FOODS

During the financial year ended on 31 December 2009 two general meetings of AS Premia Foods were held.
As AS Premia Foods was registered in the Estonian Commercial Register on 23 December 2008, no ordinary general meetings of AS Premia Foods have been held yet.

The first extraordinary general meeting of AS Premia Foods was held on 5 May 2009 at the office of notary public of Tallinn Jaan Hargi, located at Roosikrantsi 2, Tallinn. 2,185,139 votes represented by shares took part of the meeting, representing altogether 90.3590% of all the issued shares. The extraordinary general meeting resolved to (i) amend the articles of association; (ii) appoint members of the supervisory board; and (iii) determine the remuneration payable to the members of the supervisory board.

The second extraordinary general meeting of AS Premia Foods was held on 17 August 2009 at the office of notary public of Tallinn Jaan Hargi, located at Roosikrantsi 2, Tallinn. 2,173,092 votes represented by shares took part of the meeting, representing altogether 89.8608% of all the issued shares. The extraordinary general meeting resolved to (i) amend the articles of association; (ii) appoint members of the supervisory board; and (iii) determine the remuneration payable to the members of the supervisory board; (iv) appoint auditor and determine remuneration payable to the latter; (v) re-purchase own shares of the company.

The extraordinary general meetings as described above were duly and timely convened. Notices convening the general meeting were sent to each shareholder personally. All materials containing information on issues in the agendas of the general meetings were available to all the shareholders at the location of the company. The general meetings were conducted in a manner which enabled all the shareholders to ask questions and make proposals.

On the basis of the above description, AS Premia Foods ensured all the shareholders of AS Premia Foods had an opportunity to participate at the general meetings and complied with the requirements of CGR regarding convening general meetings and making available information concerning issues placed to the agendas of the meetings.

Without prejudice to the above, AS Premia Foods did not fully comply with requirements set out in Sections 1.3.1, 1.3.2 and 1.3.3 of CGR.

As set of in Section 1.3.1 of CGR, a member of management board is not elected to be the chairman of a general meeting. Both extraordinary general meetings of AS Premia Foods were chaired by the member of the management board Mr. Kuldar Leis. Such arrangement was merely due practical reasons. Namely, Mr. Kuldar Leis was familiar to the issues placed into the agendas of the general meetings and was in a position to cover all possible questions the shareholders could have had on the agenda items. AS Premia Foods is in the position to confirm that such failure did not result in violation of the shareholders' rights in any way.

According to Section 1.3.2 of CGR a general meeting is attended by members of management board, chairman of supervisory board, if possible also members of supervisory board and at least 1 of auditors. The extraordinary general meetings of AS Premia Foods were not attended by the members of the supervisory board and auditors. Such failure to attend the general meetings by the above mentioned persons happened due to personal reasons; however, AS Premia Foods confirms that it did not impair the interests of the company and the shareholders.

Pursuant 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 costly. It was not possible to attend the general meetings of AS Premia Foods via electronic devices as the company does not have relevant equipment and it would have been unreasonable expensive to acquire the same for the general meetings.

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 AS Premia Foods, the supervisory board has three to six members elected by the general meeting for the term of 5 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 AS PREMIA FOODS

Currently, the supervisory board of AS Premia Foods is composed of the following members: Mr. Lauri Kustaa Äimä (since foundation), Mr. Indrek Kasela (since foundation), Mr. Erik Haavamäe (since foundation), Mr. Aavo Kokk (elected on 5 May 2009), Mr. Harvey Sawikin (elected on 5 May 2009) and Mr. Jaakko Karo (elected on 17 August 2009). Hence, the terms of office of the current members of the supervisory board will expire as follows: Mr. Lauri Kustaa Äimä, Mr. Indrek Kasela, and Mr. Erik Haavamäe on 8 December 2013, Mr. Aavo Kokk and Mr. Harvey Sawikin on 5 May 2014 and Mr. Jaakko Karo on 17 August 2014.

The total amount of remuneration provided to the supervisory board members in 2009 was 5 thousand Euros. In addition they were compensated for the costs incurred in performing their duties.

According to law and the provisions of the articles of association of AS Premia Foods, the meetings of the supervisory board are held as frequently as necessary; however, not less frequently than once a quarter. In 2009, the supervisory board held altogether four meetings. The management board informed the supervisory board of the activities and financial position of AS Premia Foods on a regular basis.

The members of the supervisory board of AS Premia Foods are elected in accordance with the principles of CGR and comply with the requirements established in respect of them. The members of the supervisory board comply with their professional obligations arising from law and CGR with due care.

The co-operation and the information exchange between the management board and the supervisory board meet the requirements of CGR. The management board of AS Premia Foods is not aware of any conflicts of interests between the supervisory board members 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 of the latter. According to the articles of association of AS Premia Foods, the management of AS Premia Foods consists of one to four members elected for the term of three years.

MANAGEMENT BOARD OF AS PREMIA FOODS

Currently the members of the management board Mr. Kuldar Leis (since foundation), Ms. Katre Kõvask (elected on 9 June 2009), Mr. Silver Kaur (elected on 9 June 2009) and Mr. Andri Avila (elected on 5 March 2010) conduct the everyday business activities of AS Premia Foods. The supervisory board meeting of 9 June 2009 appointed Mr. Kuldar Leis as the chairman of the management board.

All the members of the management board of AS Premia Foods have complied with their obligations arising from law and CGR. The management board has always acted in the best interests of the company (and its shareholders). The management board has established inside rules for protecting confidential 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 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. None of the members of the management board competes with the company. There is no conflict between the interests of the members of the management board and the company.

AS Premia Foods 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 and in this report (Section 2.2.7 of CGR). AS Premia Foods is of the opinion that such disclosure may impair the rights and interests of the members of the management board and the company itself. Further, breakdown of all amounts paid to the members of the managing bodies is indicated in the consolidate annual report of the company.

DISCLOSURE OF INFORMATION

As AS Premia Foods has not yet been listed on the NASDAQ OMX Tallinn, no information has been published yet on the web page of AS Premia Foods and the web page of the NASDAQ OMX Tallinn Stock Exchange.

REPORTING

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

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

MANAGEMENT BOARD'S CONFIRMATION ON THE MANAGEMENT REPORT

The Management Board acknowledges its responsibility and confirms, to the best of its knowledge that the Management Report:

- presents a true and fair view of all significant events that occurred during the reporting period as well as their impact on the consolidated financial statements;
- includes the description of major risks and doubts of the group; and provides an overview of all significant transactions with related parties.
- Management Report as set out in pages 5 to 16 is an integral part of AS Premia Foods Consolidated Annual Report.

Chairman of the Management Board	**Kuldar Leis**	March 22, 2010
Member of the Management Board	**Silver Kaur**	March 22, 2010
Member of the Management Board	**Katre Kõvask**	March 22, 2010
Member of the Management Board	**Andri Avila**	March 22, 2010

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT BOARD'S CONFIRMATION ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board confirms its responsibility for the preparation of the consolidated financial statements of AS Premia Foods for 2009 set out on pages 19 to 66 and declares that:

1. the principles, accounting policies and procedures used to prepare the consolidated financial statements comply with the requirements of International Financial Reporting Standards as adopted by the European Union;
2. the consolidated financial statements presents a fair and true view of the financial status, economic performance and cash flow of the group;
3. AS Premia Foods and all group companies are going concerns.

Chairman of the Management Board	**Kuldar Leis**	March 22, 2010
Member of the Management Board	**Silver Kaur**	March 22, 2010
Member of the Management Board	**Katre Kõvask**	March 22, 2010
Member of the Management Board	**Andri Avila**	March 22, 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	*31.12.2009 EEK '000*	*31.12.2008 EEK '000 pro forma*	*31.12.2009 EUR '000*	*31.12.2008 EUR '000 pro forma*	*Note*
Cash and cash equivalents	19,618	19,693	1,254	1,259	(Note 4)
Receivables and prepayments	134,070	159,516	8,569	10,195	(Note 5)
Inventories	205.164	208,305	13,112	13,313	(Note 6)
Fixed assets held for sale	26,721	25,769	1,708	1,647	(Note 7)
Total current assets	**385,573**	**413,283**	**24,643**	**26,414**	
Deferred income tax asset	5,541	5,541	354	354	(Note 9)
Long-term financial investments	1,507	1,411	96	90	(Note 10)
Investment property	32,600	2,660	2,084	170	(Note 11)
Tangible fixed assets	241,980	283,194	15,465	18,100	(Note 12,14)
Intangible assets	315,850	322,239	20,186	20,594	(Note 8,13)
Total fixed assets	597,478	615,045	38,186	39,308	
Total assets	**983,051**	**1,028,328**	**62,828**	**65,722**	
Loans and borrowings	159,556	184,269	10,198	11,777	(Note 16)
Factoring payable	42,754	30,929	2,732	1,976	
Payables	131,686	175,884	8,416	11,241	(Note 17)
Total current liabilities	**333,996**	**391,082**	**21,346**	**24,994**	
Loans and borrowings	149,731	143,895	9,569	9,197	(Note 16)
Long-term payable to shareholders	17,226	15,802	1,101	1,010	(Note 30)
Deferred tax liabilities	21,900	22,126	1,400	1,414	(Note 28)
Target financing	26,085	29,513	1,667	1,886	(Note 18)
Total noncurrent liabilities	**214,942**	**211,336**	**13,737**	**13,507**	
Total liabilities	**548,938**	**602,418**	**35,083**	**38,501**	
Share capital	24,183	400	1,546	26	
Unregistered share capital	0	23,783	0	1,520	
Share premium	398,688	398,723	25,481	25,483	
Treasury shares	-3,986	0	-255	0	
Currency translation reserve	1,415	0	90	0	
Retained earnings	10,003	0	639	0	
Equity attributable to the equity holders of the Company	**430,303**	**422,906**	**27,501**	**27,029**	
Non-controlling interest	3,810	3,004	244	192	
Total equity	**434,113**	**425,910**	**27,745**	**27,221**	**(Note 19)**
Total equity and liabilities	**983,051**	**1,028,328**	**62,828**	**65,722**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	2009 EEK '000	2009 EUR '000	Note
Continuing operations			
Sales	1,074,973	68,703	(Note 21)
Cost of goods sold	-796,739	-50,921	(Note 22)
Gross profit	**278,234**	**17,782**	
Selling and distribution expenses	-212,736	-13,597	(Note 23)
Administrative expenses	-61,855	-3,953	(Note 24)
Other income	40,278	2,574	(Note 26)
Other expense	-9,411	-601	(Note 26)
Fair value adjustment on biological assets	4,862	311	(Note 26)
Operating profit	**39,372**	**2,516**	
Financial income	920	59	(Note 27)
Financial expense	-30,124	-1,925	(Note 27)
Net financial items	**-29,204**	**-1,866**	
Profit before income tax	**10,168**	**650**	
Income tax	641	41	(Note 28)
Profit from continuing operations	**10,809**	**691**	
Profit for the period	**10,809**	**691**	
Other comprehensive income			
Foreign currency translation differences	1,415	90	
Other comprehensive income	**1,415**	**90**	
Total comprehensive income	**12,224**	**781**	
Profit attributable to:			
Owners of the Company	10,003	639	
Non-controlling interest	806	52	
Profit for the period	**10,809**	**691**	
Total comprehensive income attributable to:			
Owners of the Company	11,418	729	
Non-controlling interest	806	52	
Total comprehensive income	**12,224**	**781**	
Earnings per share			
Basic earnings per share (EUR)	8.19	0.52	(Note 29)
Diluted earnings per share (EUR)	8.19	0.52	(Note 29)

CONSOLIDATED
CASH FLOW STATEMENT

For the year ended 31 December	2009 EEK '000	2009 EUR '000	Note
Cash flow from operations			
Operating profit	**39,372**	**2,516**	
Adjustments:			
Depreciation on fixed assets	57,675	3,686	(Note 25)
Loss from sale of fixed assets	911	58	
Revaluation of investment properties	-29,940	-1,913	(Note 26)
Change in receivables related to operating activities	13,554	866	(Note 5)
Change in inventories and fixed assets held for sale	2,189	140	(Note 6)
Change in liabilities and prepayments relating to operating activities	-46,763	-2,989	(Note 17)
Target financing	-4,806	-307	(Note 18)
Prepaid income	985	63	
Exchange losses	3,429	220	
TOTAL CASH FLOW FROM OPERATIONS	**36,606**	**2,340**	
Cash flow from investments			
Sale of tangible and intangible fixed assets	954	61	(Note 12,13)
Purchase of tangible and intangible fixed assets	-10,632	-680	(Note 12,13)
Net cash flow from acquisition of subsidiaries	-35	-2	(Note 8)
Loans granted	-4,011	-256	
Repayment of loans granted	6,852	438	
Interest received	1,869	119	
Other financial income	39	3	
TOTAL CASH FLOW FROM INVESTMENTS	**-4,964**	**-317**	
Cash flow from financing			
Change in overdraft	423	27	(Note 16)
Repayment of loans	-108,931	-6,962	(Note 16)
Loans raised	103,813	6,635	(Note 16)
Change in factored receivables	11,825	756	
Target financing received	1,486	95	
Capital lease repayments	-14,304	-914	(Note 14)
Interest paid	-20,926	-1,337	(Note 14,27)
Other financial expenses	-1,946	-125	
TOTAL CASH FLOW FROM FINANCING	**-28,560**	**-1,825**	
TOTAL CASH FLOW:	**3,082**	**198**	

CHANGE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year	**19,693**	**1,259**	
Change in cash and cash equivalents	3,082	198	
Gains/losses on conversion of foreign currencies	-3,157	- 203	
Cash and cash equivalents at the end of the year	**19,618**	**1,254**	

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

in thousands of EEK

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Unregistered share capital	Own shares	Translation reserve	Retained earnings	**Total**	Non-controlling interest	**Total equity**
Balance at 31.12.2008	**400**	**398,723**	**23,783**	**0**	**0**	**0**	**422,906**	**3,004**	**425,910**
Increase of share capital	23,783	0	-23,783	0	0	0	**0**	0	**0**
Reduction of issue premium	0	-35	0	0	0	0	**-35**	0	**-35**
Treasury stock	0	0	0	-3,986	0	0	**-3,986**	0	**-3,986**
Profit for the period	0	0	0	0	0	10,003	**10,003**	806	**10,809**
Other comprehensive income	0	0	0	0	1,415	0	**1,415**	0	**1,415**
Balance at 31.12.2009	**24,183**	**398,688**	**0**	**-3,986**	**1,415**	**10,003**	**430,303**	**3,810**	**434,113**

in thousands of Euros

	Attributable to the equity holders of the Company								
	Share capital	Share premium	Unregistered share capital	Own shares	Translation reserve	Retained earnings	**Total**	Non-controlling interest	**Total equity**
Balance at 31.12.2008	**26**	**25,483**	**1,520**	**0**	**0**	**0**	**27,029**	**192**	**27,221**
Increase of share capital	1,520	0	-1,520	0	0	0	**0**	0	**0**
Reduction of issue premium	0	-2	0	0	0	0	**-2**	0	**-2**
Treasury stock	0	0	0	-255	0	0	**-255**	0	**-255**
Profit for the period	0	0	0	0	0	639	**639**	52	**691**
Other comprehensive income	0	0	0	0	90	0	**90**	0	**90**
Balance at 31.12.2009	**1,546**	**25,481**	**0**	**-255**	**90**	**639**	**27,501**	**244**	**27,745**

See Note 19 for further information about owners' equity.

1. GENERAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

The Premia Foods Group is known for its highly valued and appreciated food sector consumer brands. The flagships of Premia Foods are Premia, Väike Tom, Vau, Heimon Gourmet, Saaristomeren Kala, Maahärra, Põhjatäht, Regatt, Natali, Bueno!, Polar Fish and others

The main activities of the Group are (i) the production and wholesale of fish and fish products; ii) production and wholesale of ice cream, and (iii) wholesale of frozen food products. The activities of the Group are described in detail in Note 20 "Information on segments"

The parent company AS Premia Foods is registered in the Republic of Estonia (reg. code 11560713, registered address Betooni 4, Tallinn). Premia Foods Group is operating in the Baltic States, Finland and Sweden.

The largest shareholder (Note 19) of AS Premia Foods with a 54.176% shareholding is Amber Trust II S.C.A., Luxembourg domiciled international private equity fund managed jointly by Firebird Private Equity Advisors LLC and Danske Capital.

The management board of AS Premia Foods approved 2009 consolidated financial statements at 22 March 2010. Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the supervisory board of the Parent company and the general meeting of shareholders.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements of AS Premia Foods for 2009 have been prepared in accordance with International Financial Standards (IFRS) as adopted by the European Union. The financial statements have been prepared in accordance with those standards and IFRIC interpretations issued and effective or issued and early adopted as of the time of preparing these statements.

The financial statements have been prepared under the historical cost convention, as modified by the financial assets at fair value through profit or loss and investment property, which are presented at fair value, as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

These consolidated financial statements have been prepared for the period of 1 January 2009 to 31 December 2009. The functional currency of AS Premia Foods is Estonian kroon (EEK). These financial statements are presented in thousands of EEK and in thousands of Euros, unless indicated otherwise. The Estonian kroon is pegged to the euro at the rate of EUR 1 = EEK 15.6466

<u>New standards, amendments to standards and interpretations adopted by the Group which became effective in the financial year of the Group beginning on 1 January 2009</u>

IAS 1, Presentation of Financial Statements. In connection with changes in IAS 1 "Presentation of Financial Statements", which became effective as of 1 January 2009, in the Group's consolidated financial statements the consolidated income statement was replaced by a consolidated statement of comprehensive income. The comprehensive income statement also includes all non-owner changes previously recognized in equity. In connection with the complication of the consolidated comprehensive income statement, the presentation of the report of changes in equity also changed. The report on the changes in equity does not recognize statement of comprehensive income elements as separate changes. Pursuant to IAS 1, the term "balance sheet" used previously is replaced by the term "statement of financial position". The revised IAS 1 had an impact on the presentation of primary financial statements but had no impact on the recognition or measurement of specific transactions and balances.

IFRS 8, Operating Segments. The standard applies to entities whose debt or equity instruments are trades in a public market, or that file, or are in the process of filing, their financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about the operating segments, which segment information presented on a similar basis to that used for international reporting purposes.

Improving disclosures on financial instruments – Amendment to IFRS 7, Financial Instruments: Disclosures. The amendment requests additional disclosures on fair value measurements and liquidity risk. An entity is required to disclosure analysis of financial instruments by using three-level hierarchy for fair value measurements. The amendment (a) explains that liquidity analysis by contractual maturities must contain the issued financial guarantees in the maximum amount of the guarantee and in the earliest period in which the guarantee could be called; and (b) requests disclosure of remaining contractual maturities for those financial derivative instruments for which contractual maturities are essential for an understanding of the timing of the cash flows. In addition, an entity must disclose a maturity analysis of financial assets it holds for managing liquidity risk if that information is necessary to the users of its financial statements to understand the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

IAS 23, Borrowing Costs. The main change to IAS 23 is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The following amendments and interpretations to existing standards became mandatory for the Group from 1 January 2009 but are not relevant to the Group's operations.

Amendment to IFRS 2, Share-based Payment. Vesting Conditions and Cancellations. The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRIC 13, Customer Loyalty Programs. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The adoption of the amendment did not have any material effect on the Group's financial statements.

Improvements to International Financial Reporting Standards issued in May 2008. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary (effective for annual periods beginning on or after 1 July 2009); possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operation activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associated and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have an impact on the Group's financial statements.

IAS 32 and IAS 1 Amendment. Puttable Financial Instruments and Obligations Arising on Liquidation.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

IFRS 1 and IAS 27 Amendment. Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

IAS 27, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that transactions which led to changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 3, Business Combinations (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step is a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 bring into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standards on its financial statements.

Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The Group is currently assessing the impact of the interpretation on its financial statements.

Improvements to International Financial Reporting Standards, issued in April 2009 (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvement shave not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operation decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognized asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principle or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contacts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement, issued in November 2009 (effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measure subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortized cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group is considering the implication of the standard, the impact on the Group and the timing of its adoption by the Group.

Amendment to IAS 24, Related Party Disclosures, issued in November 2009 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU). The amended standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The Group is currently assessing the impact of the amended standard on disclosures in its financial statements.

<u>New standards, amendments and interpretations to standards that are not yet effective and are not expected to have a material effect on Group's financial reporting</u>.

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39, issued in March 2009 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, early adoption permitted).

IFRIC 12, Service Concession Arrangements (IFRIC 12 as adopted by the EU is effective for annual periods beginning on or after 30 March 2009, early adoption permitted).

IFRIC 15, Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009, early adoption permitted).

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, early adoption permitted).

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted).

IFRIC 18, Transfers of Assets from Customers (effective prospectively to transfer of assets from customers received on or after 1 July 2009, early adoption permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted).

Classification of Rights Issues – Amendment to IAS 32, issued in October 2009 (effective for annual periods beginning on or after 1 February 2010).

IFRS 1, First-time Adoption of International Financial Reporting Standards, revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by EU is effective for annual periods beginning after 31 December 2009, early adoption permitted).

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU).

Additional Exemptions for First-time Adopters – Amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU).

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU).

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU).

Limited exemption from comparative IFRS 7 disclosures for first-time adopters – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU).

PRO FORMA NOTICE

AS Premia Foods was established on 23 December 2008. Upon foundation, the shares of the Company were held by Premia Tallinna Külmhoone AS, which resolved the issuance of the new shares to the shareholders of Saaremere Kala AS and AB Premia KPC on 30 December 2008. The new shares of the Company were paid for entirely with in-kind non-monetary contributions, consisting of shares of Saaremere Kala and Premia KPC. Prior to the completion of the issuance of new shares in January 2009, the existing shares of the Company, which were held by Premia Tallinna Külmhoone, were sold to the subscribers of the shares of the Company.

In order to consolidate AB Premia KPC and Saaremere Kala from the beginning of the reporting period as well as for the sake of greater disclosure the data for the opening balances of 31.12.08 are stated on a pro forma basis as if the acquisitions of AB Premia KPC and Saaremere Kala AS have been both carried out before the balance date of 31.12.08.

CONSOLIDATION

The consolidated annual report contain the financial indicators of AS Premia Foods and its subsidiaries (hereinafter jointly the Group), which have been consolidated row by row. Subsidiaries are consolidated starting from the date the dominant influence or joint control was transferred to the group and their consolidation is terminated from the date the group lost the dominant influence or joint control.

A subsidiary is a company whose activities are controlled by the parent company. A subsidiary is deemed as controlled by the parent company if the parent company holds over 50% of the voting shares in the subsidiary either directly or indirectly or is otherwise capable of controlling the operating or financial policies of the subsidiary.

Subsidiaries use the same accounting principles in their annual reports as the parent company. All in-group transactions, receivables and liabilities as well as retained earnings and losses on transactions concluded between the group companies have been fully eliminated from the consolidated financial statements. Retained losses are not eliminated if they basically represent impairment.

New subsidiaries are recognised in the consolidated annual accounts using the purchase method.

The cost of acquisition of companies recognised pursuant to the purchase method is allocated to the fair values of assets, liabilities and contingent liabilities as of the date of acquisition. The proportion of acquisition cost that exceeds the fair value of assets, liabilities and contingent liabilities acquired is recognised as goodwill (see the separate principle concerning goodwill). Goodwill reflects the part of the historical cost paid for such assets of the acquired company which cannot be differentiated and recognised separately. If fair value exceeds the acquisition cost, the difference is immediately recognised in full as income received during the period (in the income statement on the "General administrative expenses" account).

CASH AND CASH EQUIVALENTS

Short-term (acquired for up to 3 months) and highly liquid investments that can be converted for a known amount of money and do not entail considerable risk of changes in market value, incl. cash in hand, demand deposits in banks and term deposits whose term does not exceed 3 months are recognised on the cash flow statement as cash and cash equivalents.

SETTLEMENTS IN FOREIGN CURRENCIES

The accounting currency of the parent company is Estonian kroon; all other currencies are deemed foreign currencies.

If a subsidiary's accounting currency is not the same as the parent company's accounting currency, the following exchange rates are used to recalculate the subsidiary's annual reports prepared in a foreign currency:

- all asset and liability entries of the subsidiary (including the goodwill created upon acquisition of such subsidiaries and joint ventures, and adjustments of fair value) are restated using the exchange rate applicable on the balance sheet date;
- the subsidiary's income, expenses and other changes in owners' equity are restated using the period's weighted average exchange rate.

The revaluation difference created upon using different currencies is recognised under the owners' equity on the "Currency translation reserve" account.

All foreign currency transactions are recognised in Estonian kroons using the exchange rates of Eesti Pank valid on the dates of the transactions. Assets and liabilities denominated in foreign currencies are restated in Estonian kroons using the official exchange rates of Eesti Pank valid on 31 December 2009. The gains and losses from changes in exchange rates in respect of customer receivables and supplier payables have been recognised in the income statement as other operating income and expenses, other gains and losses from changes in exchange rates have been recognised as financial income and expenses in the income statement.

FINANCIAL ASSETS

Financial assets are initially recorded at their acquisition cost. The acquisition cost is equal to the fair value of the consideration paid for the financial asset in question. All costs directly associated with the acquisition of financial assets are deemed a part of their acquisition cost. All purchases and sales of financial assets under ordinary market conditions are recognised on the transaction date, i.e. the date when the group undertakes to purchase or sell the given financial asset (e.g. signs a contract). Purchases and sales where transfer of the purchased or sold financial assets from the seller to the purchaser occurs during the period that is usual on the given market or required under the relevant market regulations are deemed to occur under ordinary market conditions.

For the purposes of further reporting the financial assets are divided into the following categories:

- financial assets recognised at fair value with changes through the comprehensive income statement; and
- investments held until their redemption dates see Note 1 Short-term Financial Investments (this category includes acquired term deposits whose redemption deadlines are longer than 3 months and bonds the group intends to hold until their redemption deadlines);
- loans and receivables (this category includes loans granted, customer receivables and other receivables);
- financial assets held for sale (this category includes all other financial assets which are not included in the aforementioned categories).

All financial assets are recorded at their fair value after they have been initially recorded, except for

- accounts receivable, which have not been acquired for resale, and financial assets held up to the redemption date, are recorded at the adjusted acquisition cost thereof, using the effective interest rate. Depreciated acquisition cost is found for the entire validity period of the financial asset and any discounts or premiums that have occurred upon acquisition and the costs directly associated with the transaction are taken into account. The depreciated acquisition cost of short-term receivables is generally equal to their nominal value and short-term receivables are therefore recognised on the balance sheet at nominal value minus write-downs;
- investment into shares and other equity instruments whose fair value cannot be reliably determined (including derivatives related to such assets) are recognised at their adjusted acquisition cost.

Upon the appearance of objective circumstances that point to the reduction of the recoverable value of financial assets to below their book value, the recoverable value of such assets is assessed and the claim is written down if necessary. Recoverable value is the present value of future cash flow derived from the financial assets discounted with the efficient interest rate fixed at the moment of initial recognition. Write-downs of receivables related to operating activities are recognised in the income statement as marketing expenses and write-downs of receivables related to investment activities are recognised in the income statement as financial expenses.

Write-downs are cancelled in the case of receipt of previously written down receivables or any other events that make the write-down invalid and such cancellations are presented as a reduction of the relevant entry in the income statement where the write-down was initially recognised.

Recognition of a financial assets stops when it is paid or sold or the cash flow generated by the asset is fully and without considerable delay transferred to an independent third party to whom most of the risks and benefits associated with the financial asset have been transferred.

FACTORING

Factoring is the sale of receivables and depending on the type of the factoring contracts, the buyer has the right to sell the receivable back to the seller within a certain period time (factoring with the right of recourse) or there is no right to sell the receivable back to the seller and all risks and income associated with the receivable essentially transfer from the seller to the buyer (factoring without the right of recourse).

Factoring with recourse is recognised as a financing transaction (i.e. a loan raised against receivables) and the receivables are recognised in the Balance Sheet until they have been paid or the right of recourse has expired. Factoring liabilities arising from factoring transactions are recorded as separate line item under current liabilities.

Factoring without the right of recourse is recorded as sale of the receivable. Loss from sales of receivables is recognised either under financial expenses or as costs of write-downs of receivables depending on whether a given transaction was signed for the purpose of managing cash flow or hedging the risk of bad debts.

INVENTORIES

Inventories are recognised at acquisition cost or net realisation cost on the balance sheet, whichever is the lowest.

The acquisition cost of raw materials in warehouses and production and the acquisition cost of purchased products consist of their purchase price and the costs directly associated with the purchase. The acquisition cost of finished and semi-finished products is their cost price which consists of direct and indirect production costs proceeding from normal production quantities. The weighted average price method is used for accounting material, goods in progress and finished goods.

BIOLOGICAL ASSETS

Biological assets comprise of roe, fries, juveniles and fish in the lakes and sea. In accordance with IAS 41, biological assets are normally carried in the balance sheet at estimated fair value less estimated sales cost. The changes in fair value of biological assets are presented on a separate line in the income statement. The fair value of biological assets is the market price. The prices are adjusted for quality differences (superior or ordinary). In areas where no external market price exists the valuation is based on internal achieved prices.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded on the Balance Sheet at their acquisition cost less accumulated depreciation and potential write-downs resulting from impairment. In addition to their purchase price, the acquisition cost of purchased fixed assets contains transportation and installation costs and other expenses associated with acquisition and putting the asset to use. The usage costs of the loan assumed in order to finance the tangible assets built for the company (incl. the contract conclusion fee, depreciation, interest), which have been calculated as of the beginning of the construction activities until the receipt of the finished assets, are recognised as a part of the acquisition cost of tangible assets.

Further expenditure related to recorded tangible fixed assets (e.g. replacement of certain parts of some items of assets) is added to the book value of the assets if the following criteria are met: (a) the group is likely to benefit from them in the future and (b) their acquisition cost can be reliably determined. Replaced parts are written off the balance sheet. All other expenditure is recognised as expenses in the period when the expenditure was incurred.

The linear method is used to calculate depreciation. Depreciation rates are established separately for each item of fixed assets on the basis of its useful life.

Buildings	5 … 50 years
Machinery and equipment	2 … 15 years
Vehicles	4 … 13 years
Fixtures, fittings and tools	2 … 12 years
Land is not a depreciable asset	

Depreciation rates, methods and residual value of tangible assets are reviewed at the end of each financial year and, if necessary, changed. The change is treated as a change in accounting estimates.

Fixed assets will be written down to their recoverable amount (the higher the two – fair value less sales expenses or disposable value) if this is lower than the book value of the assets. The value of assets is tested in order to assess whether the recoverable amount thereof has fallen below the residual book value if there are indications that the value of the assets might have decreased. The write-down is recognised as an expense for the period in the same account of the income statement as the depreciation of the fixed assets written down. The previously recognised write-down will be cancelled if the situation changes and write-down is no longer justified. Cancellation of the write-down is recognised as a decrease in the expenses for the same period in which the cancellation took place.

FIXED ASSETS HELD FOR SALE

Tangible fixed assets which are very likely to be sold within the next 12 months are reclassified as fixed assets for resale. The fixed assets to be sold are recognised at their residual value or fair value (less selling expenses), depending on which is lower.

INVESTMENT PROPERTY

Investment property (land, buildings) is a property held by the owner or by the lessee under a finance lease to earn rental income or capital appreciation or both and is not used in the company's own economic activities. Investment property is initially recognised at cost including any directly attributable cost.

After initial recognition the investment property is carried at fair value based on the valuation performed by independent appraiser and the judgment of the management. The fair value of an investment property reflects the market price at the balance sheet date, which is the optimum price for which the property could be sold or bought on the open market. Revaluation gains and losses are recognised in the income statement as "Other income" or "Other expense".

GOODWILL

Goodwill is initially recognised at the its acquisition cost which is the positive difference between the acquisition cost of the acquired holding and the fair value of the acquired assets, liabilities and contingent liabilities on the date of acquisition. Upon any further recognition, goodwill is measured at its acquisition cost less any possible discounts resulting from impairment. An impairment test is carried out in respect of goodwill at least once a year or more frequently if events or changed circumstances show that the book value of goodwill may have decreased.

In order to test impairment, the goodwill created by acquisition of companies is allocated to such cash-generating units or groups of units of the group, which should benefit from the specific acquisition of a company. Intra-group reporting is considered upon allocation of goodwill to cash-generating units – goodwill is allocated to the lowest of levels where it is monitored by the group's management by way of internal reporting.

Impairment is determined by assessing the recoverable value of the goodwill-related cash-generating unit. If the recoverable value of the cash-generating unit is less than its book value, the loss resulting from impairment is recognised. Loss from impairment is recognised in the income statement for the accounting period under "Financial expenses". If the recoverable value of goodwill increases later on and exceeds its book value, the write-down will not be cancelled.

INTANGIBLE FIXED ASSETS

Intangible fixed assets acquired separately from acquisition of companies are recognised only if the following terms and conditions have been fulfilled:

- the asset item is under the group's control;
- the company is likely to earn income from the use of the asset item in the future;
- the acquisition cost of the asset item can be reliably established.

The intangible assets acquired through acquisition of companies are recognised separately from goodwill if the objects of assets can be separated or if these have arisen from the contractual or other legal rights and their fair value can be assessed in a reliable manner on the date of acquisition thereof.

Intangible fixed assets are initially recorded at their acquisition cost which consists of the purchase price and the expenses directly attributable to acquisition. Intangible fixed assets are further recorded on the balance sheet at their acquisition cost less accumulated depreciation and possible write-downs resulting from the impairment of the assets.

In the case of intangible fixed assets it is assessed whether their useful lives are finite or indefinite. The linear method is used for depreciation of intangible fixed assets with finite useful lives. The annual depreciation rates are as follows:

Customer contracts	5 years
Trademarks	25 years
Fish farming licences	50 years or according to the duration
Other intangible fixed assets	3 ... 20 years

The depreciation cost of intangible assets with finite useful lives is recognised in the income statement in the group of expenses where the specific intangible asset item belongs in accordance with its function. The depreciation period and depreciation method of intangible fixed assets with finite useful lives are reviewed at the end of each financial year. Changes in the anticipated useful life or the temporary structure of the future fiscal advantages of the asset are recognised respectively as changes in the depreciation period and method, i.e. as a change in the accounting principles.

An impairment test of the asset is carried out if there are any events or developments which imply that the recoverable amount of an intangible fixed asset with a finite useful life may have decreased to below the book value of the asset and the asset will be written down to its recoverable amount, if necessary.

An impairment test with respect of either each asset item or cash-generating unit is carried out for intangible fixed assets with indefinite useful lives every year. Such intangible assets are not depreciated. The useful lives of intangible assets with indefinite useful lives are reviewed every year in order to ascertain that the useful lives of such assets are still indefinite. If the useful lives can be specified, then such change will henceforth be recorded in the useful lives.

LEASE ACCOUNTING

Capital lease means a lease where all significant risks and benefits related to the ownership of the asset in question are transferred to the lessee.

Capital leases are indicated on the balance sheet under assets and liabilities in the amount of the fair value of the leased assets or at the present value of the minimum amount of lease payments, if the latter is lower. Lease payments are divided into financial expenses and reduction of the residual value of liabilities. Financial expenses are allocated to each lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Assets leased under capital lease are depreciated in the same manner as fixed assets and their depreciation periods are equal to the expected useful lives of the assets or the lease period, depending on which is shorter.

The remaining lease contracts are treated as operating lease and the payments arising from such contracts shall be written off during the period for which these payments have been or will be made.

The group does not operate as a lessor.

FINANCIAL LIABILITIES

All financial liabilities (supplier payables, loans raised, accrued expenses, bonds issued and other current and noncurrent payables) are first recorded at their acquisition cost which also includes all the expenses directly associated with the acquisition. The acquisition cost method is used for further recognition. The depreciated acquisition cost of financial liabilities is calculated using the internal interest rate method.

Interest expenses attributable to financial liabilities are recognised on the accrual basis as periodic expenses under "Financial income and expenses" on the income statement, except for the interest expenses which are related to the funding of tangible assets to be constructed for internal use.

PROVISIONS

Probable liabilities which have arisen as a result of events occurring before the balance sheet date and the time of realisation or amount of which cannot be determined are recognised as provisions on the Balance Sheet. Provisions are recognised on the balance sheet based on the management's estimations (or those of independent experts, if necessary) concerning the amounts likely to be needed for the performance of the liability and the probable time of materialisation of the provision.

LEGAL RESERVE

Pursuant to the Commercial Code, Premia Foods AS must have a legal reserve amounting at least to 1/10 of the share capital. At least 1/20 of net profit must be transferred to legal reserve every year until the legal reserve is formed. It is not permitted to make payouts to shareholders from the reserve. Legal reserve can be used to cover losses from prior periods and to increase share capital.

REVENUE ACCOUNTING

Revenue from sales of goods is recognised when all significant risks relating to ownership have passed to the buyer, the sales revenue and the income and expenses relating to the transaction can be reliably determined and the proceeds arising from the transaction are likely to be collected. Revenue from sales of services is recognised in the accounting period in which the services are rendered.

Sales revenue is recognised at net realisation cost and does not include income tax, commission and discounts. Sales invoices prepared in foreign currencies are converted into Estonian kroons on the basis of the Eesti Pank exchange rate for the date of the invoice.

Interest income is recorded on the accrual basis (considering the effective interest rate of the asset).

BORROWING COSTS

Borrowing costs are recognised as an expense when incurred, except those, which are directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the profit or loss attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

EMPLOYEE BENEFITS

TERMINATION BENEFITS

The Group recognises termination benefits as a liability and an expense only when the Group is demonstrably committed to terminate an employee's or a group of employees' employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

PAYABLES TO EMPLOYEES

Payables to employees include the performance pay payable to employees on the basis of employment contracts which is calculated by reference to the Group's financial results and satisfaction of the employees' individual performance conditions.

Performance pay is recognised as an expense and a payable to employees when the disbursement will take place during the next reporting period. The performance pay liability includes both the performance pay and related social tax and unemployment insurance charges.

In addition, payables to employees include vacation pay liabilities calculated at the reporting date in accordance with effective employment contracts and applicable legislation. The vacation pay liabilities include both the direct vacation pay liability and associated social tax and unemployment insurance charges.

SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. The Group's primary segment reporting format is business segments and secondary segment reporting format is geographical segments.
Segment revenue, expense, assets and liabilities are determined before intra-Group balances and transactions are eliminated as part of the consolidation process except to the extent that such intra-Group balances and transactions are between Group entities within a single segment.
Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated to it on a

reasonable basis. Unallocated assets and liabilities comprise assets and liabilities which cannot be allocated to any segment on a reasonable basis.

CORPORATE INCOME TAX IN ESTONIA

Pursuant to the Income Tax Act, any dividends paid out are taxed in Estonia instead of annual profit earned. The tax rate applied to dividends paid out from 1 January 2009 is 21/79 on net dividends. Since dividends are the object of income tax instead of corporate profit, then there are no differences between the residual book values and taxable amounts of assets and liabilities which could lead to deferred income tax receivables or payables.

The potential income tax payable relating to the available owners' equity of the group, which would be created upon the disbursement of the available owners' equity as dividends, is not recorded in the Balance Sheet. Income tax arising from the payment of dividends is recognised under expenses in the income statement at the moment the dividends are declared.

SUBSIDIARIES REGISTERED ABROAD

Pursuant to the Income Tax Act the net profit of the company, which has been adjusted with the temporary and permanent differences stipulated in the Income Tax Act, is subject to income tax in Latvia (the tax rate is 15%), Finland (the tax rate is 26%) and Sweden (the tax rate is 28%). There have been no changes in tax rates in Latvia, Finland and Sweden compared to year 2008.

The standard income tax rate in Lithuania was 20 % in 2009. In 2008 along with the 15 % income tax companies had to pay an additional 3 % social tax calculated based on the income tax accounting principles. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 15 % income tax rate has been established for indefinite period starting 1 January 2010. Tax losses of the Companies operating in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments.

Deferred income tax has been determined using to the liability method on all temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred income tax assets are only recognised if it is likely that profits will be earned in the future at the expense of which the deferred income tax assets can be used.

Income tax payable is recognised under current liabilities and deferred income tax liability is recognised under long-term liabilities.

TARGET FINANCING
TARGET FINANCING OF ASSETS

The gross method is applied upon the recognition of target financing of assets, i.e. the assets acquired with the help of target financing are recognised on the Balance Sheet at their acquisition cost and the amount received to finance the acquisition of assets is recorded on the Balance Sheet as a liability as deferred income from targeted financing. The acquired assets are depreciated as expenses and the liability relating to target financing is depreciated as income during the useful lives of the assets acquired. Income relating to target financing is recorded under "Other income" in the income statement.

TARGET FINANCING OF OPERATING EXPENSES

Income from target financing is recognised in the income statement proportionally to the expenses related thereto. The gross approach is applied when income is recognised, i.e. grants received and expenses compensated are recognised under different entries in the income statement. Income relating to targeted financing is recorded under other operating revenue in the income statement.

EVENTS AFTER THE BALANCE SHEET DATE

Any important events that occurred during the preparation of the report that have an impact on the previous report period are recognised in the financial statements. Information about events that occurred after the balance sheet date but may influence the decisions of the persons reading the annual report is disclosed in notes.

RESEARCH AND DEVELOPMENT COSTS

The group does not capitalise research and development costs, but recognise them as expensed during the period when the costs were incurred.

2. FINANCIAL RISKS

The book value and fair value of the financial instruments belonging to the group are the same to a significant extent.

CREDIT RISK

Credit risk expresses the potential damages that may arise from the inability of the company's business partners to perform their obligations. The group's management reduces credit risk with regular monitoring of receivables. Available funds are deposited in Danske, Unicredit, SEB and Swedbank. Long-term investments are made if they are required for the expansion of principal activities. The management believes that the group does not have significant credit risks.

The biggest credit risks during the report period in 2009 were associated with the credit provided to customers. The total credit risk as of 31 December 2009 was 124,562 thousand EEK (7,961 thousand Euros). Credit as of 31 December 2008 was 141,462 thousand EEK (9,041 thousand Euros).

CURRENCY RISK

Foreign exchange risk arises when business transactions and assets and liabilities are fixed in a currency, which is not the accounting currency of the company. The Group tries to avoid large open foreign exchange positions. The main used currencies are EEK, LTL, LVL, SEK and EUR. The company is most open to the exchange rate fluctuations of SEK and LVL. The Group has not used any financial instruments to secure against the foreign-exchange risks that may arise from the business transactions and assets and liabilities in the future. The Group does not have significant foreign exchange risks. Gains and losses from these transactions are recognised either under other operating income/expenses or financial income/expenses on the "Gains/losses from changes in exchange rates".

INTEREST RISK

The Group uses fixed and EURIBOR-based interest rates for long-term borrowings. Interest risks are managed by regular comparison of the potential losses arising from changes in interest rates with the costs incurred in risk management. The Group has not applied any instruments to hedge the risk.

The interest rate increase 100 basis points would increase interest expenses by 2,003 thousand EEK (128 thousand Euros)

Below is a summary of the Group's open interest risk position as of 31.12.09 and 31.12.08:

31.12.09, in thousands of EEK	less than 1 year	more than 1 year	Total
Fixed interest rate			
Interest-bearing receivables	852	404	1,256
Factoring liability	42,754	0	42,754
Interest-bearing liabilities (see Note 16)	55,663	15,256	70,919
Net position	97,565	14,852	112,417
Floating interest rate			
Interest-bearing liabilities (see Note 16)	103,893	134,475	238,368
Net position	**103,893**	**134,475**	**238,368**

31.12.08, in thousands of EEK	less than 1 year	more than 1 year	Total
Fixed interest rate			
Interest-bearing receivables	7,169	406	7,575
Factoring liability	30,929	0	30,929
Interest-bearing liabilities (see Note 16)	53,264	190	53,454
Net position	77,024	-216	76,808
Floating interest rate			
Interest-bearing liabilities (see Note 16)	131,005	143,715	274,720
Net position	**131,005**	**143,715**	**274,720**

31.12.09, in thousands of Euros	less than 1 year	more than 1 year	Total
Fixed interest rate			
Interest-bearing receivables	54	26	80
Factoring liability	2,732	0	2,732
Interest-bearing liabilities (see Note 16)	3,558	975	4,533
Net position	6,236	949	7,185
Floating interest rate			
Interest-bearing liabilities (see Note 16)	6,640	8,594	15,234
Net position	**6,640**	**8,594**	**15,234**

31.12.08, in thousands of Euros	less than 1 year	more than 1 year	Total
Fixed interest rate			
Interest-bearing receivables	458	26	484
Factoring liability	1,976	0	1,976
Interest-bearing liabilities (see Note 16)	3,405	12	3,417
Net position	4,923	- 14	4,909
Floating interest rate			
Interest-bearing liabilities (see Note 16)	8,372	9,185	17,557
Net position	**8,372**	**9,185**	**17,557**

LIQUIDITY RISK

The deadlines for receipt of assets and planned cash flow from operating activities are considered when liquidity is monitored and any shortfalls are covered with overdrafts if necessary. Liquidity monitoring is important in the opinion of the management and loans can be refinanced if necessary.

The Group's liabilities by payment terms in a long term timeline are as follows:

31.12.09, in thousands of EEK	less than 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
Debt obligations	79,912	96,177	157,284	2,919	336,292
Factoring	42,754	0	0	0	42,754
Accounts payable and other liabilities	111,993	13,219	18,774	0	143,986
Total liabilities	**234,659**	**109,396**	**176,058**	**2,919**	**523,032**

31.12.08, in thousands of EEK	less than 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
Debt obligations	63,873	125,619	133,742	40,475	363,709
Factoring	30,929	0	0	0	30,929
Accounts payable and other liabilities	156,014	17,504	18,774	0	192,292
Total liabilities	**250,816**	**143,123**	**152,516**	**40,475**	**586,930**

31.12.09, in thousands of Euros	less than 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
Debt obligations	5,107	6,147	10,052	187	21,493
Factoring	2,732	0	0	0	2,732
Accounts payable and other liabilities	7,158	845	1,200	0	9,203
Total liabilities	**14,997**	**6,992**	**11,252**	**187**	**33,428**

31.12.08, in thousands of Euros	less than 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
Debt obligations	4,082	8,028	8,548	2,587	23,245
Factoring	1,976	0	0	0	1,976
Accounts payable and other liabilities	9,971	1,119	1,200	0	12,290
Total liabilities	**16,029**	**9,147**	**9,748**	**2,587**	**37,511**

CAPITAL RISK

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents.

	31.12.2009 EEK '000	**31.12.2008 EEK '000**	**31.12.2009 EUR '000**	**31.12.2008 EUR '000**
Total borrowings	309,287	328,165	19,767	20,974
Less: Cash and cash equivalents	19,618	19,693	1,254	1,259
Net debt	**289,669**	**308,472**	**18,513**	**19,715**
Total equity	434,113	425,910	27,745	27,221
Total capital (net debt + total equity)	723,782	734,382	46,258	46,936
Gearing ratio	**40%**	**42%**	**40%**	**42%**

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include: valuation of trade receivables (Note 5), valuation of inventory (Note 6), valuation of goodwill (Note 8), valuation of investment property (Note 11), valuation of financial assets (Note 10), determination of the useful life of property, plant and equipment (Note 12) and determination of the useful life of intangible assets (Note 13).

TRADE RECEIVABLES VALUATION (NOTE 5)

Upon valuation of trade receivables, the management relies on its best knowledge taking into consideration historical experience. A provision for impairment of trade receivables are established when the payments are overdue more than 90 days. Payments overdue more than 90 days are provisioned at 50% and payments overdue more than 180 days in full extent. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

INVENTORY VALUATION (NOTE 6)

Upon valuation of inventories, the management relies on its best knowledge taking into consideration historical experience, general background information and potential assumptions and conditions of future events. In determining the impairment of inventories, the sales potential as well as the net realisable value of finished goods is considered. Upon valuation of raw materials, their potential as a source of finished goods and generating income is considered; upon valuation of work in progress, their stage of completion that can reliably be measured is considered.

The estimate of fair value of biomass will always contain uncertain assumptions, even though the Company has built in-house expertise in assessing these factors. The volume of biomass is in itself an estimate that is based on the juveniles put into lake/sea, the estimated growth and estimated mortality based on observed mortality in the period. The volume is adjusted for gutting wastage. Company tests the biomass by carrying out actual physical inventory weighing twice a year. Due to the weather conditions at the balance sheet date and process lengthiness the physical inventory is not possible to carry out as of the balance sheet date.

VALUATION OF GOODWILL (NOTE 8)

The management has carried out impairment tests as at 30.09.2009 for goodwill which arose upon acquisition of the following cash generating units or companies: AB Premia KPC (Lithuania) and Saaremere Kala AS (Estonia). Since the assessment of value was conducted less than 12 months after the acquisition of companies, the acquisition costs of the acquired companies have been retroactively adjusted as a result of the impairment test (IFRS 3.58).

VALUATION OF INVESTMENT PROPERTY (NOTE 11)

Starting from the financial year of 2009 the investment property is evaluated at fair value. For evaluating the fair value of the real estate management has used independent real estate agency. Before 2009, the real estate investments were recognized at cost. As according to the assessment of the management it is impossible to evaluate the fair value of the real estate investments retroactively before 2009, the investments in the previous periods are shown at cost.

USEFUL LIVES OF INVESTMENT PROPERTY, PROPERTY, PLANT AND EQUIPMENT (NOTE 11, 12)

Management has estimated the useful lives of property, plant and equipment based on the volume and conditions of production, historical experience in this area and the perspectives in the future.

USEFUL LIVES OF INTANGIBLE ASSETS (NOTE 13)

Management has determined and estimated the useful lives of intangible assets, taking into account the business conditions and volumes, historical experience in this area and the perspectives in the future.

THE IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS

The ongoing global financial crisis that hit the world in 2007 has drained liquidity in the economy making it increasingly difficult to raise funds in the capital markets.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Deteriorating operating conditions for debtors may also have an impact on the management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. In preparing these financial statements management relied on its assessment of how the local and global economic environment may impact the company's financial performance and financial position. Owing to the instability of the market situation, the effect of further developments in the economic environment may differ materially from management's current assessment.

4. CASH AND CASH EQUIVALENTS

	31.12.2009 EEK'000	31.12.2008 EEK '000	31.12.2009 EUR '000	31.12.2008 EUR '000
Cash and bank accounts	19,618	19,693	1,254	1,259
Total cash and cash equivalents	**19,618**	**19,693**	**1,254**	**1,259**

5. RECEIVABLES AND PREPAYMENTS

	31.12.2009 EEK '000	31.12.2008 EEK'000	31.12.2009 EUR '000	31.12.2008 EUR '000
Customer receivables [1]	126,276	143,015	8,071	9,140
Allowance for doubtful receivables [2]	-1,714	-1,553	-110	-99
Other receivables	1,483	10,229	95	654
Prepaid expenses	2,095	3,222	134	206
Prepaid taxes	5,299	4,009	339	256
Other prepayments	631	594	40	38
Total receivables and prepayments	**134,070**	**159,516**	**8,569**	**10,195**

[1] The limitation period of customer receivables:	31.12.2009 EEK '000	31.12.2008 EEK '000	31.12.2009 EUR '000	31.12.2008 EUR '000
term not due	112,261	123,270	7,175	7,878
0-90 days	7,837	13,828	501	884
more than 90 days	6,178	5,917	395	378
Total	**126,276**	**143,015**	**8,071**	**9,140**

[2] Changes in allowance for doubtful receivables:	EEK '000	EUR'000
Doubtful accounts at the beginning of the period (31.12.08)	-1,553	-99
Accounts deemed as doubtful received in the reporting period	128	8
Accounts deemed doubtful during the reporting period	-2,014	-129
Accounts written off the balance sheet during the reporting period	1,678	107
Change in value arising from exchange rates	47	3
Doubtful accounts at the end of the period (31.12.09)	-1,714	-110

The commercial pledge established as collateral to loans also covers accounts receivable (see Note 16).

6. INVENTORIES AND BIOLOGICAL ASSETS

Inventories, excl biological assets	31.12.2009 EEK '000	31.12.2008 EEK '000	31.12.2009 EUR '000	31.12.2008 EUR '000
Raw materials	32,524	40,776	2,079	2,606
Work in progress	3,239	669	207	43
Finished goods	26,701	32,664	1,707	2,088
Goods for resale	43,625	49,616	2,788	3,170
Prepayments for stock	1,635	2,675	104	171
Total inventories, excluding biological assets	**107,724**	**126,400**	**6,885**	**8,078**

The value of inventories written off and written down during 2009 amounted to 2,624 thousand EEK (168 thousand Euros). Single largest write-off in amount of 501 thousand EEK (32 thousand Euros) was caused by the break up of the freezing equipment. Loss of contaminated goods were covered by the insurance. In total 923 thousand EEK (59 thousand Euros) of inventory loss was covered by insurance, respective income from insurance indemnities is reflected under "Other income". The cost of write-down has been recognised under "Cost of goods sold" in the statement of comprehensive income.

Biological assets	31.12.2009 EEK '000	31.12.2008 EEK '000	31.12.2009 EUR'000	31.12.2008 EUR '000
Fries	21,290	17,480	1,361	1,117
Juveniles	8,718	10,771	557	688
Fish suitable for harvesting	67,432	53,654	4,310	3,429
Total biological assets	**97,440**	**81,905**	**6,228**	**5,235**

The estimate of fair value of biomass is based on the volume of biomass and weighted average market price of the fish at the balance date. Biological assets comprise of following species: rainbow trout *(Oncorhynchus mykiss)*, whitefish *(Coregonus lavaretus)* and arctic char *(Salvelinus alpinus)*.

The commercial pledge established as collateral to loans covers also stock (see Note 16).

7. FIXED ASSETS HELD FOR SALE

Fixed assets held for sale as of 31.12.09 comprise of the fish processing equipment and trademarks at their residual book value of 26,721 thousand EEK (1,708 thousand Euros). The management estimates that sale of said fixed assets within next 12 months is very likely. During 2009 write-downs in amount of 353 thousand EEK (23 thousand EUR) have been made. Respective write downs have been recorded under "Other expense" (Note 26).

8. SUBSIDIARIES

Holdings of the Group as of 31 December 2008 and 2009:

Name of the company	Country of location	Holding (%)		Group's share in owners' equity			
		31.12.09	31.12.08	31.12.09 EEK '000	31.12.08 EEK '000	31.12.09 EUR '000	31.12.08 EUR '000
AB Premia KPC	Lithuania	100%	100%	120,761	69,116	7,718	4,417
Saaremere Kala AS	Estonia	100%	100%	140,163	138,676	8,958	8,863

Holdings of AB Premia KPC as of 31 December 2008 and 31 December 2009:

Name of the company	Country of location	Holding (%)	
		31.12.09	31.12.08
Premia Tallinna Külmhoone AS	Estonia	100%	100%
TCS Invest OÜ	Estonia	100%	100%
SIA F.F.L.S.	Latvia	100%	100%
AS Premia FFL	Latvia	95%	95%

Holdings in subsidiaries TCS Invest OÜ and SIA F.F.L.S. are owned through another subsidiary, Premia Tallinna Külmhoone AS. Holding in subsidiary AS Premia FFL is owned through other subsidiaries, Premia Tallinna Külmhoone AS and SIA F.F.L.S.

Pursuant to the contract with the 5% minority shareholder of AS Premia FFL, Premia Tallinna Külmhoone AS is obliged to buy the holding in the future for 6,376 thousand EEK (408 thousand Euros). The management believes that as the transactions do not constitute the purchase of a minority shareholding, but the obligation of buying out shares, then Premia FFL has been consolidated to the extent of 100% and the relevant liability is recognised under "Payables" on the balance sheet (see Note 17).
Holdings of Saaremere Kala AS as of 31 December 2008 and 2009:

Name of the company	Country of location	Holding (%)	
		31.12.09	31.12.08
Heimon Kala Oy	Finland	100%	100%
Vettel OÜ	Estonia	100%	100%
GourmetHouse OÜ	Estonia	51%	51%
Saaristomeren Kala Oy	Finland	x	100%
Skärgårdshavets Fisk Ab	Sweden	100%	100%
Överumans Fisk Ab	Sweden	100%	100%

Subsidiary Saaristomeren Kala Oy was merged with subsidiary Heimon Kala Oy on 31 May 2009. Holdings in subsidiaries Skärgårdshavets Fisk Ab and Överumans Fisk Ab are owned through another subsidiary, Heimon Kala Oy (through Saaristomeren Kala Oy until 31 May 2009).

The fair value and book value of the acquired net assets immediately before acquisition as of 31 December 2008 were as follows:

in thousands of EEK	Net book value	Fair Value	Net book value	Fair Value
	Saaremere Kala	Saaremere Kala	Premia KPC	Premia KPC
Cash	13,560	13,560	5,733	5,733
Receivables and stock	220,367	220,367	167,830	167,830
Fixed assets (Note 12,13)	148,076	148,076	226,923	226,923
Goodwill (Note 13)	47,308	47,308	40,400	40,400

Payables	-290,635	-290,635	-371,770	-331,874
Net assets	**138,676**	**138,676**	**69,116**	**109,012**
Minority shareholding	3,004	3,004	0	0
Net assets acquired	**135,672**	**135,672**	**69,116**	**109,012**
Acquisition cost		162,381		260,125
Goodwill (Note 13)		**26,709**		**151,113**

in thousands of Euros	**Net book value**	**Fair Value**	**Net book value**	**Fair Value**
	Saaremere Kala	**Saaremere Kala**	**Premia KPC**	**Premia KPC**
Cash	867	867	366	366
Receivables and stock	14,084	14,084	10,727	10,727
Fixed assets (Note 12,13)	9,463	9,463	14,503	14,503
Goodwill (Note 13)	3,024	3,024	2,582	2,582
Payables	-18,575	-18,575	-23,761	-21,211
Net assets	**8,863**	**8,863**	**4,417**	**6,967**
Minority shareholding	192	192	0	0
Net assets acquired	**8,671**	**8,671**	**4,417**	**6,967**
Acquisition cost		10,378		16,625
Goodwill (Note 13)		**1,707**		**9,658**

The percentage of holdings in the owners' equity of subsidiaries equals the right to vote. Shares of the subsidiaries have not been listed on the stock exchange.

On 30 December 2008, the company issued 2,378,286 new shares to the shareholders of AB Premia KPC and Saaremere Kala AS. The issued shares were paid for by non-monetary contributions, which where shares of Premia KPC and Saaremere Kala. The new shares were registered in January 2009.

The acquisition cost of the investment acquired by way of the share issue was 594,572 thousand EEK (38,000 thousand Euros), which consisted of the following components:

- purchase price of AB Premia KPC in the amount of 378,648 thousand EEK (24,200 thousand Euros), which was paid by way of a non-monetary contribution in Premia KPC shares;
- the purchase and sales price of Saaremere Kala AS in the amount of 215,924 thousand EEK (13,800 thousand Euros), which was paid by way of a non-monetary contribution in Saaremere Kala shares;
- legal advisory fees and the non-refundable taxes associated with the transaction in the total amount of 35 thousand EEK (2 thousand Euros).

As of 30 September 2009 the company conducted a test of the decrease in the recoverable value of goodwill using market-based comparable value coefficient. In the market-based approach, the company has been compared to other similar companies in the same sector that are publicly traded on the market or recently sold and where sufficient information is available about the transaction price. In this case, manufacturers of food products, fish farms and manufacturers of fish products in Europe have been treated as the sector and the price level and different ratios of these companies have been compared. Price-to-sale, price-to-book and enterprise value divided by earnings before depreciation (EV/EBITDA) are the ratios used. The average industry specific valuation multiples have been applied to the actual economic indicators of subsidiaries in order to find fair value. The recoverable value found as a result of the impairment test for AS Saaremere Kala was 53,543 thousand EEK (3,422 thousand Euros) less than the book value of the tested cash-generating entity and for AB Premia KPC Group, it was 118,523 thousand EEK (7,575 thousand Euros) less than the book value of the tested cash-generating entity.

Since the assessment of value was conducted less than 12 months after the acquisition of companies, the acquisition costs of the acquired companies have been retroactively adjusted as a result of the test (IFRS 3.58).

The goodwill generated by the transaction in the amount of 177,822 thousand EEK (11,365 thousand Euros) relates to the benefits derived from the synergy arising from the common management of the subsidiaries in the future and the crossing of sales networks.

In 2008 Saaremere Kala AS and AB Premia KPC earned losses in the amount of 25,308 thousand EEK (1,617 thousand Euros) and generated sales revenue in the amount of 1,210,228 thousand EEK (77,348 thousand Euros).

On 9 December 2008, AB Premia KPC issued 2,378,286 new shares to the minority shareholders of Premia Tallinna Külmhoone AS. The shares were paid for by non-monetary contributions on 12 December 2008, which where shares of Premia Tallinna Külmhoone. The cost of the transaction amounted to 39,896 thousand EEK (2,550 thousand Euros). The new shares were registered on 7 January 2009. As a result of the transaction AB Premia KPC acquired a 100% shareholding in Premia Tallinna Külmhoone AS. An increase of net assets in the amount of 39,896 thousand EEK (2,550 thousand Euros) arising from the aforementioned transaction is considered in finding the fair value of AB Premia KPC.

9. DEFERRED TAX ASSETS

The income tax claim of Heimon Kala Oy in the amount of 5,541 thousand EEK (354 thousand Euros) has resulted from the difference in the tax depreciation of fixed assets and losses from previous periods. Deferred income tax payable is described in Note 28.

10. LONG TERM FINANCIAL INVESTMENTS

	31.12.2009 EEK '000	**31.12.2008 EEK '000**	**31.12.2009 EUR'000**	**31.12.2008 EUR '000**
Loans (interest rate 3.5% per annum)	404	406	26	26
Shares and participations at cost	745	809	47	52
Shares and participations at market value	358	196	23	12
Total long term financial investments	**1,507**	**1,411**	**96**	**90**

11. INVESTMENT PROPERTY

	EEK '000	EUR '000
Residual value as of 31.12.2008 additions from the acquisitions of subsidiaries	2,660	171
Revaluation	29,940	1,913
Residual value as of 31.12.2009	**32,600**	**2,084**

Land and buildings at Peterburi tee 42 that are no longer used in the principal activities of the company are recognised as investment properties. Investment properties have been recognised using the fair value method. The fair value of investment properties according to an expert valuation is 32,600 thousand EEK (2,084 thousand Euros).

The costs associated with the management of investment properties amount to approximately 344 thousand EEK (22 thousand Euros) per year and consist of the cost of electricity and heating. Investment property did not generate any rental income during the period.

12. TANGIBLE FIXED ASSETS

in thousands of EEK	Land and buildings	Machinery, equipment	Fixtures, fittings and tools	Construction in progress, prepayments	Total
Residual value as of 31.12.2008 additions from the acquisitions of subsidiaries	**99,586**	**163,477**	**10,090**	**10,041**	**283,194**
Acquired during the period	1,054	7,030	935	-1,646	7,373
Residual value of assets sold and written off	0	-1,792	-73	-50	-1,915
Reclassification as fixed assets (residual value)	0	0	0	-13	-13
Change in value arising from exchange rates	304	491	69	527	1,391
Depreciation	-8,423	-35,364	-4,263	0	-48,050
Residual value as of 31.12.2009	**92,521**	**133,842**	**6,758**	**8,859**	**241,980**
Acquisition cost as of 31.12.2008	125,987	324,708	39,365	10,041	500,101
Accumulated depreciation as of 31.12.2008	-26,401	-161,231	-29,275	0	-216,907
Acquisition cost as of 31.12.2009	127,345	325,103	39,231	8,859	500,538
Accumulated depreciation as of 31.12.2009	-34,824	-191,261	-32,473	0	-258,558

in thousands of Euros	Land and buildings	Machinery, equipment	Fixtures, fittings and tools	Construction in progress, prepayments	Total
Residual value as of 31.12.2008 additions from the acquisitions of subsidiaries	**6,365**	**10,448**	**645**	**642**	**18,100**
Acquired during the period	67	449	60	-105	471
Residual value of assets sold and written off	0	-114	-5	-4	-123
Reclassification as fixed assets (residual value)	0	0	0	-1	-1
Change in value arising from exchange rates	20	31	4	34	89
Depreciation	-539	-2,260	-272	0	-3,071
Residual value as of 31.12.2009	**5,913**	**8,554**	**432**	**566**	**15,465**
Acquisition cost as of 31.12.2008	8,052	20,753	2,516	642	31,963
Accumulated depreciation as of 31.12.2008	-1,687	-10,305	-1,871	0	-13,863
Acquisition cost as of 31.12.2009	8,139	20,778	2,507	566	31,990
Accumulated depreciation as of 31.12.2009	-2,226	-12,224	-2,075	0	-16,525

See Note 14 for information about fixed assets acquired by capital lease.
See Note 16 for information about tangible fixed assets pledged as collateral to debt obligations.

13. INTANGIBLE ASSETS

in thousands of EEK	Goodwill	Client contracts	Trade-marks	Licences, subscription fees	Other intangible assets	Prepay-ments	Total
Residual value as of 31.12.2008 additions from the acquisitions of subsidiaries	**265,530**	**27,167**	**15,152**	**10,681**	**2,257**	**1,452**	**322,239**
Acquired during the period	0	0	0	401	3,019	-161	3,259
Change in value arising from exchange rates	0	-32	0	0	0	9	-23
Depreciation	0	-7,101	-842	-626	-1,056	0	-9,625
Residual value as of 31.12.2009	**265,530**	**20,034**	**14,310**	**10,456**	**4,220**	**1,300**	**315,850**
Acquisition cost as of 31.12.2008	265,530	35,496	16,836	11,842	6,956	1,461	338,121
Accum. depreciation as of 31.12.2008	0	-8,329	-1,684	-1,161	-4,699	0	-15,873
Acquisition cost as of 31.12.2009	265,530	35,496	16,836	12,243	9,975	1,300	341,380
Accum. depreciation as of 31.12.2009	0	-15,462	-2,526	-1,787	-5,755	0	-25,530

in thousands of Euros	Goodwill	Client contracts	Trademarks	Licences, subscription fees	Other intangible assets	Prepayments	Total
Residual value as of 31.12.2008 additions from the acquisitions of subsidiaries	**16,971**	**1,736**	**968**	**682**	**144**	**93**	**20,594**
Acquired during the period	0	0	0	26	193	-10	209
Change in value arising from exchange rates	0	-2	0	0	0	0	-2
Depreciation	0	-454	-54	-40	-67	0	-615
Residual value as of 31.12.2009	**16,971**	**1,280**	**914**	**668**	**270**	**83**	**20,186**
Acquisition cost as of 31.12.2008	16,971	2,269	1,076	756	445	93	21,610
Accum. depreciation as of 31.12.2008	0	-533	-108	-74	-301	0	-1,016
Acquisition cost as of 31.12.2009	16,971	2,269		782	638	83	21,819
Accum. depreciation as of 31.12.2009	0	-873		-114	-368	0	-1,633

Other intangible assets comprise mainly of software licenses. Further information regarding goodwill is disclosed in Note 8.

14. FIXED ASSETS ACQUIRED UNDER FINANCE LEASE

in thousands of EEK	Machinery, equipment	Fixtures, fittings and tools	Total
Acquisition cost as of 31.12.2009	64,503	1,193	65,697
Accumulated depreciation as of 31.12.2009	-28,216	-365	-28,582
Residual value as of 31.12.2009	**36,287**	**828**	**37,115**
Acquisition cost as of 31.12.2008	96,460	6,226	102,686
Accumulated depreciation as of 31.12.2008	-40,765	-3,272	-44,037
Residual value as of 31.12.2008	**55,694**	**2,955**	**58,649**

in thousands of Euros	Machinery, equipment	Fixtures, fittings and tools	Total
Acquisition cost as of 31.12.2009	4,123	76	4,199
Accumulated depreciation as of 31.12.2009	-1,803	-23	-1,827
Residual value as of 31.12.2009	**2,319**	**53**	**2,372**
Acquisition cost as of 31.12.2008	6,165	398	6,563
Accumulated depreciation as of 31.12.2008	-2,605	-209	-2,814
Residual value as of 31.12.2008	**3,560**	**189**	**3,749**

	2009 EEK '000	2008 EEK '000	2009 EUR'000	2008 EUR '000
Principal payments in the financial year	14,304	0	914	0
Interest expenses in the financial year	1,229	0	79	0
Average interest rate	3.6%	n.a.	3.6%	n.a.
Finance lease liabilities at 31 December, incl.	**27,095**	**40,999**	**1,732**	**2,620**
up to 1 year	11,967	13,738	765	878
within 1-5 years	15,128	27,261	967	1,742
Minimum lease payments of finance lease liabilities:				
up to 1 year	12,728	15,302	814	978
within 1-5 years	15,512	28,713	991	1,835
Total	**28,240**	**44,015**	**1,805**	**2,813**
Future interest expense on finance leases	-1,145	-3,016	-73	-193
Present value of finance lease liabilities	**27,095**	**40,999**	**1,732**	**2,620**

15. OPERATING LEASE

In 2009 the Group made operating lease payments in the total amount of 17,595 thousand EEK (1,125 thousand Euros). The group leases vehicles, warehouses, production facilities, water areas, office premises and equipment.

Operating lease payments in 2009	Land and buildings	Machinery, equipment	Vehicles	Total
Operating lease payments (in thousand EEK)	14,498	541	2,556	17,595
Operating lease payments (in thousand EUR)	927	35	163	1,125

The company has been renting the deep frozen cold storage located at Betooni 4 by way of operating lease since September 2008 under the following terms: the contract has been entered into for ten years and the present value of the minimum sum of lease payments at the moment the contract was entered into is considerably lower than the fair value of the leased property. The other factors specified in IAS 17 also refer to the existence of operating lease.

Company has issued a bank guarantee to the Lessor of Betooni 4 equal to 12 month lease payments.

Operating lease payments to be made in subsequent periods under contracts that will not be terminated up to 1 year amount 17,359 thousand EEK (1,109 thousand Euros);

16. BORROWINGS

Short Term Borrowings	Effective interest rate	Date of maturity	31.12.09 EEK'000	31.12.08 EEK'000	31.12.09 EUR'000	31.12.08 EUR'000
Finance lease liabilities (see Note 14)			**11,967**	**13,738**	**765**	**878**
Overdraft, incl.			**35,800**	**35,377**	**2,288**	**2,261**
limit 168 thousand Euros	5.70%	without a term	0	2,434	0	156
limit 185 thousand Euros	1m Euribor+2.0%	31.12.2009	0	977	0	62
limit 168 thousand Euros	3m Euribor+2.5%	without a term	0	2,628	0	168
limit 1,917 thousand Euros	SEB base interest+2.2%	15.05.2010	24,534	24,566	1,568	1,570
limit 740 thousand Euros [1,2]	3m Euribor+4.5%	21.02.2010	11,266	4,772	720	305
Bonds, 11% coupon	**12.02%**	**09.04.2009**	**0**	**19,521**	**0**	**1,248**
Pension insurance loan, incl.			4,694	16	300	1
25 thousand Euros	6.00%	01.07.2030	0	16	0	1
650 thousand Euros	5.35%	25.01.2014	2,034	0	130	0
850 thousand Euros	5.35%	25.01.2014	2,660	0	170	0
Investment loans, incl.			**53,942**	**79,820**	**3,448**	**5,101**
2,499 thousand Euros	6m Euribor+2.5%	16.02.2009	0	39,100	0	2,499
72 thousand Euros	6m Euribor+1.9%	30.06.2014	0	66	0	4
135 thousand Euros	3m Euribor+1.0%	15.07.2009	0	102	0	7
171 thousand Euros	12m Euribor+0.5%	15.09.2010	0	285	0	18
402 thousand Euros	12m Euribor+0.5%	10.12.2014	0	350	0	22

100 thousand Euros	6m Euribor+1.8%	09.03.2010	0	157	0	10
3,000 thousand Euros [2]	6m Euribor+2.5%	01.02.2010	9,218	15,647	589	1,000
1,500 thousand Euros [2]	6m Euribor+2.5%	01.02.2010	23,470	0	1,500	0
3,725 thousand Euros	3m Euribor+8.4%	20.03.2012	6,722	0	433	0
2,301 thousand Euros	6m Euribor+3.7%	15.05.2012	4,360	14,995	279	958
1,278 thousand Euros	6m Euribor+1.5%	20.05.2011	1,956	1,704	125	109
4,500 thousand Euros	6m Euribor+0.75%	25.10.2014	6,436	5,678	411	363
1,124 thousand Euros	6m Euribor+1.9%	31.08.2016	1,730	1,736	111	111
Working capital loan	**SEB base+1.5%**	**01.06.2010**	**2,184**	**4,504**	**140**	**288**
Related party loans, incl.			50,969	31,293	3,258	2,000
Majority shareholder loan	12.67%	15.05.2010	19,676	0	1,258	0
Majority shareholder loan	8.87%	31.03.2010	31,293	31,293	2,000	2,000
Total			**159,556**	**184,269**	**10,198**	**11,777**

[1] limit decreases to 730 thousand euro by 21.01.2010; 720 thousand euro by 21.02.2010
[2] please see Note 32 Subsequent events for the extension of these loan facilities

Long Term Borrowings	Effective interest rate	Date of maturity	31.12.09 EEK'000	31.12.08 EEK'000	31.12.09 EUR'000	31.12.08 EUR'000
Finance lease liabilities (see Note 14)			**15,128**	**27,261**	**967**	**1,742**
Pension insurance loan, incl.			**15,256**	**190**	**975**	**12**
25 thousand Euros	6.00%	01.07.2030	0	190	0	12
650 thousand Euros	5.35%	25.01.2014	6,611	0	422	0
850 thousand Euros	5.35%	25.01.2014	8,645	0	553	0
Investment loans, incl.			**119,347**	**114,483**	**7,627**	**7,317**
72 thousand Euros	6m Euribor+1.9%	30.06.2014	0	663	0	42
171 thousand Euros	12m Euribor+0.5%	15.09.2010	0	674	0	43
402 thousand Euros	12m Euribor+0.5%	10.12.2014	0	3,846	0	246
100 thousand Euros	6m Euribor+1.8%	09.03.2010	0	313	0	20
3,000 thousand Euros	6m Euribor+2.5%	01.02.2010	0	10,329	0	660
1,500 thousand Euros	6m Euribor+2.5%	01.02.2010	0	23,470	0	1,500
3,725 thousand Euros	3m Euribor+8.4%	20.03.2012	48,226	0	3,082	0
2,301 thousand Euros	6m Euribor+3.7%	15.05.2012	6,541	0	418	0
1,278 thousand Euros	6m Euribor+1.5%	20.05.2011	3,114	5,161	199	330
4,500 thousand Euros	6m Euribor+0.75%	25.10.2014	51,681	58,403	3,303	3,733
1,124 thousand Euros	6m Euribor+1.9%	31.08.2016	9,785	11,624	625	743

Working capital loan	**SEB base+1.5%**	**01.06.2010**	**0**	**1,971**	**0**	**126**
Total, incl.			**149,731**	**143,895**	**9,569**	**9,197**
payable within 1-5 years			146,869	107,072	9,386	6,843
payable after 5 years			2,862	36,833	183	2,354

Debts are secured with mortgages set on the registered immovable in the amount of 277,160 thousand EEK (17,714 thousand Euros), commercial pledge set on its' assets in the amount of 115,262 thousand EEK (7,367 thousand Euros). In addition the shares of AS Premia FFL and Heimon Kala Oy are pledged in favour of Danske/Sampo Bank as collaterals.

The pension insurance loans issued by the VARMA pension insurance company are guaranteed by the Finnish Sampo Bank and the fee rate for the guarantee is 2.5%. The investment loans of 58,284 thousand EEK (3,725 thousand Euros) are guaranteed by the KredEx Credit and Export Guarantee Fund in amount of 30,000 thousand EEK (1,917 thousand Euros), with the fee rate for the guarantee being 2.1%. The effective interest rate captures the fee rate of the abovementioned guarantees.

Debts are also secured by shareholders' guarantee in amount of 105,615 thousand EEK (6,750 thousand Euros).

Swedish subsidiaries have been paid EU grants, which in accordance with the regulation established in Sweden to cover EU grants must be guaranteed by a mortgage or commercial pledge. The subsidiaries have guaranteed the EU grants with a mortgage on real estate in the amount of 7,540 thousand EEK (482 thousand Euros) and with a commercial pledge in the amount of 2,539 thousand EEK (162 thousand Euros). As of 31 December 2009 the guaranteed residual value of the EU grants is the amount of 3,862 thousand EEK (247 thousand Euros).

17. PAYABLES

	31.12.2009 EEK '000	**31.12.2008 EEK '000**	**31.12.2009 EUR '000**	**31.12.2008 EUR '000**
Accounts payable	76,987	113,469	4,920	7,252
Employee-related payables	17,547	19,420	1,121	1,241
Shares buy-out obligation (Note 8)	6,376	6,978	407	446
Payables to group companies and shareholders	5,312	698	340	45
Interest payable	809	2,168	52	138
Other payables	3,559	5,461	228	349
Taxes payable, incl.:	21,096	27,690	1,348	1,770
social tax	3,224	4,017	206	257
VAT payable	14,532	18,567	929	1,187
personal income tax	2,352	3,203	150	205
other taxes	988	1,903	63	121
Total payables	**131,686**	**175,884**	**8,416**	**11,241**

Accounts payable also include payables to related parties. See Note 30.

18. TARGET FINANCING

	31.12.2009 EEK '000	31.12.2009 EUR '000
Deferred income from target financing as of 31.12.08	29,513	1,886
Target financing received during the period	1,591	102
Returned target financing	-117	-8
Change in value arising from exchange rates	-96	-6
Transferred to income during the period (see Note 26)	-4,806	-307
Income from target financing at the end of period	**26,085**	**1,667**
Revenue within 1 year	4,000	256
Revenue within 2-14 years	22,085	1,411

For further information regarding target financing-related off-balance sheet receivables, see Note 31.

19. OWNERS' EQUITY

The company had 2,418,286 shares as of 31 December 2009. The company has 16,202 treasury stocks. The nominal value of a share is 10 Estonian kroons. The registered share capital as of 31.12.09 was 24,183 thousand EEK (1,546 thousand Euros). The registered share capital as of 31.12.08 was 400 thousand EEK (26 thousand Euros). The amount of minimum share capital stipulated in the articles of association is 6,250,000 Estonian kroons and maximum capital is 25,000,000 Estonian kroons. The company does not have potential shares with voting rights.

The following changes have occurred in share capital in 2009:

Pursuant to the resolution of the sole shareholder dated 30 December 2008, it was decided to increase the share capital and share premium of the parent company by 38,000 thousand Euros. The non-monetary contribution was audited by Alliott Kangust OÜ. As a result of the transaction, the number of shares increased by 2,378,286 and the share capital by 23,783 thousand EEK (1,520 thousand Euros). Since the new shares were registered in January 2009, then the amount 23,783 thousand EEK (1,520 thousand Euros) has been recognised under "Unregistered share capital" as of 31 December 2008.

Content	Type	Amount EEK '000	Amount EUR '000
Shareholders of Saaremere Kala AS	Non-monetary	215,934	13,800
Shareholders of AB Premia KPC	Non-monetary	378,648	24,200
Total		**594,572**	**38,000**

Pursuant to the resolution of shareholders dated 17 August 2009, it was decided to buy back 16,202 treasury stocks for the total amount of 3,986 thousand EEK (255 thousand Euros).

As of the balance sheet date, all non-monetary transfers had been made and the changes in the company's share capital are recognised in the Estonian Central Register of Securities.

Shareholder	31.12.2009 number of shares	%
ING Luxembourg S.A., holding the shares of:	2,030,943	83.983%
Amber Trust II S.C.A	1,301,354	53.813%
Amber Trust S.C.A	538,137	22.253%
DCF Fund II Baltic States	191,452	7.917%
Firebird Avrora Fund, Ltd.	63,801	2.638%
Firebird Republics Fund, Ltd.	53,548	2.214%
AS Premia Foods	16,202	0.670%

Members of management and supervisory board, persons and entities related to them:		
OÜ Rododendron (company held by Mr. Kuldar Leis)	129,524	5.356%
OÜ Footsteps Management (company held by Ms. Katre Kõvask)	48,504	2.006%
OÜ Freespirit (company held by Mr. Silver Kaur)	38,628	1.597%
Mr. Pekka Pentti Olavi Lahtinen	19,236	0.796%
Kamakamaka OÜ (company held by Mr. Erik Haavamäe)	17,900	0.740%
Total	**2,418,286**	

Please see also the Note 32 for subsequent changes in equity.

20. SEGMENT REPORTING

IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009), introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available and that is evaluated regularly by the Group's Chief Operating Decision Maker in order to decide upon the allocation of resources and assess performance.

Following primary segments are distinguished in the consolidated financial statements:

"Fish" – fish farming, production and wholesale of fish and fish products;
"Ice cream – production and wholesale of ice cream;
"Frozen food" – wholesale of frozen food products;

Other operations include sale of logistics services, other services and materials. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2009.

There is relatively high level of integration between the Ice Cream and Frozen Food reportable segments. This integration includes shared distribution, selling and marketing services. The accounting policies of the reportable segments are the same as described in Note 1.

The Parent company's management board assesses the performance of the operating segments based on a measure of external revenue and operating profit. Inter-segment pricing is determined on an arm's length basis and the conditions applied do not differ materially from the market.

in thousands of EEK 2009	*Note*	Fish	Ice cream	Frozen food	All other segments	Eliminations	Total
External revenue		458,215	251,797	1,815	14,222	0	1,074,973
Inter-segment revenue		2,220	0	0	0	-2,220	0
Total gross segment revenue	*21*	**460,435**	**251,797**	**350,739**	**14,222**	**-2,220**	**1,074,973**
Segment operating profit		15,822	23,553	-17,952	169	0	21,592
Unallocated operating profit							17,780
Total operating profit							**39,372**
Financial income (expense)							-29,204
Income tax							641
Profit for the period							10,809

Segment assets		336,957	140,465	123,337	2,525	-27,821	575,463
Unallocated Group assets							407,588
Total Assets							**983,051**
Segment liabilities		95,895	39,918	39,692	1,865	-16,328	161,042
Unallocated Group liabilities, thereof							387,896
Loans and borrowings							309,287
Other Group liabilities							78,609
Total liabilities							**548,938**
Depreciation/ amortization	*12*	-16,264	-17,879	-13,612	-295		-48,050
Unallocated (intangible amorti-zation)	*13*						-9,625
Total depreciation	*25*						**-57,675**
Capital expenditures	*12*	4,709	1,815	1,062	68		7,373
Unallocated (purchase of intangibles)	*13*						3,259
Total capital expenditures							10,632

in thousands of EEK 2008	Fish	Ice cream	Frozen food	All other segments	Eliminations	Total
Segment assets	348,960	163,835	155,928	2,939	-35,719	635,943
Unallocated Group assets						392,385
Total Assets						**1,028,328**
Segment liabilities	104,299	48,859	58,930	1,806	-15,793	198,101
Unallocated Group liabilities, thereof:						404,317
Loans and borrowings						**328,165**
Other Group liabilities						76,152
Total liabilities						**602,418**

in thousands of EEK 2009	*Note*	Fish	Ice cream	Frozen food	All other segments	Eliminations	Total
External revenue		29,285	16,093	22,416	909	0	68,703
Inter-segment revenue		142	0	0	0	-142	0
Total gross segment revenue	*21*	**29,427**	**16,093**	**22,416**	**909**	**-142**	**68,703**
Segment operating profit		1,011	1,505	-1,147	11	0	1,380
Unallocated operating profit							1,136
Total operating profit							**2,516**
Financial income (expense)							-1,866
Income tax							41
Profit for the period							691
Segment assets		21,535	8,977	7,883	161	-1,778	36,778
Unallocated Group assets							26,050
Total Assets		**-16,264**	**-17,879**	**-13,612**	**-295**		**62,828**
Segment liabilities		6,129	2,551	2,537	119	-1,044	10,292
Unallocated Group liabilities, thereof:							**24,791**
Loans and borrowings		4,709	1,815	1,062	68		19,767
Other Group liabilities							5,024
Total liabilities							**35,083**
Depreciation / amortization	*12*	-1,039	-1,143	-870	-19	0	-3,071
Unallocated (intangible amortization)	*13*						-615
Total depreciation	*25*						-3,686
Capital expenditures	*12*	301	116	68	4	-18	471
Unallocated (purchase of intangibles)	*13*						209
Total capital expenditures							**680**

in thousands of EUR 2008	Fish	Ice cream	Frozen food	All other segments	Eliminations	Total
Segment assets	22,303	10,471	9,965	188	-2,283	40,644
Unallocated Group assets						25,078
Total Assets						**65,722**
Segment liabilities	6,666	3,123	3,766	115	-1,009	12,661
Unallocated Group liabilities, thereof:						25,840
Loans and borrowings						**20,974**
Other Group liabilities						4,866
Total liabilities						**38,501**

Segment assets include all assets directly attributable to a segment and assets that can be allocated to the segment on a reasonable basis. Segment assets exclude fixed assets held for sale, accrued interest receivable, deferred tax assets, financial investments, investment property and goodwill.

Segment liabilities include all liabilities directly attributable to a segment and liabilities that can be allocated to the segment on a reasonable basis. Segment liabilities exclude accrued interest payable, deferred tax liabilities, payables to shareholders, share buy-out obligation and borrowings.

Revenue from three major customers, each customer exceeding 10% threshold, in Fish, Ice Cream and Frozen Food segments, constituted 390,350 thousand EEK (24,948 thousand EUR) of Group total revenues in 2009.
The secondary segment is the geographical area distinguished by the location of customers.

Revenue from external customers		
	2009 EEK '000	**2009 EUR '000**
Estonia	356,134	22,761
Lithuania	136,397	8,717
Latvia	184,401	11,785
Finland	389,547	24,897
Other geographical regions	8,494	543
Total	**1,074,973**	**68,703**

Other geographical regions include Sweden, Russia and other countries. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2009.

21. SALES REVENUE

	2009 EEK '000	**2009 EUR '000**
Fish and fish products	458,215	29,285
Ice-cream	251,797	16,093
Frozen food	350,739	22,416
Other	14,222	909
Total sales revenue	**1,074,973**	**68,703**

22. COST OF GOODS SOLD

	2009 EEK '000	2009 EUR '000
Cost of goods purchased for resale	-311,788	-19,927
Materials in production	-344,243	-22,001
Labour costs	-73,255	-4,682
Depreciation (Note 25)	-22,465	-1,436
Other cost of goods sold [1]	-44,988	-2,875
Total cost of goods sold	**-796,739**	**-50,921**

[1] Other cost of goods sold comprise of production and fish farming assets related expenses (rent, maintenance, insurance, utilities etc), personnel related expenses and other costs and outsourced services

23. SELLING AND DISTRIBUTION EXPENSES

	2009 EEK '000	2009 EUR '000
Advertising, marketing and product development	-26,387	-1,686
Transportation services	-41,602	-2,659
Labour costs	-65,415	-4,181
Depreciation (Note 25)	-25,926	-1,657
Other selling and distribution expenses [1]	-53,406	-3,414
Total selling and distribution expenses	**-212,736**	**-13,597**

[1] Other selling and distribution expenses comprise of property related expenses (rent, maintenance, insurance, utilities etc), personnel related expenses and other services

24. ADMINISTRATIVE EXPENSES

	2009 EEK '000	2009 EUR '000
Labour costs	-26,001	-1,662
Depreciation (Note 25)	-9,284	-593
Other administrative expenses [1]	-26,570	-1,698
Total administrative expenses	**-61,855**	**-3,953**

[1] Other administrative expenses comprise of outsourced services, consultancy fees, IT costs, personnel related expenses and other expenses

25. DEPRECIATION

	2009 EEK '000	2009 EUR '000
Depreciation on tangible fixed assets (Note 12)	-48,050	-3,071
Depreciation on intangible fixed assets (Note 13)	-9,625	-615
Total depreciation (Notes 22,23,24)	**-57,675**	**-3,686**

Depreciation costs have been recognised under "Cost of goods sold", "Administrative expenses" and "Selling and distribution expenses" in the consolidated statement of comprehensive income.

26. OTHER INCOME AND OTHER EXPENSE

	2009 EEK '000	2009 EUR '000
Profit from revaluation of investment properties	29,940	1,914
Income from target financing	4,806	307
Other income	5,532	353
Other expenses	-9,411	-601
Total	**30,867**	**1,973**

PROFIT/LOSS ON BIOLOGICAL ASSETS

in thousands of EEK	Fries	Juveniles	Fish suitable for harvesting	2009
Acquisition and reclassification of assets	-554	-14	-12,844	12,276
Sale of biological assets	-2,105	0	-5,309	-7,414
Total	**-2,659**	**-14**	**7,535**	**4,862**

in thousands of EUR	Fries	Juveniles	Fish suitable for harvesting	2009
Acquisition and reclassification of assets	-35	-1	-12,844	12,276
Sale of biological assets	-135	0	-339	-474
Total	**-170**	**-1**	**482**	**311**

27. FINANCIAL INCOME AND EXPENSES

	2009 EEK '000	2009 EUR '000
Interest income	717	46
Other financial income	202	13
Interest expenses	-24,568	-1,570
Other financial expenses	-5,555	-355
Total	**-29,204**	**-1,866**

28. INCOME TAX EXPENSES

	2009 EEK '000	2009 EUR '000
Accrued during the period	-690	-44
Reversed during the period	1,331	85
Total	**641**	**41**

	2009 EEK '000	2009 EUR '000
Deferred income tax liability as of 31 December 2008	**22,126**	**1,414**
Deferred income tax liability from revaluation of assets during the period	982	63
Deferred income tax reversed during the period	-1,331	-85
Change in value arising from exchange rates	123	8
Deferred income tax liability as of 31 December 2009	**21,900**	**1,400**

The group's income tax expenses amounted to 641 thousand EEK (41 thousand EUR) in 2009

Comparison between the actual and calculated income tax expense:

in thousands of EEK	Estonia	Lithuania	Latvia	Finland	Sweden	Total
Profit before income tax	24,379	-5,877	-4,985	-10,260	4,457	7,714
Income tax rate	0%	15%	15%	26%	28%	x
Taxable expenses	0	363	4,468	27	0	4,858
Change in deferred income tax liability	0	-3,707	0	0	0	-3,707
Taxable profit (loss)	**0**	**-9,222**	**-517**	**0**	**4,457**	**-5,281**
Calculated income tax	0	0	0	0	8	0
Tax allowances	0	0	0	0	37	0
Income tax expense	0	0	0	7	11	18
Reversed income tax from previous periods	0	0	0	308	0	308
Deferred income tax	0	0	0	-914	-393	-1,307
Deferred income tax re-versed in the period	189	-501	1,828	123	0	1,639
Total	**189**	**-501**	**1,828**	**-483**	**-393**	**641**

ADDITIONAL DOCUMENTS

in thousands of EUR	Estonia	Lithuania	Latvia	Finland	Sweden	Total
Profit before income tax	1,558	-376	-319	-656	285	493
Income tax rate	0%	15%	15%	26%	28%	x
Taxable expenses	0	23	286	2	0	310
Change in deferred income tax liability	0	-237	0	0	0	-237
Taxable profit (loss)	**0**	**-589**	**-33**	**0**	**4,457**	**-338**
Calculated income tax	0	0	0	0	8	0
Tax allowances	0	0	0	0	37	0
Income tax expense	0	0	0	7	11	1
Reversed income tax from previous periods	0	0	0	308	0	20
Deferred income tax	0	0	0	-59	-25	-84
Deferred income tax re-versed in the period	12	-32	117	8	0	105
Total	**12**	**-32**	**117**	**-31**	**-25**	**41**

Estonian corporate income tax rate is 0%, but any dividends paid out are taxable, tax rate applied to dividends paid out from 1 January 2009 is 21/79 on net dividends (see Note 1 Corporate Income Tax in Estonia).

29. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2009 is based on the profit attributable to ordinary shareholders of 10,003 thousand EEK (639 thousand EUR) and a weighted average number of ordinary shares outstanding of 1,221 thousand, calculated as follows:

	31.12.2009
Average number of shares (in thousands)	1,221
number of registered shares at the beginning of the period	40
number of registered shares at the end of the period	2,418
number of treasury shares at the end of the period	16
Net profit attributable to the owners of the Company (in thousands of EEK)	10,003
Earnings per share (EEK)	**8.19**
Net profit attributable to the owners of the Company (in thousands of Euros)	639
Earnings per share (EUR)	**0.52**

Since the Company does not have potential ordinary shares, the diluted earnings per share equals to ordinary share profit.

30. RELATED PARTY TRANSACTIONS

Transactions with related parties constitute transactions with:

Group A: shareholders of the Company (the majority shareholder of Premia Foods AS is international investment fund Amber Trust II S.C.A)
Group B: shareholders of the subsidiaries
Group C: members of the management and supervisory board;
Group D: close family members of and companies related to the above.

In the preparation of the consolidated financial statements, all intra-group receivables and liabilities and all intra-group revenues, expenses and unrealised gains and losses were eliminated.

During the reporting period, Group entities performed transactions with related parties in the following volumes and at the end of the reporting period balances with related parties were the following:

PURCHASES AND SALES OF GOODS AND SERVICES:

2009	Group	Purchases EEK '000	Sales EEK '000	Purchases EUR '000	Sales EUR '000
Companies related to minority shareholders	A,D	2,621	219	168	14

The contract terms are based on market rates for these types of services.

BALANCES WITH RELATED PARTIES:

	Group	31.12.09 EEK '000	31.12.08 EEK '000	31.12.09 EUR '000	31.12.08 EUR '000
Current assets					
Companies related to minority shareholders	A,D	186	84	12	5
Companies related to minority shareholders (loan)	D	0	3,371	0	215
Companies related to minority shareholders (interest)	D	0	531	0	34
Current liabilities					
Amber Trust II S.C.A. (loan)	A	50.969	31,293	3,258	2,000
Amber Trust II S.C.A. (interest)	A	4,733	119	303	8
Companies related to minority shareholders (interest)	A	579	579	37	37
Companies related to minority shareholders	B	6,376	6,978	408	446
Companies related to minority shareholders (services)	A,D	218	640	14	41
Noncurrent liabilities					
Amber Trust II S.C.A.	A	17,226	15,802	1,101	1,010

The short-term unsecured loan from Amber Trust II S.C.A. in the amount of 31,293 thousand EEK (2,000 thousand Euros) carries an effective interest rate of 8.87%. Another short-term unsecured loan from Amber Trust II S.C.A. in the amount of 19,676 thousand EEK (1,258 thousand Euros) has an effective interest rate of 12.67% per annum (Note 16). 4,614 thousand EEK (295 thousand Euros) interest expense to Amber Trust II S.C.A. was recognized during 2009. No actual interest payments to the majority shareholder were made.

Noncurrent liability to Amber Trust II S.C.A. comprises of AB Premia KPC payable for buyback of its own shares in amount of 18,778 thousand EEK (1,200 thousand Euros) in December 2008. Payable is recognized at discounted value.

FINANCIAL INCOME / FINANCIAL EXPENSES:

2009	Group	Income EEK '000	Expense EEK '000	Income EUR '000	Expense EUR '000
Amber Trust II S.C.A.	A	0	6,155	0	393
Companies related to minority shareholders	B,D	84	603	5	39

FEES OF THE MANAGEMENT

In the financial period 01.01.09 – 31.12.09 the management and supervisory boards of the Group companies and other key members of the management received payments (salary, bonus, other allowances) in the total amount of 14,296 thousand EEK (914 thousand Euros). The abovementioned management remuneration included dismissal compensation in the total amount of 1,761 thousand EEK (113 thousand Euros). The members of the management and supervisory board do not receive pension-related rights from the company.

DISMISSAL COMPENSATION

The management board members are entitled to receive dismissal compensation; the maximum cost arising from payment of dismissal compensation including taxes is 3,443 thousand EEK (221 thousand Euros).

31. OFF BALANCE SHEET ITEMS

EU GRANTS

In spring 2008, Överumans Fisk Ab was granted with a double fold increased farming volume in Ankarsund. Necessary investments were carried out by fall 2008. At the same time the company applied for EU subsidies from the fish farmers' aid programme. As of the balance sheet date the receivable has not been recorded in balance sheet. Decision on EU subsidies in amount of SEK 1,197,708 has been made on March 10, 2010 and paid out on March 11, 2010.

Heimon Kala Oy has applied for EU grants from the fish processors and fish wholesalers' aid programme, which as of the balance day is an off-balance sheet receivable. Decision on EU subsidies in amount of EUR 8,231 has been made on March 2, 2010 and paid out on March 11, 2010.

32. SUBSEQUENT EVENTS

ACQUISITION OF NON-CONTROLLING INTEREST

As of February 26, 2010 Saaremere Kala AS has signed the share purchase agreement with one of the minority shareholders of Gourmethouse OÜ in order to buy the additional 24.29% shareholding. Transaction amounted to 1,700 thousand EEK (109 thousand Euros), of which 500 thousand EEK (32 thousand Euros) was paid at closing, 600 thousand EEK (38.3 thousand Euros) will be payable at 31.08.10 and remainder 600 thousand EEK (38.3 thousand Euros) at 28.02.11. As a result of the abovementioned transaction the shareholding of Saaremere Kala AS in Gourmethouse OÜ has increased up to 75.71%

EXTENSION OF BORROWINGS

As of February 10, 2010 overdraft contract ending on 21.02.2010 was extended until August 21, 2010. Credit limit according to the signed contract is 11,266 thousand EEK (720 thousand Euros), decrease from May 8th onwards by 250 thousand EEK (16 thousand EUR) per month down to 10,266 thousand EEK (656 thousand Euros). Interest rate of the contract stayed at current level, i.e. 3-month Euribor + 4.5%.
As of January, 2010 two investment loan facilities maturing on February 1, 2010 were extended until March 29th, 2010. Extended amount was 32,688 thousand EEK (2,089 thousand Euros) and interest rate 6-month Euribor + 7.0%.

BONUS ISSUE

Pursuant to the resolution of the shareholder dated 15 March 2010, it was decided to increase the share capital of the Company by 217,645,740 Estonian kroons without making contributions into the share capital using the Company's own equity. The share capital will be increased from the issue premium of the Company. After the increase of the share capital the share capital of the Company will be 241,828,600 Estonian kroons that is divided into 24,182,860 ordinary shares of the Company with a nominal value of 10 Estonian kroons. The reason for the share capital increase and bonus issue was above all increase of credibility of the Company in the market.
Along with the bonus issue the minimum share capital stipulated in the articles of association was increased to 175,000,000 Estonian kroons and maximum capital to 700,000,000 Estonian kroons.

33. SUPPLEMENTARY DISCLOSURES ON THE PARENT COMPANY OF THE GROUP

Pursuant to the Accounting Act of the Republic of Estonia, information of the unconsolidated financial statements (primary statements) of the consolidating entity (parent company) shall be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the parent company the same accounting policies have been used 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 separate primary financial statements, disclosed to these consolidated financial statements (Supplementary disclosures), investments into the shares of subsidiaries are accounted for at cost less any impairment recognised.

STATEMENT OF FINANCIAL POSITION

As at 31 December	31.12.2009 EEK '000	31.12.2008 EEK '000 pro forma	31.12.2009 EUR '000	31.12.2008 EUR '000 pro forma
Cash	11,859	400	758	26
Receivables and prepayments	9,480	0	606	0
Total current assets	**21,339**	**400**	**1,364**	**26**
Long-term financial investments	422,506	422,506	27,003	27,003
Total fixed assets	**442,506**	**422,506**	**27,003**	**27,003**
Total assets	**443,845**	**422,906**	**28,367**	**27,029**
Loans and borrowings	19,676	0	1,258	0
Payables	2,311	0	147	0
Total current liabilities	**21,987**	**0**	**1,405**	**0**
Loans and borrowings	3,986	0	255	0
Total noncurrent liabilities	**3,986**	**0**	**255**	**0**
Total liabilities	**25,973**	**0**	**1,660**	**0**
Share capital	24,183	400	1,546	26
Unregistered share capital	0	23,783	0	1,520
Share premium	398,688	398,723	25,481	25,483
Treasury stock	-3,986	0	-255	0
Retained earnings	-1,013	0	-65	0
Total owners' equity	**417,872**	**422,906**	**26,707**	**27,029**
Total liabilities and owners' equity	**443,845**	**422,906**	**28,367**	**27,029**

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	2009 EEK '000	2009 EUR '000
Sales	2,554	163
Gross profit	**2,554**	**163**
Administrative expenses	-2,993	-191
Operating profit	**-439**	**-28**
Financial income	1,477	94
Financial expenses	-2,051	-131
Profit before taxes	**-1,013**	**-65**
Net profit for the period	**-1,013**	**-65**
Other comprehensive income		
Total comprehensive income	**-1,013**	**-65**

CASH FLOW STATEMENT

	2009 EEK '000	2009 EUR '000
Cash flow from operations		
Operating profit	**-439**	**-28**
Adjustments:		
Change in receivables related to operating activities	-472	-30
Change in liabilities and prepayments relating to operating activities	381	24
TOTAL CASH FLOW FROM OPERATIONS	**-530**	**-34**
Cash flow from investments		
Net cash flow from acquisition of subsidiaries	-35	-2
Loans granted	-27,484	-1,757
Repayment of loans granted	19,676	1,258
Interest received	159	10
TOTAL CASH FLOW FROM INVESTMENTS	**-7,684**	**-491**
Cash flow from financing		
Loans raised	19,676	1,257
TOTAL CASH FLOW FROM FINANCING	**19,676**	**1,257**
TOTAL CASH FLOW:	**11,462**	**732**
CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	**400**	**26**
Change in cash and cash equivalents	11,462	732
Gains/losses on conversion of foreign currencies	-3	0
Cash and cash equivalents at the end of the year	**11,859**	**758**

STATEMENT OF CHANGES IN OWNERS' EQUITY

in thousands of EEK

	Share capital	Share premium	Unregistered share capital	Treasury shares	Reserves	Retained earnings	**Total Equity**
As of 31.12.2008 according to IFRS	**400**	**398,723**	**23,783**	**0**	**0**	**0**	**422,906**
Adjusted unconsolidated equity as of 31.12.2009	**400**	**398,723**	**23,783**	**0**	**0**	**0**	**422,906**
Increase of share capital	23,783	0	-23,783	0	0	0	0
Reduction of share premium	0	-35	0	0	0	0	-35
Treasury shares	0	0	0	-3,986	0	0	-3,986
Comprehensive income	0	0	0	0	0	-1,013	-1,013
As of 31.12.2009 according to IFRS	**24,183**	**398,688**	**0**	**-3,986**	**0**	**-1,013**	**417,872**
Adjustments according to the Estonian Accounting Act	0	0	0	0	1,415	11,016	12,431
Adjusted unconsolidated equity as of 31.12.2009	**24,183**	**398,688**	**0**	**-3,986**	**1,415**	**10,003**	**430,303**

in thousands of Euros

	Share capital	Share premium	Unregistered share capital	Treasury shares	Reserves	Retained earnings	Total equity
As of 31.12.2008 according to IFRS	**26**	**25,483**	**1,520**	**0**	**0**	**0**	**27,029**
Adjusted unconsolidated equity as of 31.12.2009	**26**	**25,483**	**1,520**	**0**	**0**	**0**	**27,029**
Increase of share capital	1,520	0	-1,520	0	0	0	0
Reduction of share premium	0	-2	0	0	0	0	-2
Treasury shares	0	0	0	-255	0	0	-255
Comprehensive income	0	0	0	0	0	-65	-65
As of 31.12.2009 according to IFRS	**1,546**	**25,481**	**0**	**-255**	**0**	**-65**	**26,707**
Adjustments according to the Estonian Accounting Act	0	0	0	0	90	704	794
Adjusted unconsolidated equity as of 31.12.2009	**1,546**	**25,481**	**0**	**-255**	**90**	**639**	**27,501**

Adjusted unconsolidated equity is the basis for the determination of distributable equity according to the Estonian Accounting Act

DECLARATION OF THE MANAGEMENT AND SUPERVISORY BOARD

The management board has prepared the management report and the consolidated financial statements of AS Premia Foods for the year ended at 31 December 2009.

Chairman of the Management Board	**Kuldar Leis**	March 22, 2010
Member of the Management Board	**Silver Kaur**	March 22, 2010
Member of the Management Board	**Katre Kõvask**	March 22, 2010
Member of the Management Board	**Andri Avila**	March 22, 2010

The supervisory board of AS Premia Foods has reviewed the annual report, prepared by the management board, consisting of the management report, the consolidated financial statements, the management board's recommendation for profit distribution and the independent auditor's report, and has approved the annual report for presentation on the annual shareholders meeting.

Chairman of the Supervisory Board	**Indrek Kasela**	March 22, 2010
Member of the Supervisory Board	**Lauri Kustaa Äimä**	March 22, 2010
Member of the Supervisory Board	**Harvey Sawikin**	March 22, 2010
Member of the Supervisory Board	**Aavo Kokk**	March 22, 2010
Member of the Supervisory Board	**Jaakko Karo**	March 22, 2010
Member of the Supervisory Board	**Erik Haavamäe**	March 22, 2010

INDEPENDENT AUDITOR'S OPINION

(translation of the Estonian original)

TO THE SHAREHOLDERS OF AS PREMIA FOODS

We have audited the accompanying consolidated financial statements of AS Premia Foods and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 16 – 58.

Management's Responsibility for the Consolidated Financial Statements
Management 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 management 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 Premia Foods and its subsidiaries as at 31 December 2009, 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.

Aivar Kangust
Alliott Kangust OÜ
Tallinn
22 March 2010

PROFIT ALLOCATION PROPOSAL

The management board of AS Premia Foods proposes to present to the shareholders' general meeting the following profit allocation:

- to add the profit for financial year to the retained earning of previous periods,
- no dividend distributions to shareholders

CONSOLIDATION TABLE

	For the 12 month period ended 31 December 2008			
	Saaremere Kala AS	*AB Premia KPC*	*eliminations*	*2008 pro forma*
	consolidated	*consolidated*		*consolidated*
Income statement information	(in EEK millions unless otherwise stated)			
Revenue	456.7	754.4	-0.9	1,210.2
Cost of goods sold	-397.6	-519.5	0.9	-916.2
Gross profit	**59.1**	**234.9**	**-**	**294.0**
Selling and distribution expenses	-50.4	-200.4	-	-250.8
Administrative expenses	-29.3	-48.7	-	-78.0
Other activities	12.7	31.2	-	43.9
Biomass IFRS valuation	1.1	-	-	1.1
Operating profit	**-6.8**	**17.0**	**-**	**10.2**
Net financial items	-26.4	-14.6	-	-41.0
Profit before income tax	-33.2	2.4	-	-30.8
Income tax	5.8	0.9	-	6.7
Profit for the period attributable to:	-27.4	3.3	-	-24.1
Non-controlling interest	1.2	-	-	1.2
Owners of the Company	**-28.6**	**3.3**	**-**	**-25.3**

	As at 31 December 2008				
	Saaremere Kala AS	*AB Premia KPC*	*AS Premia Foods*	*elimi-nations*	*2008 pro forma*
	consolidated	*consolidated*	*parent*		*consolidated*
Balance sheet information	(in EEK millions unless otherwise stated)				
Cash and cash equivalents	13.6	5.7	0.4	-	19.7
Trade receivables	80.1	61.4	-	-	141.5
Inventories, other than biomass	51.5	74.9	-	-	126.4
Biomass	81.9	-	-	-	81.9
Fixed assets held for sale	0.3	-	-	25.5	25.8
Other current assets	6.5	31.6	-	-20.1	18.0
Total current assets	**233.9**	**173.6**	**0.4**	**5.4**	**413.3**
Deferred tax assets	5.5	-	-	-	5.5
Long-term financial assets	1.4	9.4	422.5	-431.9	1.4
Tangible assets	113.1	170.1	-	-	283.2
Investment property	-	2.7	-	-	2.7
Intangible assets	28.1	44.7	-	-16.1	56.7
Goodwill	47.3	40.4	-	177.8	265.5
Total non-current assets	**195.4**	**267.3**	**422.5**	**-270.2**	**615.0**
Total assets	**429.3**	**440.9**	**422.9**	**-264.8**	**1,028.3**
Supplier payables	45.6	67.9	-	-	113.5
Factoring	30.9	-	-	-	30.9
Other current liabilities	30.2	32.7	-	-0.5	62.4
Interest-bearing borrowings, current	81.9	102.4	-	-	184.3
Total current liabilities	**188.6**	**203.0**	**-**	**-0.5**	**391.1**
Interest-bearing borrowings, noncurrent	60.2	103.3	-	-19.6	143.9
Deferred income tax	12.3	9.8	-	-	22.1
Other non-current liabilities	-	55.7	-	-39.9	15.8
Target financing	29.5	-	-	-	29.5
Total non-current liabilities	**102.0**	**168.8**	**-**	**-59.5**	**211.3**
Equity attributable to equity holders	135.7	69.1	422.9	-204.8	422.9
Non-controlling interest	3.0	-	-	-	3.0
Total equity	**138.7**	**69.1**	**422.9**	**-204.8**	**425.9**
Total liabilities and equity	**429.3**	**440.9**	**422.9**	**-264.8**	**1,028.3**

	For the 12 month period ended 31 December 2008			
	Saaremere Kala AS	*AB Premia KPC*	*eliminations*	*2008 pro forma*
	consolidated	*consolidated*		*consolidated*
Income statement information	(in EUR thousands unless otherwise stated)			
Revenue	29,189	48,219	-60	77,348
Cost of goods sold	-25,414	-33,201	60	-58,555
Gross profit	**3,775**	**15,018**	**-**	**18,793**
Selling and distribution expenses	-3,222	-12,807	-	-16,029
Administrative expenses	-1,874	-3,113	-	-4,987
Other activities	810	1,993	-	2,803
Biomass IFRS valuation	70	-	-	70
Operating profit	**-441**	**1,091**	**-**	**650**
Net financial items	-1,690	-931	-	-2,621
Profit before income tax	**-2,131**	**160**	**-**	**-1,971**
Income tax	372	57	-	429
Profit for the period attributable to:	**-1,759**	**217**	**-**	**1,542**
Non-controlling interest	75	-	-	75
Owners of the Compa	**-1,834**	**217**	**-**	**-1,617**

	As at 31 December 2008				
	Saaremere Kala AS	*AB Premia KPC*	*AS Premia Foods*	*elimi-nations*	*2008 pro forma*
	consolidated	*consolidated*	*parent*		*consolidated*
Balance sheet information	(in EUR thousands unless otherwise stated)				
Cash and cash equivalents	867	366	26	-	1,259
Trade receivables	5,115	3,926	-	-	9,041
Inventories, other than biomass	3,290	4,788	-	-	8,078
Biomass	5,235	-	-	-	5,235
Fixed assets held for sale	18	-	-	1,629	1,647
Other current assets	425	2,013	-	-1,284	1,154
Total current assets	**14,950**	**11,093**	**26**	**345**	**26,414**
Deferred tax assets	354	-	-	-	354
Long-term financial assets	90	598	27,003	-27,601	90
Tangible assets	7,226	10,874	-	-	18,100
Investment property	-	170	-	-	170
Intangible assets	1,793	2,861	-	-1,031	3,623
Goodwill	3,024	2,582	-	11,365	16,971
Total non-current assets	**12,487**	**17,085**	**27,003**	**-17,267**	**39,308**
Total assets	**27,437**	**28,178**	**27,029**	**-16,922**	**65,722**
Supplier payables	2,914	4,338	-	-	7,252
Factoring	1,976	-	-	-	1,976
Other current liabilities	1,932	2,091	-	-34	3,989
Interest-bearing borrowings, current	5,235	6,542	-	-	11,777
Total current liabilities	**12,057**	**12,971**	**-**	**-34**	**24,994**
Interest-bearing borrowings, noncurrent	3,847	6,600	-	-1,250	9,197
Deferred income tax	786	628	-	-	1,414
Other non-current liabilities	-	3,560	-	-2,550	1,010
Target financing	1,884	2	-	-	1,886
Total non-current liabilities	**6,517**	**10,790**	**-**	**-3,800**	**13,507**
Equity attributable to equity holders	8,671	4,417	27,029	-13,088	27,029
Non-controlling interest	192	-	-	-	192
Total equity	**8,863**	**4,417**	**27,029**	**-13,088**	**27,221**
Total liabilities and equity	**27,437**	**28,178**	**27,029**	**-16,922**	**65,722**

Data for AB Premia KPC and Saaremere Kala AS based on audited consolidated annual accounts.

COMPANY

AS PREMIA FOODS
Betooni 4, Tallinn, 11415, Estonia

GLOBAL LEAD MANAGER AND BOOK-RUNNER

AS Swedbank
Liivalaia 8, Tallinn 15040, Estonia

LEGAL COUNSEL TO THE COMPANY

AS ADVOKAADIBÜROO LEPIK & LUHAÄÄR LAWIN
Niguliste 4, Tallinn 10130, Estonia

AUDITOR

Alliott Kangust OÜ
Narva mnt 5, Tallinn, 10117, Estonia

AB PREMIA KPC

CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS, AS ADOPTED BY THE EUROPEAN UNION,
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AB PREMIA KPC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of AB Premia KPC, a joint stock company registered in the Republic of Lithuania (hereinafter the Company), and consolidated financial statements of AB Premia KPC and subsidiaries (hereinafter the Group), which comprise the balance sheets as of 31 December 2008, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the section *Basis for Qualified Opinion* below, we conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

BASIS FOR QUALIFIED OPINION

- As instructed, we have not performed an audit of the subsidiary AS Premia FFL, whose aggregated total assets and total revenues from the third parties comprised 27% and 37% of the respective consolidated amounts as of 31 December 2008 and for the financial year then ended, therefore we were unable to satisfy ourselves as to the balances of the subsidiary and its results and cash flows for the year ended 31 December 2008 included in the consolidated financial statements of the Group.
- We have not audited the financial statements of the subsidiary Premia FFL AS as of the acquisition date (31 October 2007) and we could not obtain sufficient audit evidence in respect of the purchase price allocation to the balances of the acquired assets, liabilities and contingent liabilities at that date. The balances of the subsidiary as of 31 October 2007 have an impact on Group's results and cash flows reported for the years ended 31 December 2008 and 2007, and balances of goodwill and customer contracts, recognised on the subsidiary acquisition, with the total carrying value of LTL 16,764 thousand as of 31 December 2007 (Note 3). Amortisation of customer contracts recorded in 2008 amounts to LTL 1,574 thousand, and the total carrying value of goodwill and customer contracts as of 31 December 2008 is LTL 14,911 thousand (Note 3).

QUALIFIED OPINION

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary, had we been able to perform procedures described in the paragraphs *a)* and *b)* of the section *Basis for Qualified Opinion*, the accompanying financial statements present fairly, in all material respects, the financial position of the Group and the Company as of 31 December 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis Auditor's licence No. 000003 President	Asta Štreimikienė Auditor's licence Nr. 000382

The audit was completed on 30 April 2009, except for note 24 of the financial statements, the audit of which was completed on 19 June.

BALANCE SHEETS

		Notes	Group		Company	
			As of 31 December 2008	As of 31 December 2007	As of 31 December 2008	As of 31 December 2007
	ASSETS					
A.	**Non-current assets**					
I.	Intangible assets	3	18,796	16,952	30	24
II.	Property, plant and equipment					
II.1.	Property, plant and equipment (except investment property)	4	37,546	56,830	4,242	5,518
II.2.	Investment property	5	590	611	-	-
	Total property, plant and equipment		38,136	57,441	4,242	5,518
III.	Non-current financial assets					
III.1.	Investments into subsidiaries and associates	6	-	9	34,450	22,159
III.2.	Non-current receivables	25	-	-	4,489	4,489
III.3.	Other long term investments	6	2,064	1,273	-	-
	Total non-current financial assets		2,064	1,282	38,939	26,648
	Total non-current assets		**58,996**	**75,675**	**43,211**	**32,190**
B.	**Current assets**					
I.	Inventories, prepayments and contracts in progress					
I.1.	Inventories	7	15,977	15,021	2,243	1,848
I.2.	Prepayments and contracts in progress		552	85	-	-
t	Total inventories, prepayments and contracts in progress		16,529	15,106	2,243	1,848
II.	Current accounts receivable					
II.1.	Trade receivables	8	13,556	14,186	3,062	2,578
II.2.	Receivables from subsidiaries	25	-	-	4	-
II.3.	Other receivables	9	6,147	894	58	115
	Total current accounts receivable		19,703	15,080	3,124	2,693
III.	Other current assets		806	471	78	11
IV.	Cash and cash equivalents	10	1,265	1,587	147	452
	Total current assets		**38,303**	**32,244**	**5,592**	**5,004**
	Total assets		**97,299**	**107,919**	**48,803**	**37,194**

(cont'd on the next page)
The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS (CONT'D)

		Notes	Group		Company	
			As of 31 December 2008	**As of 31 December 2007**	**As of 31 December 2008**	**As of 31 December 2007**
	EQUITY AND LIABILITIES					
C.	**Equity**					
	Attributable to the shareholders of the Company					
I.	Share capital	11	32,099	32,099	32,099	32,099
II.	Share premium		26,586	26,586	26,586	26,586
III.	Revaluation reserve (result)		-	-	-	-
IV.	Legal reserve	12	674	674	674	674
V.	Foreign currency translation	2.2	(298)	87	-	-
VI.	Retained earnings (deficit)		(43,814)	(34,008)	(32,875)	(30,411)
			15,247	25,438	26,484	28,948
	Minority interest		**-**	**1,735**	**-**	**-**
	Total equity		**15,247**	**27,173**	**26,484**	**28,948**
D.	**Liabilities**					
I.	Non-current liabilities					
I.1.	Financial borrowings	13	22,790	36,806	2,417	3,038
I.2.	Due to shareholder	6	12,291	-	12,291	-
I.3.	Deferred income tax	22	2,169	2,522	23	23
1.4.	Grants and subsidies		9	-	-	-
	Total non-current liabilities		**37,259**	**39,328**	**14,731**	**3,061**
II.	Current liabilities					
II.1.	Financial borrowings	13	24,132	21,951	1,185	1,187
II.2.	Trade and other payables	14	20,661	19,005	4,567	3,177
II.3.	Payables to subsidiaries	25	-	-	1,836	359
II.4.	Income tax payable		-	462	-	462
	Total current liabilities		**44,793**	**41,418**	**7,588**	**5,185**
	Total equity and liabilities		**97,299**	**107,919**	**48,803**	**37,194**

The accompanying notes are an integral part of these financial statements.

General Manager	Alvydas Malakauskas	30 April 2009
Chief Accountant	Tomas Staškūnas	30 April 2009

INCOME STATEMENTS

		Notes	Group		Company	
			2008	**2007**	**2008**	**2007**
I.	Sales	16	166,492	118,375	30,701	30,445
II.	Cost of sales	17	(114,637)	(81,791)	(20,705)	(20,294)
III.	**Gross profit**		**51,855**	**36,584**	**9,996**	**10,151**
IV.	Operating expenses					
IV.1.	Selling and distribution expenses	18	(44,219)	(29,473)	(10,863)	(9,823)
IV.2.	Administrative expenses	19	(10,752)	(7,183)	(1,431)	(1,721)
VI.	Other operating income (expenses), net	20	6,883	6,883	(17)	4,718
V.	Profit (loss) from operations		3,767	6,811	(2,315)	3,325
VII.	Financial income	21	752	289	283	219
VIII.	Financial expenses	21	(3,966)	(1,792)	(432)	(446)
IX.	**Profit (loss) before tax**		**553**	**5,308**	**(2,464)**	**3,098**
X.	Income tax (expenses) income	22	198	2	-	182
XI.	**Net profit (loss)**		**751**	**5,310**	**(2,464)**	**3,280**
	Attributable to:					
	The shareholders of the Company		253	5,264	(2,464)	3,280
	Minority interest		498	46	-	-
			751	**5,310**	**(2,464)**	**3,280**
	Basic and diluted earnings (loss) per share (in LTL)	23	0.04	0.82	(0.38)	0.51

The accompanying notes are an integral part of these financial statements.

General Manager	Alvydas Malakauskas	30 April 2009
Chief Accountant	Tomas Staškūnas	30 April 2009

STATEMENTS OF CHANGES IN EQUITY

Group	Notes	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Retained earnings (deficit)	Subtotal	Minority interest	Total
		Attributable to the shareholders of the Company							
Balance as of 31 December 2006		32,099	26,586	674	-	(39,272)	20,087	3,365	23,452
Income (expenses) for the year recognised directly in equity	2.2	-	-	-	87	-	87	-	87
Net profit for the year		-	-	-	-	5,264	5,264	46	5,310
Total income and (expense) for the year		-	-	-	87	5,264	5,351	46	5,397
Acquisition of subsidiaries	1, 3	-	-	-	-	-	-	(1,676)	(1,676)
Balance as of 31 December 2007		**32,099**	**26,586**	**67**	**87**	**(34,008)**	**25,438**	**1,735**	**27,173**
Income (expenses) for the year recognised directly in equity	2.2	-	-	-	(385)	-	(385)	-	(385)
Net (loss) for the year		-	-	-	-	253	253	498	751
Total income and (expense) for the year		-	-	-	(385)	253	(132)	498	366
Acquisition of minority	1, 6	-	-	-	-	(10,059)	(10,059)	(2,233)	(12,292)
Balance as of 31 December 2008		**32,099**	**26,586**	**674**	**(298)**	**(43,814)**	**15,247**	**-**	**15,247**

Company	Share capital	Share premium	Revaluation reserve (result)	Legal reserve	Retained earnings (deficit)	Total
Balance as of 31 December 2006	**32,099**	**26,586**	**-**	**674**	**(33,691)**	**25,668**
Net profit for the year	-	-	-	-	3,280	3,280
Balance as of 31 December 2007	**32,099**	**26,586**	**-**	**674**	**(30,411)**	**28,948**
Net (loss) for the year	-	-	-	-	(2,464)	(2,464)
Balance as of 31 December 2008	**32,099**	**26,586**	**-**	**674**	**(32,875)**	**26,484**

The accompanying notes are an integral part of these financial statements.

General Manager	Alvydas Malakauskas	30 April 2009
Chief Accountant	Tomas Staškūnas	30 April 2009

CASH FLOW STATEMENTS

		Notes	Group		Company	
			2008	2007	2008	2007
I.	**Cash flows from (to) operating activities**					
I.1.	Net profit		751	5,310	(2,464)	3,280
	Adjustments for non-cash items:					
I.2.	Depreciation and amortisation	3,4	10,639	6,326	2,060	2,078
I.3.	(Gain) loss from sale of property, plant and equipment	3,4,20	(6,522)	(6,973)	18	(4,858)
I.4.	Write-off of property, plant and equipment	3,4	3	341	6	341
I.5.	Allowance and write-off of inventories		309	177	27	54
I.6.	Change in allowance for accounts receivable and impairment of property, plant and equipment		495	(244)	2	(244)
I.7.	Other		(259)	96	-	10
I.8.	Interest (income)	21	(373)	(283)	(276)	(213)
I.9.	Interest expenses	21	3,628	1,755	348	428
I.10.	Profit tax (income)	22	(198)	(2)	-	(182)
			8,473	6,503	(279)	694
	Changes in working capital					
I.11.	(Increase) decrease in trade and other receivables		(873)	218	(498)	1,447
I.12.	Decrease (increase) in inventories		(1,265)	(1,765)	(422)	(257)
I.13.	(Decrease) in accounts payable		1,076	(1,967)	2.399	(242)
	Net cash flows from operating activities		**7,411**	**2,989**	**1,200**	**1,642**

II.	**Cash flows from (to) investing activities**					
II.1.	(Acquisition) of intangible assets and property, plant and equipment	3,4	(5,728)	(12,369)	(157)	(28)
II.2.	Disposal of property, plant and equipment	4	21,617	11,864	2	8,558
II.3.	Disposal of subsidiaries' shares		-	1,417	-	10
II.4.	Acquisitions of subsidiaries, net of cash acquired in the Group		-	(28,225)	-	-
II.5.	(Acquisition) of other non-current investments		(782)	(1,257)	-	-
II.6.	Loans (granted)		(7,390)	(1,015)	-	(4,489)
II.7.	Loans received		2,624	2,244	-	-
II.8.	Interest received	21	373	283	276	213
	Net cash flows from (to) investing activities		**10,714**	**(27,058)**	**121**	**4,264**
III.	**Cash flows from (to) financing activities**					
III.1.	Loans received		12,314	36,782	-	-
III.2.	(Repayment) of loans		(23,979)	(6,568)	-	(2,831)
III.3.	Interest (paid)	21	(3,628)	(1,755)	(348)	(428)
III.4.	Financial lease (paid)		(3,154)	(3,288)	(1,278)	(2,427)
	Net cash flows (to) from financial activities		**(18.447)**	**25,171**	**(1,626)**	**(5,686)**
IV.	**Net (decrease) increase in cash and cash equivalents**		**(322)**	**1,102**	**(305)**	**220**
V.	**Cash and cash equivalents at the beginning of the year**		**1,587**	**485**	**452**	**232**
VI.	**Cash and cash equivalents at the end of the year**		**1,265**	**1,587**	**147**	**452**
	Additional cash flow information:					
	Non-cash investment activity:					
	Acquisition of property, plant and equipment financed by financial lease		2,984	5,357	655	4,224
	Property, plant and equipment received as a subsidy		9	-	-	-

The accompanying notes are an integral part of these financial statements.

General Manager	Alvydas Malakauskas	30 April 2009
Chief Accountant	Tomas Staškūnas	30 April 2009

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kauno Pieno Gamykla was established in 1937. The Company supplied Kaunas with dairy products and ice-cream. In 1970 the dairy production was moved to the suburbs of Kaunas and the ice-cream production remained in the same place, later moved to Estonia. AB Premia KPC (hereinafter the Company) was established as a joint stock company on 7 February 1994 (the company was named AB Kauno Pieno Centras until 2007). The main activities of the Company are sale of ice-cream and frozen products in Lithuania. The Company is located in Kaunas. The address of its registered office is:

Taikos av. 96,
Kaunas,
Lithuania.

The main activities of the Group are production and sale of ice-cream and sale of frozen products in the Baltic states.
As of 31 December 2008 and 2007 the shareholders of the Company were (unaudited):

	2008		2007	
	Number of shares	Percentage	Number of shares	Percentage
Amber Trust II S.C.A. (Luxembourg)	6,063,912	94.45%	6,419,871	100.00%
OU Footsteps Management	218,876	3.41%	-	-
OU Nordelor	53,822	0.84%	-	-
OU Freespirit	47,380	0.74%	-	-
OU Kamakamada	35,881	0.56%	-	-
Total	6,419,871	100.00%	6,419,871	100.00%

The shares of the Company are included into the list of non-traded securities at the NASDAQ OMX Vilnius stock exchange and the securities of the Company are practically not traded.

All the shares of the Company are ordinary shares with a par value of LTL 5 each and were fully paid as of 31 December 2008 and 2007. The share capital did not change in 2008 and 2007. During the reporting period the Company held its own shares (355,959 units) acquired from Amber Trust II S.C.A. and disposed them to the companies related to the management of the Group. The Company did not have any gain from this transaction.

The consolidated group (hereinafter the Group) consists of the Company – AB Premia KPC and its directly and indirectly owned subsidiaries:

Subsidiary	Address	Year of establish-ment / acquisition	Share of the stock held by the Group as of 31 December (%)		Result for 2008	Equity	Activity
			2008	2007			
Premia Tallinna Kulmhoone AS	Betooni 4, Tallinn, Estonia	1999	100	84.50	3,323	24,854	Production of dairy-products and ice-cream
FFL SIA	Meza 4, Ryga, Latvija	2007	100	84.50	(26)	1,622	Wholesale of dairy-products and ice-cream
TCS Invest OU	Betooni 4, Talinas, Estonia	2007	100	84.50	(81)	(72)	Investment activity
Premia FFL AS	Meza 4, Ryga, Latvija	2007	95	80.28	318	7,319	Wholesale of dairy-products and ice-cream
Salpro SIA (Subsidiary of Premia FFL AS)	Meza 4, Ryga, Latvija	2007	-	67.83	-	-	Wholesale of dairy-products and ice-cream

As described in Note 6, in 2008 the Company acquired remaining shares of AS „Premia Tallinna Külmhoone" from the minority shareholders.

During the 2007 the structure of the Group changed after the disposal of UAB KPC Nekilnojamasis Turtas and after Premia Tallinna Kulmhoone AS acquired 100 % shares of Premia FFL AS and FFL AS (Latvia).

As of 31 December 2008 the number of employees of the Group was 514 (as of 31 December 2007 – 533). As of 31 December 2008 the number of employees of the Company was 100 (as of 31 December 2007 – 108).

The General director of the Company has changed in 2008. Alvydas Malakauskas was approved as Acting Director on 26 November 2008.

2. ACCOUNTING PRINCIPLES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

The Company's management authorised these financial statements on 30 April 2009. The shareholders of the Company have a statutory right to either approve these financial statements or not to approve them and require the management to prepare a new set of financial statements.

Financial statements of the Group and the Company have been prepared on a historical cost basis.

Adoption of new and/or changed IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The Group and the Company has adopted the following new and amended IFRS and International Financial Report Interpretation Committee (hereinafter IFRIC) interpretations during the year:

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* Reclassification of Financial Assets;
- IFRIC 11 IFRS 2 – *Group and Treasury Share Transactions*.

The principal effects of these changes are as follows:

Amendments to IAS 39 and IFRS 7 – Reclassification of Financial Assets

Through these amendments International Accounting Standards Board (hereinafter IASB) implemented additional options for reclassification of certain financial instruments categorised as held-for-trading or available-for-sale under specified circumstances. Related disclosures were added to IFRS 7. The Group and the Company did not have financial instruments caught by these amendments.

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity. The Group and the Company has not issued instruments caught by this interpretation.

Standards issued but not yet effective

The Group and the Company has not applied the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 January 2009).

The amendment to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statements. The new requirements affect only the parent's separate financial statements and do not have an impact on the consolidated financial statements.

Besides, a new version of IFRS 1 was issued in November 2008. It retains the substance of the previous version, but within a changed structure and replaces the previous version of IFRS 1 (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Amendment to IFRS 2 *Share-based Payment* (effective for financial years beginning on or after 1 January 2009).

The amendment clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. The amendment will have no impact on the financial position or performance of the Group and the Company, as the Group and the Company does not have share-based payments.

Amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements* (effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures*. In accordance with the transitional requirements of these amendments, the Group and the Company will adopt them as a prospective change. Accordingly, assets and liabilities arising from business combinations prior to the date of application of the revised standards will not be restated.

Amendments to IFRS 7 *Financial Instruments*: Disclosures (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).

The amendments improve disclosure requirements about fair value measurement and enhance existing principles for disclosures about liquidity risk associated with financial instruments. The amendments will have no impact on the financial position or performance of the Group. The Group is still evaluating whether additional disclosures will be needed.

IFRS 8 *Operating Segments* (effective for financial years beginning on or after 1 January 2009).

The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 replaces IAS 14 *Segment Reporting*. The Group and the Company will not be effected by this change as the Group/the Company has no publicly traded debt or equity instruments issued and selected not to report segment information.

Amendment to IAS 1 *Presentation of Financial Statements* (effective for financial years beginning on or after 1 January 2009).

This amendment introduces a number of changes, including introduction of a new terminology, revised presentation of equity transactions and introduction of a new statement of comprehensive income as well as amended requirements related to the presentation of the financial statements when they are restated retrospectively. The Group and the Company is still evaluating whether it will present all items of recognised income and expense in one single statement or in two linked statements.

Amendment to IAS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009).

The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional requirements of the Standard, the Group and the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation *(*effective for financial years beginning on or after 1 January 2009).

The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group and the Company, as the Group and the Company has not issued such instruments.

Amendment to *IAS 39 Financial Instruments: Recognition and Measurement* – Eligible Hedged Items *(*effective for financial years beginning on or after 1 July 2009).

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment will have no impact on the financial position or performance of the Group and the Company, as the Group and the Company has not entered into any such hedges.

Improvements to IFRSs

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard; most of the changes are effective for financial years beginning on or after 1 January 2009. The Group and the Company anticipates that these amendments to standards will have no material effect on the financial statements.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.* Clarification that all of a subsidiary's assets and liabilities are classified as held for sale, even when the entity will retain a non-controlling interest in the subsidiary after the sale.
- *IFRS 7 Financial Instruments: Disclosures.* Removal of the reference to 'total interest income' as a component of finance costs.
- *IAS 1 Presentation of Financial Statements*. Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.
- *IAS 8 Accounting Policies, Change in Accounting Estimates and Errors.* Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- *IAS 10 Events after the Reporting Period*. Clarification that dividends declared after the end of the reporting period are not obligations.
- *IAS 16 Property, Plant and Equipment.* Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Also, replaced the term "net selling price" with "fair value less costs to sell".
- *IAS 18 Revenue.* Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- *IAS 19 Employee Benefits.* Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment.
- *IAS 20 Accounting for Government Grants and Disclosures of Government Assistance.* Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.
- *IAS 23 Borrowing Costs.* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- *IAS 27 Consolidated and Separate Financial Statements.* When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.
- *IAS 28 Investment in Associates.* If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. In addition, an investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance.
- *IAS 29 Financial Reporting in Hyperinflationary Economies.* Revised the reference to the exception to measure assets andliabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.
- *IAS 31 Interest in Joint ventures:* If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- *IAS 34 Interim Financial Reporting*. Earnings per share are disclosed in interim financial reports if an entity is within the cope of IAS 33.
- *IAS 36 Impairment of Assets.* When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- *IAS 38 Intangible Assets*. Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed.
- *IAS 39 Financial Instruments: Recognition and Measurement*. Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.
- *IAS 40 Investment Property.* Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognised liability.
- *IAS 41 Agriculture.* Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced the term 'point-of-sale costs' with 'costs to sell'.

Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments*: Recognition and Measurement – Embedded derivatives (effective for financial years ending on or after 30 June 2009 once adopted by the EU).
The amendments clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment to IAS 39 and IFRS 7 issued in October 2008. The Group and the Company did not have financial instruments caught by these amendments.

IFRIC 12 *Service Concession Arrangements* (effective for financial years beginning on or after 1 January 2010).
This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group and the Company is an operator and, therefore, this interpretation has no impact on the Group and the Company.

IFRIC 13 *Customer Loyalty Programmes* (effective for financial years beginning on or after 1 July 2008).
This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credit and deferred over the period that the award credit is fulfilled. The Group and the Company does not maintain customer loyalty programmes, therefore, this interpretation will have no impact on the financial position or performance of the Group and the Company.

IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for financial years beginning on or after 1 January 2009).

This interpretation specifies the conditions for recognising a net asset for a defined benefit pension plan. The Group and the Company does not have defined benefit plans, therefore, the interpretation will have no impact on the financial position or performance of the Group and the Company.

IFRIC 15 *Agreement for the Construction of Real Estate* (effective for financial years beginning on or after 1 January 2009 once adopted by the EU).

The interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. The Group and the Company does not conduct such activity, therefore, this interpretation will not have an impact on their financial statements.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for financial years beginning on or after 1 October 2008 once adopted by the EU).

The interpretation provides guidance on the accounting for a hedge of a net investment in a foreign operation. IFRIC 16 will not have an impact on the consolidated financial statements because the Group and the Company does not have hedges of net investments.

IFRIC 17 *Distributions of Non-cash Assets to Owners (*effective for financial years beginning on or after 1 July 2009 once adopted by the EU).

The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. IFRIC 17 will not have an impact on the consolidated financial statements because the Group and the Company does not distribute non-cash assets to owners.

IFRIC 18 *Transfers of Assets from Customers (*effective for transfers of assets received on or after 1 July 2009 once adopted by the EU).
The interpretation provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 will not have an impact on the consolidated financial statements because the Group and the Company does not have such agreements.

2.2 MEASUREMENT AND PRESENTATION CURRENCY

The functional currency of the Company is the local currency of the Republic of Lithuania, Litas (LTL) and the amounts shown in these financial statements are presented in Litas.

The functional currency of the subsidiaries in foreign countries are the currencies of the foreign countries. Operations of subsidiaries in foreign countries are booked at local currencies.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Financial assets and liabilities denominated in foreign currencies on the balance sheet date are recognized are translated at period-end exchange rates.

As of the reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Company (LTL) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the financial year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Long-term receivables from or loans granted to foreign subsidiaries that are neither planned nor likely to be settled in the future is considered to be a part of the Company's net investment in the foreign operation. In the Group's consolidated financial statements the exchange differences recognized in the separate financial statements of the subsidiary in relation to these monetary items are reclassified to the separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

Starting from 2 February 2002, Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2.3 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Group include AB Premia KPC and the companies under its control. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

The financial statements of the subsidiaries are prepared for the same reporting year, using consistent accounting policies.

All intercompany transactions, balances and unrealised gains and losses on transactions among the Group companies have been eliminated.

The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and the income statement

Acquisitions of minority interest by the Group are accounted using the Entity concept method, i.e. the difference between the carrying value of the net assets acquired from the minority in the Group's financial statements and the acquisition price is accounted directly in equity.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

The excess of the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment remaining after the reassessment of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination is recognised in the income statement immediately.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (THE COMPANY)

Investments in subsidiaries and associates in the Company's stand-alone financial statements are carried at cost, less impairment.

2.5 INTANGIBLE ASSETS (EXCEPT GOODWILL)

Intangible assets are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Group and the Company do not have any intangible assets with infinite useful life other than goodwill.

After initial recognition, intangible assets with finite lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The useful lives, residual values and amortisation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in intangible assets other than goodwill.

SOFTWARE

The costs of acquisition of new software are capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised over 3 - 10 years period.

Costs incurred in order to restore or maintain the future economic benefits from the originally assessed standard of performance of existing software systems are recognised as an expense when the restoration or maintenance work is carried out.

TRADE CONTRACTS

Intangible assets acquired in a business combination are recognized separately from goodwill, if the asset items are distinguishable or arise from contractual or other legal rights, and their fair value can be reliably measured on the date of acquisition. Trade contracts are amortised over 5-year period.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including investment property, are stated at cost less accumulated depreciation and impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the income statement in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance and (or) that they have resulted in an increase of the useful life of the asset, the expenditures are capitalised as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings 20 - 63 years
Constructions and equipment 5 - 40 years
Other property, plant and equipment 2 - 10 years

The useful lives, residual values and depreciation method are reviewed annually to ensure that they are consistent with the expected pattern of economic benefits from items in property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised. Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and put into operation.

2.7 INVESTMENT PROPERTY

Investment property includes land, administrative premises and other buildings, which are not used for main operations of the Group and are intended for generating income from long-term lease to the third parties. Investment property is accounted at cost less depreciation and accumulated impairment loss.

2.8 FINANCIAL ASSETS

According to IAS 39 "Financial Instruments: Recognition and Measurement" the Group's and the Company's financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognised on the trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The category financial assets at fair value through profit or loss includes financial assets classified as held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in income statement.

HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group / the Company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. Gains and losses are recognised in income statement when the investments are derecognised or impaired, as well as through the amortisation process.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recorded at the fair value of the consideration given. Loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Allowance for doubtful receivables is evaluated when the indications leading to the impairment of accounts receivable are noticed and the carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised (written off) when they are assessed as uncollectible.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with unrealized gains or losses (except impairment and gain or losses from foreign currencies exchange) being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

2.9 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group / the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group / the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group / the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group / the Company could be required to repay.

FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss statement.

2.10 INVENTORIES

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the weighted average cost method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off.

2.11 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, current accounts with banks, and other short-term highly liquid investments.

2.12 BORROWINGS

Borrowing costs are expensed as incurred.

Borrowings are initially recognised at fair value of proceeds received, less the costs of transaction. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings. The borrowings are classified as non-current if the completion of a refinancing agreement before authorisation of the financial statements for issue provides evidence that the substance of the liability at the balance sheet date was long-term.

2.13 FINANCIAL AND OPERATING LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

FINANCIAL LEASE

The Group and the Company recognizes financial leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, Company's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for financial lease assets and it also gives rise to financial expenses in the Group's and the Company's income statement for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets can not be depreciated over the period longer than lease term, unless the Group or the Company, according by the lease contract, gets transferred their ownership after the lease term is over.

OPERATING LEASE

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The gains from discounts provided by the lessor are recognised as a decrease in lease expenses over the period of the lease using the straight-line method.

2.14 GRANTS AND SUBSIDIES

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised in the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the income statement, a relevant expense account is reduced by the amount of grant amortisation.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

The balance of unutilised grants is shown in caption "Grants and subsidies" on the balance sheet.

2.15 PROVISIONS

Provisions are recognised when the Group or the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group / the Company re-evaluates provisions at each balance sheet date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Were discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2.16 INCOME TAX

The Group companies are taxed individually, irrespective of the overall results of the Group. Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation. Income tax for the subsidiaries operating in the foreign countries is accounted according to tax legislation of those foreign countries.

The standard income tax rate in Lithuania was 15 % in 2008. In 2007 along with the 15 % income tax companies had to pay an additional 3 % social tax calculated based on the income tax accounting principles. After the amendments of Income Tax Law of Republic of Lithuania had come into force, 20 % income tax rate has been established for indefinite period starting 1 January 2009.

Tax losses of the Group companies operating in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Pursuant to the applicable laws, Estonian companies are not subject to income tax if the profit stays in the company. Pursuant to the applicable laws, income tax applied to Latvian companies is 15 %.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax asset has been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognized in the financial statements.

2.17 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods are recognised when delivery has taken place and transfer of risks and rewards has been completed. The services provided by the Company are recognised as revenue after providing the agreed service.

In the consolidated income statement intercompany sales are eliminated.

2.18 IMPAIRMENT OF ASSETS

FINANCIAL ASSETS

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Company or the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the income statement. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

OTHER ASSETS

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the income statement as the impairment loss.

2.19 USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation (Notes 2.6 and 4), impairment evaluation of goodwill and other asset (Note 2.3, Note 3, Note 7 and Note 8) and deferred income tax recognition and impairment evaluation (Note 22). Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.20 CONTINGENCIES

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.21 SUBSEQUENT EVENTS

Post-balance sheet events that provide additional information about the Company's and the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

3 INTANGIBLE ASSETS

Group	Goodwill	Customers contracts	Other intangible assets	Total
Cost:				
Balance as of 31 December 2006	-	-	633	633
Additions arising from acquisitions of subsidiaries	9,085	7,944	70	17,099
Additions	-	-	28	28
Disposals	-	-	(6)	(6)
Balance as of 31 December 2007	9,085	7,944	725	17,754

Additions	-	-	3,873	3,873
Foreign currency translation effect	(169)	(110)	(2)	(281)
Balance as of 31 December 2008	8,916	7,834	4,596	21,346
Accumulated amortisation:				
Balance as of 31 December 2006	-	-	465	465
Charge for the year	-	265	78	343
Disposals	-	-	(6)	(6)
Balance as of 31 December 2007	-	265	537	802
Charge for the year	-	1,574	174	1,748
Balance as of 31 December 2008	-	1,839	711	2,550
Net book value as of 31 December 2008	**8,916**	**5,995**	**3,885**	**18,796**
Net book value as of 31 December 2007	**9,085**	**7,679**	**188**	**16,952**

Company	**Other intangibles**
Cost:	
Balance as of 31 December 2006	25
Additions	28
Disposals	(6)
Balance as of 31 December 2007	47
Additions	19
Balance as of 31 December 2008	66
Accumulated amortisation:	
Balance as of 31 December 2006	25
Charge for the year	4
Disposals	(6)
Balance as of 31 December 2007	23
Charge for the year	13
Balance as of 31 December 2008	36
Net book value as of 31 December 2008	**30**
Net book value as of 31 December 2007	**24**

Neither the Group, nor the Company has internally generated intangible assets. Amortisation expenses of intangible assets are included within operating expenses in the income statement.

BUSINESS ACQUISITIONS

On 31 October 2007 the Group acquired 100% of Premia FFL AS and FFL SIA operating in Latvia for the acquisition cost of LTL 28,297 thousand, consisting of LTL 28,147 thousand purchase-sales price and LTL 150 thousand direct costs associated with the acquisition. In the course of the purchase price allocation the non-current assets were evaluated at fair value and customer contracts were recognized as a separate intangible asset valued using discounted future cash flows method.

Difference between the acquisition cost and the fair value of the acquired assets was accounted for as goodwill:

Fair value of the acquired assets attributable to the Group	14,826
Goodwill recognised	9,085
Investment value attributable to the Group (84,50%)	**23,911**
Total investment price	28,297
Cash acquired	(72)
Purchase price net of cash acquired	**28,225**

The goodwill in the amount of LTL 9,085 thousand is related to the synergy created in the Group and know how of the management of the acquired companies. Goodwill attributable to minority is LTL 1,676 thousand.

From the date of the acquisition till 31 December 2007 the subsidiaries acquired generated a loss of LTL 1,560 thousand and contributed LTL 9,267 thousand in revenue. Had the business combination been carried out on 1 January 2007, these amounts would have been LTL 102 thousand of profit and LTL 63,933 thousand of revenue.

GOODWILL IMPAIRMENT

For the purpose of impairment evaluation, goodwill as of 31 December 2008 and 2007 was fully allocated to subsidiary Premia FFL AS.

The recoverable amount of the cash generating unit has been determined based on the value in use. The cash flows used in the test were in case of the first 5 years based on the forecasts prepared by the Parent's Management Board and in case of the following years a 1% growth rate was used. Discount rate of 16% was used. The recoverable amount of the cash generating unit according to impairment test was higher than its carrying amount and therefore no adjustments to the value of goodwill were made.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Cost:						
Balance as of 31 December 2006	24,470	29,881	8,087	6,737	175	69,350
Additions	8,074	3,754	4,278	846	746	17,698
Additions arising from acquisitions of subsidiaries	5,225	5,046	5,314	824	984	17,393
Effect on currency exchange revaluation	38	17	38	6	7	106
Disposals	(10,485)	(229)	(222)	(2)	-	(10,938)
Write-offs	-	(2,381)	(215)	(472)	-	(3,068)
Balance as of 31 December 2007	27,322	36,088	17,280	7,939	1,912	90,541
Additions	1,099	2,725	2,048	619	(1,643)	4,848
Reclassifications	-	146	-	-	-	146
Effect on currency exchange revaluation	(95)	(107)	(94)	(12)	(2)	(310)

Disposals	(16,431)	(1,281)	(222)	(356)	-	(18,290)
Write-offs	-	-	(48)	(190)	-	(238)
Balance as of 31 December 2008	11,895	37,571	18,964	8,000	267	76,697
Accumulated depreciation:						
Balance as of 31 December 2006	9,182	17,067	5,184	5,090	-	36,523
Charge for the year	770	2,616	1,828	748	-	5,962
Disposals	(5,921)	-	(124)	(2)	-	(6,047)
Write-offs	-	(2,156)	(172)	(399)	-	(2,727)
Balance as of 31 December 2007	4,031	17,527	6,716	5,437	-	33,711
Charge for the year	1,193	3,866	2,848	963	-	8,870
Disposals	(2,536)	(448)	(2)	(209)	-	(3,195)
Write-offs	-	-	(47)	(188)	-	(235)
Balance as of 31 December 2008	2,688	20,945	9,515	6,003	-	39,151
Net book value as of 31 December 2008	**9,207**	**16,626**	**9,449**	**1,997**	**267**	**37,546**
Net book value as of 31 December 2007	**23,291**	**18,561**	**10,564**	**2,502**	**1,912**	**56,830**

5. INVESTMENT PROPERTY

Company	**Buildings**	**Machinery and equipment**	**Vehicles**	**Other property, plant and equipment**	**Total**
Cost:					
Balance as of 31 December 2006	8,819	2,481	5,999	5,011	22,310
Additions	-	16	4,009	199	4,224
Disposals	(8,819)	-	(176)	(2)	(8,997)
Write-offs	-	(2,381)	(215)	(472)	(3,068)
Balance as of 31 December 2007	-	116	9,617	4,736	14,469
Additions		-	565	228	793
Disposals		-	(18)	-	(18)
Write-offs		-	(48)	(190)	(238)
Balance as of 31 December 2008		116	10,116	4,774	15,006
Accumulated depreciation:					
Balance as of 31 December 2006	5,144	2,229	3,894	3,634	14,901
Charge for the year	26	10	1,519	519	2,074
Disposals	(5,170)	-	(125)	(2)	(5,297)
Write-offs	-	(2,156)	(172)	(399)	(2,727)
Balance as of 31 December 2007	-	83	5,116	3,752	8,951

Charge for the year		5	1,551	491	2,047
Disposals		-	(2)	-	(2)
Write-offs		-	(44)	(188)	(232)
Balance as of 31 December 2008		88	6,621	4,055	10,764
Net book value as of 31 December 2008		**28**	**3,495**	**719**	**4,242**
Net book value as of 31 December 2007		**33**	**4,501**	**984**	**5,518**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2008 amounts to LTL 8,870 thousand and LTL 2,047 thousand, respectively (LTL 5,962 thousand and LTL 2,074 thousand for the year 2007, respectively). Amounts of LTL 6,929 thousand and LTL 2,074 thousand for the year 2008 (LTL 4,251 thousand and LTL 2,074 thousand for the year 2007, respectively) have been included into operating expenses in the Group's and the Company's income statement, respectively. The remaining amounts have been included into cost of production.

Property, plant and equipment of the Group with a net book value of LTL 33,301 thousand (the Company's assets were not pledged) as of 31 December 2008 (as of 31 December 2007 LTL 23,639 thousand of the Group) was pledged to banks as a collateral for the loans (Note 13).

Part of property, plant and equipment of the Group and the Company with acquisition cost of LTL 12,855 thousand and LTL 5,836 thousand respectively was fully depreciated as of 31 December 2008 (LTL 10,548 thousand and LTL 5,128 thousand as of 31 December 2007, respectively) but were still in active use. These assets include vehicles, freezers, warehouse and office equipment.

	Group
Cost:	
Balance as of 31 December 2006	2,755
Additions	-
Balance as of 31 December 2007	2,755
Additions	-
Balance as of 31 December 2008	2,755
Accumulated depreciation:	
Balance as of 31 December 2006	2,123
Charge for the year	21
Balance as of 31 December 2007	2,144
Charge for the year	21
Balance as of 31 December 2008	2,165
Net book value as of 31 December 2008	**590**
Net book value as of 31 December 2007	**611**

Part of the Group's property, plant and equipment located in Estonia is not used in the main activities and is accounted for as investment property.

In the opinion of the management, the fair value of investment properties amounts to LTL 1.3 – 2.2 million. This value is not based on an expert's evaluation.

6. INVESTMENTS INTO SUBSIDIARIES

The Company's investments into subsidiaries are as follows:

	Company	
	2008	2007
Cost of investments at the beginning of the year	22,159	22,169
Acquisition of 15.5% shares of Tallinnna Kulmhoone AS	12,291	-
Disposal of UAB KPC Nekilnojamasis Turtas shares	-	(10)
	34,450	22,159

In December 2006 the Company established a subsidiary UAB KPC Nekilnojamasis Turtas with the share capital of LTL 10 thousand. In 2007 the Company increased share capital of subsidiary from LTL 10 thousand to LTL 2,000 thousand and sold the subsidiary for the nominal value of the shares.

In December 2008 the Company acquired 15.5% shares of the subsidiary Tallinnna Kulmhoone AS from five minority shareholders. The estimated value of redeemed shares was LTL 12,947 thousand. The Company paid for these shares by its newly issued shares and shares acquired from former shareholders (1,112,317 shares). Respective increase in the share capital of the Company amounting to LTL 8,804 thousand was registered only on 9 January 2009, therefore the Company included this amount as a liability to the shareholders into the balance sheet as of 31 December 2008. The Company acquired 355,959 of own shares which were tranferred to the minority shareholders of the AS „Premia Tallinna Külmhoone" for the amount of LTL 4,143 thousand from its main shareholder with a 2-year payment term. The respective liability amounting to LTL 3,487 thousand (at a discounted value) was included into the liability to the shareholders in balance sheet as of 31 December 2008.

The Group has initiated negotiation concerning the possibility to acquire company Hladokombinat in Sankt Petersburg, Russia in 2007. As of 31 December 2008 consultancy fees and other related expenses have reached LTL 2,064 thousand. As of the date of release of these financial statements negotiation regarding Hladokombinat acquisition was still in process.

7. INVENTORIES

	Group		Company	
	2008	2007	2008	2007
Goods for resale	10,915	5,992	2,233	1,822
Finished products	2,829	6,632	-	-
Raw materials and other inventories	2,249	2,397	26	26
Less: net realisable value allowance	(16)	-	(16)	-
	15,977	15,021	2,243	1,848

As explained in Note 13, the Group has pledged inventories for an amount of LTL 13,699 thousand as of 31 December 2008 (the Group has pledged LTL 13,173 thousand of inventories as of 31 December 2007) in order to secure the repayment of a loan.

The acquisition cost of the Group's and the Company's inventories accounted for at net realizable value as of 31 December 2008 amounted to LTL 16 thousand. Changes in allowance for inventories for the year 2008 is included in operating expenses.

8. TRADE RECEIVABLES

	Group		Company	
	2008	2007	2008	2007
Trade receivables, gross	13,884	14,300	3,144	2,658
Less: allowance for doubtful trade receivables	(328)	(114)	(82)	(80)
	13,556	14,186	3,062	2,578

Changes in allowance for doubtful trade receivables for the year 2008 and 2007 have been included into operating expenses. In 2008 the Group and the Company have not written-off any bad debts.

The Group has pledged to the banks part of accounts receivable as a collateral for the loans received for an amount of LTL 10,490 thousand as of 31 December 2008 (LTL 11,608 thousand as of 31 December 2007) (Note 13).

Movements in the allowance for impairment of receivables (all individually impaired) were as follows:

	Group	Company
Balance as of 31 December 2006	148	115
Charge for the year	55	-
Reversed during the year	(89)	(35)
Balance as of 31 December 2007	114	80
Charge for the year	234	2
Exchange differences	(20)	-
Balance as of 31 December 2008	328	82

The ageing analysis of the Group's trade receivables (presented net of allowance for impaired receivables) as of 31 December is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30 – 60 days	60 – 90 days	More than 90 days	
2007	11,865	2,045	93	54	129	14,186
2008	9,781	1,542	545	714	974	13,556

The ageing analysis of the Company's trade receivables (presented net of allowance for impaired receivables) as of 31 December is as follows:

	Trade receivables neither past due nor impaired	Trade receivables past due but not impaired				Total
		Less than 30 days	30 – 60 days	60 – 90 days	More than 90 days	
2007	2,503	36	-	14	25	2,578
2008	2,884	119	17	-	42	3,062

9. OTHER ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As of 31 December 2008 the major part of other accounts receivable of the Group consists of a loan granted by the Group to the company related to the management of Tallinna Kulmhoone AS in 2007. As of 31 December 2008 the outstanding balance of the loan amounted to LTL 5,904 thousand, annual interest – 6%, the maturity term is 2009 (LTL 507 thousand as of 31 December 2007).

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	2008	2007
Cash at bank	1,179	1,498	147	406
Cash on hand	86	43	-	-
Cash in transit	-	46	-	46
	1,265	1,587	147	452

The Group has pledged to the banks part of its cash amounting to LTL 1,118 thousand as of 31 December 2008 (LTL 1,135 thousand as of 31 December 2008) as a collateral for the loans received (Note 13).

11. SHARE CAPITAL

As of 31 December 2008 and 2007 the share capital amounted to LTL 32,099 thousand. The share capital consists of 6,419,871 (6,419,871 in 2007) ordinary registered shares with the par value of LTL 5 each. All the shares were fully paid as of 31 December 2008 and 2007.

On 9 December 2008 the shareholder of the Company made a decision to increase the share capital of the Company by LTL 3,781,790 (or by 756,358 ordinary shares with the par value of LTL 5 each, also see Note 6), however the new by-laws were registered within the Register of Legal Entities only on 9 January 2009 (Note 26).

According to the Law on Stock Companies of Republic of Lithuania equity of the company should not be less than ½ of the share capital of the company registered in the company by-laws. The Company was not in compliance with this requirement as of 31 December 2008.

If equity of the Company is less than required part the share capital, the Board no later than three months from the moment when it became aware or had to become aware of the equity deficit, must convene a general shareholders' meeting, which has to consider how to resolve the situation according to the Law on Stock Companies of Republic of Lithuania. The situation in the company has to be rectified no later than in the 6-month period from the moment when the Board became aware or had to become aware of the equity deficit. If the shareholders' meeting does not take any decision in order to rectify the situation or the situation was not rectified in the 6-month period since the moment when the Board became aware or had to become aware of the equity deficit, the Board no later than in two months period from the date of the shareholders' meeting, shall apply to the court regarding the decrease of the share capital of the Company according to the Law on Stock Companies of Republic of Lithuania Following the court's ruling, the Company has to reduce the share capital and make appropriate changes to the by-laws of the Company.

The Company was not informed about the shareholders' actions in respect of this matter by the date of issuing of these financial statements.

12. RESERVES

LEGAL RESERVE

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of distributable retained earnings calculated for a statutory reporting purposes are required until the reserve reaches 10% of the share capital. This reserve is used for covering accumulated losses. As the Company is operating with the loss, the legal reserve was not fully formed as of 31 December 2008 and 2007.

SHARE PREMIUM

Share premium represents the excess of the share issue price over nominal value of the shares issued. According to laws of the Republic of Lithuania share surplus cannot be distributed, it can only be converted to the share capital or used to cover accumulated losses

RETAINED EARNINGS (DEFICIT)

According to the provisions of the Law on Stock Companies of the Republic of Lithuania, if the total of retained earnings at the beginning of the financial year and net profit (loss) for the year are negative, the General Shareholders' Meeting has to make a decision to cover these losses. Transfers to distributable earnings should be made in the following sequence:

a) transfer from reserves not used in the current financial year;
b) transfer from the compulsory reserve;
c) transfer from the share premium.

The Company was not informed about the shareholder's actions in respect of this matter by the date of issuing of these financial statements.

13. FINANCIAL BORROWINGS

	Group		Company	
	As of 31 December 2008	As of 31 December 2007	As of 31 December 2008	As of 31 December 2007
Non-current borrowings				
Financial lease liabilities	5,763	6,085	2,417	3,038
Bank loans	17,027	30,721	-	-
	22,790	36,806	2,417	3,038
Current borrowings				
Current portion of non-current borrowings	6,325	4,311	-	-
Shares repurchase agreement	1,540	1,426	-	-
Financial lease liabilities	2,895	2,743	1,185	1,187
Short-term loans	13,372	13,471	-	-
	24,132	21,951	1,185	1,187
	46,922	58,757	3,602	4,225

To secure its debt liabilities the Group has pledged the property, plant and equipment (Note 4), inventories (Note 7), trade receivables (Note 8) and future cash inflows (Note 10). In case of the failure to meet financial lease liabilities, the rights of ownership of the leased property are returned to the lessor.

Terms of repayment of non-current debt (except for the financial lease liabilities) are as follows:

	As of 31 December 2008			
	Group		Company	
Year	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2009	-	6,325	-	-
2010 - 2013	-	1,577	-	-
Over five years	-	15,450	-	-
	-	23,352	-	-

	As of 31 December 2007			
	Group		Company	
Year	Fixed interest rate	Variable interest rate	Fixed interest rate	Variable interest rate
2009	-	4,311	-	-
2010 - 2013	-	18,134	-	-
Over five years	-	12,586	-	-
	-	35,031	-	-

The interest rates as of the balance sheet date were as follows:

	Group		Company	
	2008	2007	2008	2007
Bank loans	4.1%	5.6%	-	-
Financial lease liabilities	4.9% - 6.4%	5.8%	6.2%	5.7%

On 31 October 2007 the Group sold 5% of shares of the subsidiary Premia FFL for LTL 1,407 thousand to the third party and according to the purchase-sales agreement is committed to acquire the 5% share in the future at a price equivalent to the other party's investment in AS Premia FFL plus accrued interest of 8 %. According to management of the Group, this transaction on its nature is a put option held by the other party on shares, therefore, the assets and liabilities of subsidiary AS Premia FFL have been consolidated in the Group's financial statements without excluding minority interest and the respective liability has been accounted for as a liability to repurchase these 5% of shares sold.

The assets leased by the Company and Group under financial lease contracts consist of machinery, equipment and vehicles. Apart from the lease payments, other liabilities under the lease contracts are property maintenance and insurance. The terms of financial lease are from 3 to 5 years.

The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group		Company	
	2008	2007	2008	2007
Machinery and equipment	9,804	10,690	3,124	4,010
Other	653	651	506	504
	10,457	11,341	3,630	4,514

As of 31 December 2008 the interest rate of financial lease liability in EUR varies depending on the 12-month EUR LIBOR plus 1.15 % to 2.4 %.

Minimal future lease payments are as follows:

	Group		Company	
	2008	2007	2008	2007
Within one year	3,223	2,967	1,338	1,194
From one to five years	6,063	6,769	2,549	3,473
Over five years	-	-	-	-
Interest	(628)	(908)	(285)	(442)
Present value of financial lease liabilities	8,658	8,828	3,602	4,225

Present value of lease payments is accounted for as follows:

	Group		Company	
	2008	2007	2008	2007
Current financial lease obligations	2,895	2,743	1,185	1,187
Non-current financial lease obligations	5,763	6,085	2,417	3,038
	8,658	8,828	3,602	4,225

As of 31 December 2008 and 2007 all lease agreements were denominated in EUR.

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	2008	2007
Trade payables	15,084	15,502	3,221	2,165
Taxes, wages, salaries and social security	1,923	1,207	303	75
Vacation pay accrual	1,337	1,075	239	304
Accrued expenses and other amounts payable	2,317	1,221	804	633
	20,661	19,005	4,567	3,177

15. OPERATING LEASE

The Group and the Company concluded several non-cancellable contracts of operating lease. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2008 lease expenses of the Group and the Company amounted to LTL 1,295 thousand and LTL 13 thousand, respectively (LTL 602 thousand and LTL 24 thousand in 2007, respectively).

Minimal future operating lease payments according to the signed uncancellable lease contracts are as follows:

	Group	Company
Within one year	2,313	13
From one to five years	10,439	-
Over five years	7,616	-
	20,368	13
Denominated in:		
- EUR	20,365	10
- LTL	3	3

16. SALES

	Group		Company	
	2008	2007	2008	2007
Ice-cream	62,610	62,323	18,024	20,710
Frozen food products	109,436	65,424	11,156	9,388
Other	2,812	993	1,521	347
	174,858	128,740	30,701	30,445
Transactions between the group companies	(8,366)	(10,365)	-	-
	166,492	118,375	30,701	30,445

Ice-cream and frozen food products are subject to different sales margins, which are 35 – 47 % for ice-cream and 15 – 25 % for frozen products.

	Geographical region				
Sales of the Group	Lithuania	Estonia	Latvia	Other	Total
2008	30,061	72,694	61,492	2,245	166,492
2007	29,799	73,656	13,801	1,119	118,375

17. COST OF SALES

	Group		Company	
	2008	**2007**	**2008**	**2007**
Ice cream	29,104	27,315	11,193	13,131
Frozen foods	84,396	54,263	8,376	6,950
Other	1,137	213	1,136	213
	114,637	81,791	20,705	20,294

18. SELLING AND DISTRIBUTION EXPENSES

	Group		Company	
	2008	2007	2008	2007
Wages, salaries and social security	16,520	10,121	3,970	3,494
Transportation expenses	9,820	7,149	2,061	1,657
Depreciation and amortisation	6,632	4,047	1,967	2,000
Marketing expenses	2,942	2,874	418	484
Rent	2,661	1,671	1,827	1,551
Utilities	1,551	812	109	169
Office supplies	842	543	110	98
Change in allowance for doubtful receivables	214	(35)	2	(35)
Other	3,037	2,291	399	405
	44,219	29,473	10,863	9,823

19. ADMINISTRATIVE EXPENSES

	Group		Company	
	2008	**2007**	**2008**	**2007**
Wages, salaries and social security	4,558	3,003	710	668
Professional services (except audit)	1,343	1,222	284	377
Depreciation and amortisation	2,045	547	93	78
Repairs and maintenance	321	270	42	29
Bank charges	261	243	18	18
Security	251	276	-	41
Communications expenses	171	197	14	20
Rent	223	177	90	56

Transportation expenses	312	165	39	82
Office supplies	190	132	20	14
Business travel	68	109	4	24
Audit expenses	118	79	38	38
Real estate tax	-	9	-	9
Insurance	6	7	6	7
Other	885	747	73	260
	10,752	7,183	1,431	1,721

20. OTHER OPERATING INCOME (EXPENSES), NET

	Group		Company	
	2008	2007	2008	2007
Gain (loss) from sale of non-current assets	6,522	6,973	(18)	4,858
Rent income	17	4	17	4
Other income (expenses)	344	(94)	(16)	(144)
	6,883	6,883	(17)	4,718

21. INCOME (EXPENSES) FROM FINANCIAL AND INVESTMENT ACTIVITIES, NET

	Group		Company	
	2008	2007	2008	2007
Interest income	373	283	276	213
Foreign currency exchange gain	379	6	7	6
	752	289	283	219
Foreign currency exchange (loss)	-	(8)	-	(8)
Interest (expenses)	(3,628)	(1,755)	(348)	(428)
Other financial (expenses) income, net	(338)	(29)	(84)	(10)
	(3,966)	(1,792)	(432)	(446)

22. INCOME TAX

	Group		Company	
	2008	2007	2008	2007
Income tax for the reporting year	118	642	-	462
Change in deferred income tax recorded in the income statement	(316)	(644)	-	(644)
Income tax (income) expenses recorded in the income statement	(198)	(2)	-	(182)

The income tax expenses attributable to the result for the year and recognized in the income statement can be reconciled with income tax expenses computed by applying standard tax rate to the profit before tax as follows:

	Group		Company	
	2008	2007	2008	2007
Profit (loss) before tax	553	5,206	(2,464)	3,098
Income tax expenses computed at standard rate (15% in 2008 and 18% in 2007)	83	937	(370)	558
Effect of subsidiaries' results taxable at different rates	(636)	(104)	-	-
Effect of change in income tax rate	(129)	(109)	(129)	(109)
Permanent differences	(30)	(32)	(23)	71
Change in valuation allowance accounted for in the income statement	514	(694)	522	(702)
Income tax expenses (income)	(198)	(2)	-	(182)

	Group		Company	
	2008	2007	2008	2007
Deferred income tax asset				
Tax loss carry forward	471	-	471	-
Allowance for accounts receivable	16	21	16	13
Vacation pay accrual	48	-	48	-
Other	-	-	-	-
Deferred income tax asset before valuation allowance	535	21	535	13
Less: valuation allowance	(535)	(21)	(535)	(13)
Deferred income tax asset, net	-	-	-	-
Deferred income tax liability				
Property, plant and equipment and intangible assets	(968)	(2,522)	(21)	(23)
Deferred income tax liability arising from revaluation of property during the acquisition of the subsidiaries	(1,199)	-	-	-
Other	(2)	-	(2)	-
Deferred income tax liability	(2,169)	(2,522)	(23)	(23)
Deferred income tax, net	(2,169)	(2,522)	(23)	(23)

In 2008 change in a deferred income tax of foreign subsidiary due to effect of changes in foreign currency exchange rates amounting to LTL 37 thousand was accounted for in foreign currency translation reserve.

As of 31 December 2008 the consolidated retained earnings of the subsidiary Premia Tallinna Kulmhoone AS amounted to EEK 19,134 thousand (equivalent to LTL 4,223 thousand). In case the subsidiary Premia Tallinna Kulmhoone AS would have paid all the retained earnings as dividends, the maximum profit tax liability payable would be EEK 5,086 thousand (equivalent to LTL 1,123 thousand), and the net dividends paid would be EEK 14,048 thousand (equivalent to LTL 3,100 thousand).

The biggest possible tax liability was estimated making an assumption that Premia Tallinna Kulmhoone AS will pay dividends and the related income tax will not exceed profit available for distribution as of 31 December 2008.

23. EARNINGS BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share represent the net profit (loss) divided by the number of shares. The calculation of the earnings per share is presented below:

	Group		Company	
	2008	2007	2008	2007
Net profit attributable to the shareholders of the Company (in LTL thousand)	253	5,264	(2,464)	3,280
Number of shares (in thousand)	6,420	6,420	6,420	6,420
Earnings (loss) per share (in LTL)	0.04	0.82	(0.38)	0.51

The Company has no diluting instruments, therefore basic and diluted earnings per share are the same.

24. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

CREDIT RISK

The Group and the Company have no significant concentration of credit risk. The credit risk or the risk that the parties will not meet their obligations is controlled by terms of crediting and supervisory procedures.

The Group and the Company do not issue guarantees for the obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the management of the Group and the Company considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the balance sheet date.

INTEREST RATE RISK

The major part of the Company's and Group's borrowings is with variable interest rates, related to VILIBOR and EUR LIBOR and SEB Eesti base interest rate, which creates an interest rate risk (Note 13). There were no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2008 and 2007.

A 1% increase/decrease in interest rates would decrease/increase net profit before income tax of the Group (with all other variables held constant) by LTL 470 thousand in 2008 (573 thousand in 2007). There is no impact on the Group's equity, other than current year profit impact.

A 1% increase/decrease in interest rates would decrease/increase net profit before income tax of the Company (with all other variables held constant) by LTL 36 thousand in 2008 (42 thousand in 2007). There is no impact on the Group's equity, other than current year profit impact.

LIQUIDITY RISK

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The flexibility of financing is insured by unused credit lines (Note 13). The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as of 31 December 2008 were 0.86 and 0.50, respectively (0.78 and 0.42 as of 31 December 2007, respectively). The Company's liquidity and quick ratios as of 31 December 2008 were 0.74 and 0.44, respectively (0.97 and 0.61 as of 31 December 2007, respectively).

The Management of the Group has approved the strategic plan for the year 2009, where the instruments to improve liquidity and quick ratios of the Company are projected. The main instrument – to develop logistic department by transporting the goods of other companies together with own goods (five new agreements are signed in 2009).

The table below summarises the maturity profile of the Group's financial liabilities as of 31 December 2008 and 2007 based on contractual undiscounted payments:

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Borrowings	3,668	19,612	19,821	8,883	51,984
Trade and other payables	18,487	2,174	-	-	20,661
Due to shareholders	8,804	-	4,143	-	12,947
Balance as of 31 December 2008	**30,959**	**21,786**	**23,964**	**8,883**	**85,592**
Borrowings	3,931	20,804	32,812	13,643	71,190
Trade and other payables	18,988	17	-	-	19,005
Balance as of 31 December 2007	**22,919**	**20,821**	**32,812**	**13,643**	**90,195**

LIQUIDITY RISK (CONT'D)

The table below summarises the maturity profile of the Company's financial liabilities as of 31 December 2008 and 2007 based on contractual undiscounted payments:

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial borrowings	267	1,071	2,549	-	3,887
Trade payables	2,834	1,733	-	-	4,567
Payables to related parties	1,836	-	-	-	1,836
Due to shareholders	8,804	-	4,143	-	12,947
Balance as of 31 December 2008	**13,741**	**2,804**	**6,692**	**-**	**23,237**
Financial borrowings	239	955	3,473	-	4,667
Trade payables	3,160	17	-	-	3,177
Payables to related parties	359	-	-	-	359
Balance as of 31 December 2007	**3,758**	**972**	**3,473**	**-**	**8,203**

FOREIGN CURRENCY EXCHANGE RISK

Major currency risks of the Company and the Group occur due to the fact that the Company and the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Company's and the Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group uses forwards up to 21 day to eliminate exposure to USD exchange risk. Profit or loss from the use of forwards are accounted as current period profit or loss from currency exchange.

The Group had no currency forwards or other derivative instruments outstanding as of 31 December 2008 and 2007.

Monetary assets and liabilities stated in various currencies as of 31 December 2008 were as follows (all amounts in the table are presented in LTL thousand):

	Group		Company	
	Assets	Liabilities	Assets	Liabilities
LTL	3,306	7,231	3,268	7,012
EEK	4,221	6,446	-	-
LVL	5,097	3,531	-	-
EUR	6,969	45,026	4,492	6,177
RUB	91	-	-	-
USD	1,130	1,690	-	-
Total	20,814	63,924	7,760	13,189

Since both LTL and EKK are pegged to EUR, the major part of Group's and Company's liabilities is related to the fixed exchange rate in respect of EUR and does not present significant foreign exchange risk.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings. The carrying amounts and fair values of all of the Group's and the Company's financial instruments are equal.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and short-term borrowings approximates fair value.

b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

25. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. In 2008 and 2007 the related parties of the Group and the Company were as follows:

- Premia Tallinna Kulmhoone AS (directly owned subsidiary);
- UAB KPC Nekilnojamasis Turtas (directly owned subsidiary until April 2007, Note 6);
- FFL SIA (indirectly owned subsidiary);
- TCS Invest OU (indirectly owned subsidiary);
- Premia FFL AS (indirectly owned subsidiary);
- Salpro SIA (indirectly owned subsidiary);
- Nordic Foods AS (company controlled by members of management of Premia Tallinna Kulmhoone AS);
- Amber Trust II S.C.A. (the shareholder).

The Company's transactions with related parties were as follows:

2008	Sales	Purchases	Receivables	Payables
Premia Tallinna Kulmhoone AS	640	7,726	-	1,836
Premia FFL AS	33	37	4	-
Amber Trust II S.C.A.	-	-	-	3,487
	673	7,763	4	5,323

2007	Sales	Purchases	Receivables	Payables
Premia Tallinna Kulmhoone AS	974	9,550	-	350
Premia FFL AS	-	9	-	9
UAB KPC Nekilnojamasis Turtas (until April 2007, Note 6)	8,558	-	-	-
	9,532	9,559	-	359

The Company's loans to related parties were as follows:

	Maturity	Interest rate	2008	2007
Premia Tallinna Kulmhoone AS	28 May 2017	6%	4,489	4,489

The Group's transactions with related parties in 2008 and 2007 were as follows:

	Transactions in 2008		Balance as of 31 December 2008	
	Sales	Purchases	Receivables	Payables
Related parties				
Amber Trust II S.C.A.	-	-	-	6,905
Companies related to the management of Premia Tallinn Kulmhoone AS	-	155	5,190	37
Total	-	155	5,190	6,942

The short-term loan granted by Amber Trust II S.C.A. amounting to LTL 6,905 as of 31 December 2008 has an interest rate of 8.75%. The loan has to be repaid in 2009. A total of LTL 26 thousand interest was recognized as interest expense on this borrowing in 2008.

	Transactions in 2007		Balance as of 31 December 2007	
	Sales	Purchases	Receivables	Payables
Related parties				
Companies related to the management of Premia Tallinn Kulmhoone AS	252	15	-	34
Total	252	15	-	34

Besides the above mentioned transactions, the Company has included LTL 8,804 thousand into balance of the liabilities to the shareholders in the balance sheet, as it is described in Note 6.

REMUNERATION OF THE MANAGEMENT AND OTHER PAYMENTS

The Group's and Company's management remuneration amounted to LTL 2,350 thousand and LTL 805 thousand in 2008, respectively (LTL 1,493 thousand and LTL 610 thousand in 2007, respectively); other payments to the management of the Company amounted to LTL 84 thousand in 2008 (LTL 83 thousand in 2007). In 2008 and 2007 the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued. The management includes general managers of the Group companies, their chief accountants, commercial directors, logistic managers and production managers.

26. SUBSEQUENT EVENTS

The profit distribution draft: generated loss of LTL 2,464 thousand during 2008 will be added to the accumulated losses.

On 9 December 2008 the Company has approved new by-laws along with a decision of shareholder to increase the share capital of the Company by LTL 3,781,790 (or by 756,358 ordinary shares with the par value of LTL 5 each, also see Note 6); the new by-laws were registered within the Register of Legal Entities on 9 January 2009.

The share capital was increased by issuing 756,358 ordinary shares with the par value of LTL 5 each. The price of the shares is LTL 11.64 each, the shares were paid by in-kind contribution – AS „Premia Tallinna Kulmhoone" shares (Note 6). The shares were acquired by OU Rododendron (626,484 shares) and OU Freespirit (129,874 shares).

AB PREMIA KPC

(FORMER AB KAUNO PIENO CENTRAS)

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

PREPARED ACCORDING TO BUSINESS ACCOUNTING STANDARDS
PRESENTED TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AB PREMIA KPC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying 2007 financial statements of AB Premia KPC, a joint stock company registered in the Republic of Lithuania (hereinafter the Company), and consolidated financial statements of AB Premia KPC and subsidiaries (hereinafter the Group), which comprise the balance sheets as of 31 December 2007, the statements of income, changes in equity and cash flows for the year then ended, and notes (comprising a summary of significant accounting policies and other explanatory notes).

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Business Accounting Standards of the Republic of Lithuania. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Subsidiary Premia FFL AS, whose aggregated total assets and total revenues from third parties comprised 24% and 7% of the respective consolidated amounts as of 31 December 2007 and for the financial year then ended, and are included into these consolidated financial statements, were audited by other auditors. We have not audited the financial statements of this subsidiary, but we have received the auditor's report of the subsidiary and our report, insofar as it is related to the amounts of Premia FFL AS, included into the consolidated financial statements, is solely based on other auditor's report. We conducted our audit in accordance with International Standards on Auditing as set forth by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

BASIS FOR QUALIFIED OPINION

We have not audited the financial statements of the subsidiary Premia FFL AS for the acquisition date 31 October 2007 and we could not obtain sufficient audit evidence in respect to subsidiary acquisition to satisfy ourselves as to the balances of the acquired assets, liabilities, commitments and contingencies and purchase price allocation at that date. The balances of the subsidiary as of 31 October 2007 influence Group's results, cash flows and balances of goodwill and customer contracts, related to subsidiary acquisition, with total carrying value LTL 16,405 thousand (3 Note) for the year ended 31 December 2007.

QUALIFIED OPINION

In our opinion, based on our audit and the report of other auditor, except for the effect of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain sufficient evidence considering the matter described in section Basis for *Qualified Opinion*, the accompanying financial statements present fairly, in all material respects, the financial position of AB Premia KPC and the Group as of 31 December 2007, and their financial performance and their cash flows for the year then ended in accordance with Business Accounting Standards of the Republic of Lithuania.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, we have read the accompanying Annual Report for the year ended 31 December 2007 and have not noted any material inconsistencies between the financial information included in it and the financial statements of the Group and the Company for the year ended 31 December 2007.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis Auditor's licence No. 000003	**Ramūnas Bartašius** Auditor's licence No. 000362

The audit was completed on 30 April 2008.

ADDITIONAL DOCUMENTS

1. GENERAL DATA ABOUT THE COMPANY

Public limited liability company Premia KPC: registered address: LT-51179 Kaunas, Taikos pr. 96; code 110596592; VAT payer code LT105965917; register – State enterprise Center of registers, branch of Kaunas.
Tel.: (8~37) 322816, fax.: (8~37) 323940, e-mail: kpc@premia.lt

Company's registered subscribed capital is LTL 32,099,355. It is divided into LTL 6,419,871 inscribed shares (common stocks), with par value of LTL 5 each. Subscribed capital during the reporting financial year does not changed.

2. COMPANY'S BODIES

Company's bodies are as follows:

- the General Shareholders' Meeting;
- the Board;
- the Head of the Company.

The Supreme managerial body of the Company is General Shareholders' Meeting. Each inscribed common stock of the company of nominal value of 5 litas give one vote at the General Shareholders' Meeting. Shareholder of the company according to the data 31 December, 2007 was:

	Number of shares (units)	Votes (%)
Amber Trust II S.C.A	6,419,871	100.00

Company's by-laws specifies, that Board of the company consist of 5 members. Members of the Board on 31 December 2007 were: Martynas Česnavičius, Kuldar Leis, Arūnas Kontautas, Antti Partanen, Ramūnas Kazlauskas.

Head of the Company – Managing director is company's managerial body in one person. Managing Director is elected and revoked by the Board of the Company. Managing Director of the company since 7 April 2005 is Arūnas Kontautas.

3. OVERVIEW OF AB PREMIA KPC ACTIVITIES IN THE REPORTING FINANCIAL YEAR

Main direction of the activity of the company became wholesale of eatable ice-cream and frozen food-stuffs, while production of eatable ice-cream on year 2004 was finally suspended.

4. BUSINESS SITUATION OF COMPANIES' GROUP IN 2007.

AB Premia KPC is a parent company of Pan-Baltic companies' group. The main financial results of companies' group in 2007, LTL thousand:

Sales	118,375
Cost of sales	(81,791)
Gross profit	**36,584**
Sales and distribution expenses	(29,473)
Administrative expenses	(7,542)
(Loss) from operations	**(431)**
Income (expenses) from other activities, net	6,883
Income (expenses) from financial activities, net	(1,503)
Profit before tax	**4,949**
Profit tax	2
Profit before minority interest	**4,951**
Minority interest	9
Net profit	**4,960**
Earnings (loss) per share	

- basis earnings (loss) per share	0.77
- diluted earnings (loss) per share	0.77

Using strengths of common Pan-Baltic ice cream and frozen products production and sales, co-operation with large frozen products' suppliers (Esva, Aviko) was continued, the optimal product sorts are created together. It was also started to co-operate with Pan-Baltic trade systems.

AB Premia KPC activity results according to Lithuanian accounting principles were the following (in LTL thousand) in 2007:

Sales	30,445
Cost of sales	**(20,294)**
Gross profit	10,151
Sales and distribution expenses	(9,823)
Administrative expenses	(1,721)
(Loss) from operations	**(1,393)**
Income (expenses) from other activities, net	4,718
Income (expenses) from financial activities, net	(227)
Result of the subsidiaries before tax	(85)
Profit before tax	**3,013**
Profit tax	182
Profit before minority interest	**3195**
Minority interest	-
Net profit	**3,195**
Net result transferred to retained earnings (losses)	-
Earnings (loss) per share	
- basis earnings (loss) per share	**0.50**
- diluted earnings (loss) per share	**0.50**

5. SUBSIDIARY COMPANIES OF AB PREMIA KPC

On 31 December 2007 company had 84,5 percent of subscribed capital of "Premia Tallinna Külmhoone AS". In year 2007 "Premia Tallinna Külmhoone AS" earned LTL 218 thousand profit. In October 2007 "Premia Tallinna Kulmhoone AS" purchased 100 % of "Premia FFL AS" and "FFL AS" stock for the amount of LTL 28.297 thousand. Both purchased companies act together and are the biggest freezed wholesaler in Latvia.

Company have increased share capital of daughter company UAB KPC Nekilnojamasis Turtas to LTL 2.000 thousand just before the sale of the subsidiary in March 2007. The sale price was at book value.

AB Premia KPC have no stocks of other companies, on the reporting financial year it does not purchased and transferred them.

6. STOCKS OF OWN STOCKS PURCHASES OR TRANSFERRED BY AB PREMIA KPC

AB Premia KPC has no own stocks purchased by the company, on the reporting financial year it does not purchased and transferred them.

7. BRANCHES AND REPRESENTATIVE OFFICE OF AB PREMIA KPC

AB Premia KPC has no branches and representative offices.

8. MAJOR EVENT IN THE COURSE OF 2008 FINANCIAL YEAR BEFORE THE ANNUAL GENERAL STOCKHOLDERS' MEETING

In January 2008, subsidiary TCS Invest OÜ was granted a short-term loan of LTL 2,411 thousand. The base currency of the loan is USD and interest rate on the loan is 8 %. The loan is secured with the assets of the subsidiary.

In March 2008 all shares of Premia FFL AS, the subsidiary of Premia Tallina Kulmhoone AS, were pledged in favour of AS Sampo Bank.
The profit distribution draft: it is suggested to the shareholders to transfer the net profit of the Group and of the Company for 2007 amounting to LTL 4.960 thousand and LTL 3.195 thousand to retained deficit.

9. PLANS AND FORECASTS OF ACTIVITIES OF AB PREMIA KPC

The future strategy of activity is based on the following principles:

- Seeking to take as much advantage of Pan-Baltic ice cream production and sales group as possible the company will see to supply Pan-Baltic sales structures with ice cream, to achieve better conditions for raw material acquisition from the common suppliers, to organize common marketing actions.
- To continue cooperation with logistic companies and to seek new one's outsourcing logistic and sales services and optimising activity expenses of the company while keeping the high level of services.
- To cut company's cost of activity.

It is estimated, that sales extent on financial year 2008 will be similar as in year 2007.

Consolidated Report on the activities of AB Premia KPC in year 2007 was approved by written resolution of the Board of the company on 23 April 2008.

AB Premia KPC,
Chairman of the Board,
General director

Arūnas Kontautas

BALANCE SHEETS

		Notes	Group		Company	
			As of 31 December 2007	As of 31 December 2006	As of 31 December 2007	As of 31 December 2006
	ASSETS					
A.	**Non-current assets**					
I.	Intangible assets	3	16,593	168	24	-
II.	Property, plant and equipment					
II.1.	Other property, plant and equipment	4	56,830	32,618	5,518	7,202
II.2.	Investment property	5	611	632	-	-
	Total property, plant and equipment		57,441	33,250	5,518	7,202
III.	Non-current financial assets					
III.1.	Investments into subsidiaries and associates	6	9	9	18,265	18,286
III.2.	Non-current receivables	25	-	31	4,489	-
III.3.	Other long term investments	6	1,273	-	-	-
	Total non-current financial assets		1,282	40	22,754	18,286
	Total non-current assets		**75,316**	**33,458**	**28,296**	**25,488**
B.	Current assets					
I.	Inventories, prepayments and contracts in progress					
I.1.	Inventories	7	15,021	8,587	1,848	1,510
I.2.	Prepayments and contracts in progress		85	206	-	81
	Total inventories, prepayments and contracts in progress		15,106	8,793	1,848	1,591
II.	Current accounts receivable					
II.1.	Trade receivables	8	14,186	7,870	2,578	2,263
II.2.	Receivables from subsidiaries	25	-	-	-	1,800
II.3.	Other receivables	9	894	1,116	115	74
	Total current accounts receivable		15,080	8,986	2,693	4,137
III.	Other current assets	9	471	1,042	11	15
IV.	Cash and cash equivalents	10	1,587	485	452	232
	Total current assets		**32,244**	**19,306**	**5,004**	**5,975**
	Total assets		**107,560**	**52,764**	**33,300**	**31,463**

(CONT'D ON THE NEXT PAGE)

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS (CONT'D)

		Notes	Group		Company	
			As of 31 December 2007	As of 31 December 2006	As of 31 December 2007	As of 31 December 2006
	EQUITY AND LIABILITIES					
C.	**Equity**					
I.	Share capital	11	32,099	32,099	32,099	32,099
II.	Share premium		26,586	26,586	26,586	26,586
III.	Revaluation reserve (result)		-	-	-	-
IV.	Legal reserve	12	674	674	674	674
V.	Currency exchange revaluation reserve	2.2	87	-	-	-
VI.	Retained earnings (deficit)		(34,312)	(39,272)	(34,305)	(37,574)
	Total equity		**25,134**	**20,087**	**25,054**	**21,785**
	Minority interest	3	**1,680**	**3,365**	-	-
D.	**Grants and subsidies**		-	-	-	-
E.	**Liabilities**					
I.	**Non-current liabilities**					
I.1.	Non-current financial borrowings	13	36,806	10,128	3,038	1,185
I.2.	Deferred income tax liability	22	2,522	667	23	667
	Total non-current liabilities		**39,328**	**10,795**	**3,061**	**1,852**
II.	**Current liabilities**					
II.1.	Current financial borrowings	13	21,951	8,475	1,187	3,586
II.2.	Trade and other payables	14	19,467	10,042	3,639	2,751
II.3.	Payables to subsidiaries	25	-	-	359	1,489
	Total current liabilities		**41,418**	**18,517**	**5,185**	**7,826**
	Total equity and liabilities		**107,560**	**52,764**	**33,300**	**31,463**

The accompanying notes are an integral part of these financial statements.

General Manager	**Arūnas Kontautas**	30 April 2008
Chief Accountant	**Tomas Staškūnas**	30 April 2008

INCOME STATEMENTS

		Notes	Group		Company	
			2007	2006	2007	2006
I.	Sales	16	118,375	103,920	30,445	28,505
II.	Cost of sales	17	(81,791)	(72,586)	(20,294)	(19,261)
III.	**Gross profit**		**36,584**	**31,334**	**10,151**	**9,244**
IV.	Operating expenses					
IV.1.	Selling and distribution expenses	18	(29,473)	(23,073)	(9,823)	(7,885)
IV.2.	Administrative expenses	19	(7,542)	(5,990)	(1,721)	(1,653)
V.	**Profit (loss) from operations**		**(431)**	**2,271**	**(1,393)**	**(294)**
VI.	Other operating income (expenses), net	20	6,883	(25)	4,718	1,659
VII.	Income (expenses) from financial and investment activities, net	21	(1,503)	(1,196)	(227)	(350)
VIII.	Result of subsidiaries	6	-	-	(85)	1,661
IX.	**Profit (loss) from ordinary activities**		**4,949**	**1,050**	**3,013**	**2,676**
X.	Extraordinary gain		-	-	-	-
XI.	Extraordinary loss		-	-	-	-
XII.	**Profit (loss) before tax**		**4,949**	**1,050**	**3,013**	**2,676**
XIII.	Income tax	22	2	-	182	-
XIV.	**Profit (loss) before minority interest**		**4,951**	**1,050**	**3,195**	**2,676**
XV.	Minority interest		9	(72)	-	-
XVI.	**Net profit (loss)**		**4,960**	**978**	**3,195**	**2,676**
	Earnings (loss) per share (in LTL)	23	0.77	0.15	0.50	0.42

The accompanying notes are an integral part of these financial statements.

General Manager **Arūnas Kontautas** 30 April 2008

Chief Accountant **Tomas Staškūnas** 30 April 2008

STATEMENTS OF CHANGES IN EQUITY

Group	Notes	Share capital	Share premium	Revaluation reserve (result)	Legal reserve	Currency exchange evaluation reserve	Retained earnings (deficit)	Total
Balance as of 31 December 2005		**32,099**	**26,586**	**-**	**674**	**-**	**(37,884)**	**21,475**
Acquisition of minority	6	-	-	-	-	-	(483)	(483)
Share transfer to minority	6	-	-	-	-	-	(1,883)	(1,883)
Net profit for the year		-	-	-	-	-	978	978
Balance as of 31 December 2006		**32,099**	**26,586**	**-**	**674**	**-**	**(39,272)**	**20,087**
Currency exchange evaluation reserve	2.2	-	-	-	-	87	-	87
Net profit for the year		-	-	-	-	-	4,960	4,960
Balance as of 31 December 2007		**32,099**	**26,586**	**-**	**674**	**87**	**(34,312)**	**25,134**

Company	Notes	Share capital	Share premium	Revaluation reserve (result)	Legal reserve	Retained earnings (deficit)	Total
Balance as of 31 December 2005		**32,099**	**26,586**	**-**	**674**	**(37,884)**	**21,475**
Acquisition of minority	6	-	-	-	-	(483)	(483)
Share transfer to minority	6	-	-	-	-	(1,883)	(1,883)
Net profit for the year		-	-	-	-	2,676	2,676
Balance as of 31 December 2006		**32,099**	**26,586**	**-**	**674**	**(37,574)**	**21,785**
Currency exchange evaluation reserve attributable to the Company	6	-	-	-	-	74	74
Net profit for the year		-	-	-	-	3,195	3,195
Balance as of 31 December 2007		**32,099**	**26,586**	**-**	**674**	**(34,305)**	**25,054**

General Manager	**Arūnas Kontautas**	30 April 2008
Chief Accountant	**Tomas Staškūnas**	30 April 2008

CASH FLOW STATEMENTS

		Notes	Group		Company	
			2007	2006	2007	2006
I.	**Cash flows from (to) operating activities**					
I.1.	Net profit		4,960	978	3,195	2,676
	Adjustments for non-cash items:					
I.2.	Depreciation and amortisation		6,326	5,245	2,078	1,559
I.3.	Loss (profit) from sale of property, plant and equipment		(6,973)	31	(4,858)	(1,675)
I.4.	Write-off of property, plant and equipment		341	49	341	49
I.5.	Goodwill amortisation		359	-	-	-
I.6.	Write-off of inventories		177	266	54	66
I.7.	Allowance for accounts receivable and impairment of property, plant and equipment		(244)	10	(244)	12
I.8.	Result of the subsidiaries		-	-	85	(1,661)
I.9.	Minority interest		(9)	72	-	-
I.10.	Non-cash items		96	(19)	10	(10)
I.11.	Interest (income)	21	(283)	(48)	(213)	-
I.12.	Interest expenses	21	1,755	1,172	428	341
I.13.	Profit tax (income)		(2)	-	(182)	-
			6,503	7,756	694	1,357
	Changes in working capital					
I.14.	Decrease (increase) in trade and other receivables		218	(1,642)	1,447	(598)
I.15.	(Increase) decrease in inventories		(1,765)	421	(257)	819
I.16.	(Decrease) increase in accounts payable		(1,967)	552	(242)	1,252
	Net cash flows from (to) operating activities		**2,989**	**7,087**	**1,642**	**2,830**
II.	**Cash flows from (to) investing activities**					
II.1.	(Acquisition) of property, plant and equipment		(12,341)	(628)	-	(158)
II.2.	Proceeds from sale of non-current assets		11,864	656	8,558	8
II.3.	(Acquisition) of intangible assets		(28)	(172)	(28)	-
II.4.	(Increased) share capital of subsidiary	6	-	-	(1,990)	-
II.5.	Disposal of subsidiary	6, 13	1,417	-	2,000	-
II.6.	Acquisitions of subsidiaries, net of cash acquired	3, 6	(28,225)	(1,445)	-	(1,455)
II.7.	(Acquisition) of non-current investments	6	(1,257)	-	-	-
II.8.	(Acquisition) of current investment		-	(993)	-	-
II.9.	Loans (granted)		(1,015)	(980)	(4,489)	-
II.10.	Loans received		2,244	-	-	-
II.11.	Interest income		283	48	213	-
	Net cash flows (to) from investing activities		**(27,058)**	**(3,514)**	**4,264**	**(1,605)**

(CONT'D ON THE NEXT PAGE) The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS (CONT'D)

		Note	Group		Company	
			2007	2006	2007	2006
III.	**Cash flows from (to) financing activities**					
III.1.	Loans received		36,782	2,415	-	1
III.2.	(Repayment) of loans		(6,568)	(4,578)	(2,831)	-
III.3.	Interest (paid)		(1,755)	(1,172)	(428)	(341)
III.4.	Financial lease (paid)		(3,288)	(1,487)	(2,427)	(824)
III.5.	Minority transfers to share capital of subsidiaries	1	-	1,371	-	-
	Net cash flows from (to) financial activities		**25,171**	**(4,431)**	**(5,686)**	**(1,987)**
IV.	**Net increase in cash and cash equivalents**		**1,102**	**122**	**220**	**61**
V.	**Cash and cash equivalents at the beginning of the year**		**485**	**363**	**232**	**171**
VI.	**Cash and cash equivalents at the end of the year**		**1,587**	**485**	**452**	**232**
	Additional cash flow information:					
	Non-cash investment activity:					
	Purchase of long-term assets with financial lease		5,357	2,515	4,224	1,937

The accompanying notes are an integral part of these financial statements.

General Manager	**Arūnas Kontautas**	30 April 2008
Chief Accountant	**Tomas Staškūnas**	30 April 2008

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kauno Pieno Gamykla was established in 1937. The Company supplied Kaunas with dairy products and ice-cream. In 1970 the dairy production was moved to the suburbs of Kaunas and the ice-cream production remained in the same place. AB Premia KPC (hereinafter the Company) was established as a joint stock company on 7 February 1994 (the company was named AB Kauno pieno centras until 2007). The main activities of the Company were production and sale of ice-cream and sale of frozen products. The Company is located in Kaunas. The address of its registered office is:

Taikos av. 96,
Kaunas,
Lithuania.

The main activities of the Group are production and sale of ice-cream and sale of frozen products in Baltic states.
As of 31 December 2007 and 2006 the sole shareholder of the Company was Amber Trust II S.C.A. (Luxembourg) (unaudited):

	2007		2006	
	Number of shares	Percentage	Number of shares	Percentage
Amber Trust II S.C.A. (Luxembourg)	6,419,871	100.00	6,419,871	100.00
Total	6,419,871	100.00	6,419,871	100.00

The shares of the Company are included into the list of non-traded securities at the Vilnius Stock Exchange, and the securities of the Company are practically not traded.

All the shares of the Company are ordinary shares with par value of LTL 5 each and were fully paid as of 31 December 2007 and 2006. The share capital did not change in 2007 and 2006. The Company did not hold own shares.

The consolidate group (hereinafter the Group) consists of the Company – AB Premia KPC and its directly and indirectly owned subsidiaries:

Subsidiary	Address	Year of establish-ment / acquisition	Share of the stock held by the Group as of 31 December (%)		Result for 2007	Equity	Activity
			2007	2006			
Premia Tallinna Kulmhoone AS	Betooni 4, Tallinn, Estonia	1999	84.50	94.60	(59)	21,736	Production of dairy-products and ice-cream
UAB KPC Nekilnoja-masis Turtas	Kaunakiemio 1 Kaunas, Lithuania	2006	-	100.00	-	10	Real estate management
FFL SIA	Meza 4, Ryga, Latvija	2007	84.50	-	-	1,647	Wholesale of dairy-products and ice-cream
TCS Invest OU	Betooni 4, Talinas, Estija	2007	84.50	-	-	9	Investment activity
Premia FFL AS	Meza 4, Ryga, Latvija	2007	80.28	-	(1,561)	7,001	Wholesale of dairy-products and ice-cream
Salpro SIA (Subsidiary of Premia FFL AS)	Meza 4, Ryga, Latvija	2007	67.83	-	-	8	Wholesale of dairy-products and ice-cream

During the 2007 the structure of the Group changed after the disposal of UAB KPC Nekilnojamasis Turtas and after Premia Tallinna Kulmhoone AS acquired 100 % shares of Premia FFL AS and FFL AS (Latvia).

Average number of employees of the Group in 2007 was 533 (in 2006 – 341). Average number of employees of the Company in 2007 was 108 (in 2006 – 99).

The Company's management authorised these financial statements on 28 April 2008. The shareholders of the Company have a statutory right to either approve these financial statements or not approve them and require the management to prepare a new set of financial statements.

2. ACCOUNTING PRINCIPLES

The principal accounting policies adopted in preparing the Company's and the Group's financial statements for 2006 are as follows:

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Law on Accounting of the Republic of Lithuania, Law on Companies' Financial Statements of the Republic of Lithuania, Law on Consolidated Financial Statements of the Companies of the Republic of Lithuania and Business Accounting Standards (BAS), which include the standards and interpretations prepared and approved by the Institute of Accounting of the Republic of Lithuania, effective as of 31 December 2007.

2.2 PRESENTATION CURRENCY

The functional currency of the Company in Lithuania is the local currency of the Republic of Lithuania, Litas (LTL) and the amounts shown in these financial statements are presented in Litas.

The functional currency of the Company is Litas. The functional currency of the subsidiaries in foreign countries are the currencies of the foreign countries. Operations of subsidiaries in foreign countries are booked at local currencies.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies on the balance sheet date are recognized in the income statement. Such balances are translated at period-end exchange rates.

As of the reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Company (LTL) at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Long-term receivables from or loans granted to foreign subsidiaries that are neither planned nor likely to be settled in the future is considered to be a part of the Company's net investment in the foreign operation. In the Group's consolidated financial statements the exchange differences recognized in the separate financial statements of the subsidiary in relation to these monetary items are reclassified to the separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognised in equity relating to that foreign operation is recognised in the income statement.

Starting from 2 February 2002, Lithuanian Litas is pegged to EUR at the rate of 3.4528 Litas for 1 EUR, and the exchange rates in relation to other currencies are set daily by the Bank of Lithuania.

2.3 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the Group include AB Premia KPC and the companies under its control. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50 percent of the voting rights of a company's share capital and/or is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the consolidated balance sheet and consolidated income statement.

The purchase method of accounting is used for acquired businesses. The Company accounts for the acquired identifiable assets and liabilities of another company at their fair value at acquisition date. Difference between the acquisition cost and the fair value of the net assets at acquisition date is considered to be goodwill (negative goodwill). The goodwill (negative goodwill) is presented in the financial statements at cost less its amortisation and impairment. The goodwill (negative goodwill) is presented in separate financial statements of the Company in the same line as the investment into the acquired company. In the consolidated financial statements goodwill (negative goodwill) related to consolidated subsidiaries is presented in the intangible assets caption.

The goodwill is amortised during a 5-year period, using the straight-line method. The amount of amortisation is included into the operating expenses in the income statement.

The portion of negative goodwill related to expected future losses and expenses is recognised in the income statement by reducing the operating expenses of the period when the expected losses and expenses are recognised. The portion of negative goodwill unrelated to expected future losses and expenses is recognised in the income statement as follows:

- the amount of negative goodwill, which does not exceed the fair value of the acquired non-current non-monetary assets, is recognised as income during the remaining useful life of the acquired non-current non-monetary assets, in proportion to the amount of depreciation/amortisation of that asset;
- the amount of negative goodwill exceeding the fair value of the acquired non-monetary assets is recognised as income immediately.

Companies acquired or sold during a year are included into the financial statements from the date of acquisition or until the date of sale.

Acquisitions of the minority interest of the Group are accounted using the Entity concept method, i.e. difference between acquired net assets of the minority interest in the financial statement of the Group and the acquisition price of the shares is accounted directly in equity.

Intercompany balances and transactions, including unrealised profits and losses, are eliminated on consolidation.

Consolidated financial statements are prepared on the basis of the same accounting principles applied to similar transactions and other events under similar circumstances.

Investments in subsidiaries are accounted for in the separate financial statements of the Company using the equity method. According to the equity method, the Company's share of the result of subsidiaries is accounted in the income statement of the Company. The Company's share of the changes in reserves of the subsidiaries after the date of acquisition are included into reserves. If the share of losses of a subsidiary according to the equity method is equal or exceeds the cost of investment, such investment is recorded at zero value in the balance sheet.

Provision for additional loss is formed only if the Company assumed liabilities or made payments related to the fulfilling of the liabilities of the subsidiary. Provision for additional loss is accounted in the income statement as the share of the net result of the subsidiary before tax charged to the Company.

All other investments are accounted for according to BAS 18 "Financial assets and financial liabilities", as discussed in section 2.7.

2.4 INTANGIBLE ASSETS (EXCEPT GOODWILL)

Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over 1 to 5-year period of their useful lives.

2.5 PROPERTY, PLANT AND EQUIPMENT

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repair and maintenance costs, are normally charged to the income statement in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance and (or) that they have resulted in an increase of the useful life of the asset, the expenditures are capitalised as an additional cost of property, plant and equipment. The Company and the Group capitalizes property, plant and equipment purchases with an estimated useful life exceeding one year and an acquisition cost above LTL 300.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings 20 - 63 years
Constructions and equipment 5 - 40 years
Other property, plant and equipment 2 - 10 years

The useful lives are reviewed periodically to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items in property, plant and equipment.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.
Construction-in-progress is stated at cost. This includes the cost of construction, plant and equipment and other directly attributable costs. Construction-in-progress is not depreciated until the relevant assets are completed and put into operation.

2.6 INVESTMENT PROPERTY ACCOUNTING

Investment property includes land, administrative premises and other buildings, which are not used for main operations of the Group and are intended for generating income from long-term lease to the third parties. Investment property is accounted at cost less depreciation and accumulated impairment loss.

2.7 INVESTMENTS

Pursuant to BAS 18, "Financial assets and financial liabilities", non-current investments (except investments into subsidiaries and associates) are classified as either available-for-sale or held-to-maturity. Investments with fixed or determinable payments and fixed maturity that the Group and the Company has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Group / the Company, are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price and other investments, other than investments held-to-maturity, loans and receivables originated by the Company, are classified as available-for-sale.

Held-to-maturity investments are included in non-current assets unless they mature within twelve months of the balance sheet date. Available-for-sale investments are classified as current assets if management intends to realise them within twelve months of the balance sheet date.

All purchases and sales of investments are recognised on the trade date. Investments are initially measured at cost, which is the fair value of the consideration given, including transaction costs.

Available-for-sale investments are subsequently carried at fair value by reference to their estimated market price at the balance sheet date, without any deduction for transaction costs that the Group / the Company may incur on their sale or other disposal. Gains or losses on measurement to fair value of available-for-sale investments are included into result of financial and investment activities in the Group's / the Company's income statement.

2.8 INVENTORIES

Inventories are valued at the lower of cost or net realisable value, after impairment evaluation for obsolete and slow moving items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost is determined by the weighted average cost method. The cost of finished goods and work in progress includes the applicable allocation of fixed and variable overhead costs based on a normal operating capacity. Unrealisable inventory has been fully written-off.

2.9 RECEIVABLES AND LOANS GRANTED

Receivables are initially recorded at the fair value of the consideration given. Current receivables are subsequently carried at cost less impairment, and non-current receivables and loans granted – at amortised cost, less impairment.

2.10 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, current accounts with banks, and other short-term highly liquid investments.

2.11 BORROWINGS

Borrowing costs are expensed as incurred.

Borrowings are initially recognised at fair value of proceeds received. They are subsequently carried at amortised cost, the difference between net proceeds and redemption value being recognised in the net profit or loss over the period of the borrowings. The borrowings are classified as non-current if the completion of a refinancing agreement before authorisation of the financial statements for issue provides evidence that the substance of the liability at the balance sheet date was long-term.

2.12 FINANCIAL AND OPERATING LEASES

Financial lease

The Company and the Group recognizes financial leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of financial lease is the interest rate of financial lease payment, when it is possible to determine it, in other cases, Company's composite interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for financial lease assets and it also gives rise to financial expenses in the Company's and the Group's income statement for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets can not be depreciated over the period longer than lease term, unless the Company or the Group, according by the lease contract, gets transferred their ownership after the lease term is over.

Operating lease

Leases where the lessor retains all the risk and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

The gains from discounts provided by the lessor are recognised as a decrease in lease expenses over the period of the lease using the straight-line method.

2.13 GRANTS

Grants received in the form of non-current assets or intended for the purchase, construction or other acquisition of non-current assets are considered as asset-related grants. Assets received free of charge are also allocated to this group of grants. The amount of the grants related to assets is recognised in the financial statements as used in parts according to the depreciation of the assets associated with this grant. In the income statement, a relevant expense account is reduced by the amount of grant amortisation.

Grants received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the grants, which are not grants related to assets, are considered as grants related to income. The income-related grants are recognised as used in parts to the extent of the expenses incurred during the reporting period or unearned income to be compensated by that grant.

The balance of unutilised grants is shown in caption "Grants and subsidies" on the balance sheet.

2.14 PROVISIONS

Provisions are recognised when the Company or the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group / the Company re-evaluates provisions at each balance sheet date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Were discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

2.15 DERIVATIVE FINANCIAL INSTRUMENTS

The Group engages in forward, swap and other contracts, mainly for currency and interest rate risk management purposes. Derivative financial instruments are initially recognized at cost. Subsequent to initial recognition and measurement, outstanding forwards, swaps and other financial instruments are carried in the balance sheet at the fair value. Fair value is derived from quoted market prices, or using the discounted cash flow method applying effective interest rate. The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value; and financial liabilities for contracts with a negative fair value. Contracts executed with the same counterparty under legally enforceable master netting agreements are presented on a net basis.

Gain or loss from changes in the fair value of outstanding forward contracts, swaps and other financial instruments, which are not classified as hedging instruments, are recognised in the statement of income as they arise.

2.16 INCOME TAX

Income tax charge is based on profit for the year and considers deferred taxation. Income tax is calculated based on the Lithuanian tax legislation. Income tax for the subsidiaries operating in the foreign countries is accounted according to tax legislation of those foreign countries.

The standard income tax rate in Lithuania is 15 %. On 1 January 2006 the Provisional Social Tax Law came into effect in the Republic of Lithuania, which stipulates that along with the corporate income tax, for one financial year beginning on 1 January

2006, companies have to pay an additional 4 % tax calculated based on the income tax principles, and for the following year a 3 % tax starting from 1 January 2007. After the year 2007 m. the income tax applied to the companies in the Republic of Lithuania will be standard, i.e. 15 %.

Tax losses of the Group companies operating in Lithuania can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. The losses from disposal of securities and/or derivative financial instruments can be carried forward for 5 consecutive years and only be used to reduce the taxable income earned from the transactions of the same nature.

Pursuant to the applicable laws, Estonian companies are not subject to income tax if the profit stays in the company. Pursuant to the applicable laws, income tax applied to Latvian companies is 15 %.

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse based on tax rates enacted or substantially enacted at the balance sheet date.

Deferred tax asset has been recognised in the balance sheet to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax asset is not going to be realised, this part of the deferred tax asset is not recognized in the financial statements.

2.17 REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of VAT and discounts.

Revenue from sales of goods are recognised when delivery has taken place and transfer of risks and rewards has been completed. The services provided by the Company are recognised as revenue after providing the agreed service.

In the consolidated income statement intercompany sales are eliminated.

2.18 EXPENSE RECOGNITION

Expenses are recognised on the basis of accrual and revenue and expense matching principles in the reporting period when the income related to these expenses was earned, irrespective of the time the money was spent. In those cases when the costs incurred cannot be directly attributed to the specific income and they will not bring income during the future periods, they are expensed as incurred.

The amount of expenses is usually accounted as the amount paid or due to be paid, excluding VAT. In those cases when long period of payment is established and the interest is not distinguished, the amount of expenses shall be estimated by discounting the amount of payment using the market interest rate.

2.19 IMPAIRMENT OF ASSETS

<u>Financial assets</u>

Financial assets are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the Company or the Group will not collect all amounts due according to the contractual terms of loans or receivables, an impairment or bad debt loss is recognised in the income statement. The reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be justified by an event occurring after the write-down. Such reversal is recorded in the income statement. However, the increased carrying amount is only recognised to the extent it does not exceed the amortised cost that would have been had the impairment not been recognised.

<u>Other assets</u>

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is accounted in the same caption of the income statement as the impairment loss.

2.20 USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with Business Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The significant areas of estimation used in the preparation of these financial statements relate to depreciation and impairment evaluation. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

2.21 CONTINGENCIES

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits is probable.

2.22 SUBSEQUENT EVENTS

Post-balance sheet events that provide additional information about the Company's and the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2.23 SEGMENT INFORMATION

In these financial statements a business segment means a constituent part of the Group / the Company participating in production of an individual product or provision of a service or a group of related products or services, the risk and returns whereof are different from other business segments.

In these financial statements a geographical segment means a constituent part of the Group / the Company participating in production of individual products or provision of services within certain economic environment the risk and returns whereof are different from other constituent parts operating in other economic environments (Note 16).

2.24 OFFSETTING AND COMPARATIVE FIGURES

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain Business Accounting Standards specifically require such set-off.

Where necessary, comparative figures have been adjusted to correspond to the presentation of the current year.

3. INTANGIBLE ASSETS

Group	Goodwill	Customers contracts	Other intangible assets	Total
Cost:				
Balance as of 31 December 2006	-	-	633	633
Additions related to acquisition of subsidiaries	9,085	7,944	70	18,775
Additions	-	-	28	28
Retirements	-	-	(6)	(6)
Balance as of 31 December 2007	9,085	7,944	725	17,754
Accumulated amortisation:				
Balance as of 31 December 2006	-	-	465	465
Charge for the year	359	265	78	702
Retirements	-	-	(6)	(6)
Balance as of 31 December 2007	359	265	537	1,161
Net book value as of 31 December 2007	**8,726**	**7,679**	**188**	**16,593**
Net book value as of 31 December 2006	-	-	168	168

Company	Other intangibles
Cost:	
Balance as of 31 December 2006	25
Additions	28
Retirements	(6)
Balance as of 31 December 2007	47
Accumulated amortisation:	
Balance as of 31 December 2006	25
Charge for the year	4
Retirements	(6)
Balance as of 31 December 2007	23
Net book value as of 31 December 2007	**24**
Net book value as of 31 December 2006	-

Neither the Group, nor the Company has internally generated intangible assets. Amortisation expenses of intangible assets are included within operating expenses in the income statement.

During the acquisition of Premia FFL AS and FFL SIA on 31 October 2007 non-current assets were revaluated into fair value and customer contracts were calculated using discounted future cash flow method.

Difference between the acquisition cost and the fair value of the acquired assets was accounted for as goodwill:

Fair value of the acquired assets attributable to the Group	14,826
Goodwill recognised	9,085
Investment value attributable to the Group (84,50%)	**23,911**
Total investment price	28,297
Cash acquired	(72)
Purchase price net of cash acquired	**28,225**

The goodwill in the amount of LTL 9,085 thousand is based on possible future activity profit of acquired subsidiaries and know how of the management of the acquired companies. Goodwill attributable to minority is LTL 1,667 thousand.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Construction in progress and prepayments	Total
Cost:						
Balance as of 31 December 2006	24,470	29,881	8,087	6,737	175	69,350
Additions	8,074	3,754	4,278	846	746	17,698
Additions arising from the acquisition of subsidiaries	5,225	5,046	5,314	824	984	17,393
Effect on currency exchange revaluation	38	17	38	6	7	106
Disposals	(10,485)	(229)	(222)	(2)	-	(10,938)
Retirements	-	(2,381)	(215)	(472)	-	(3,068)
Balance as of 31 December 2007	27,322	36,088	17,280	7,939	1,912	90,541
Accumulated depreciation:						
Balance as of 31 December 2006	9,182	17,067	5,184	5,090	-	36,523
Charge for the year	770	2,616	1,828	748	-	5,962
Disposals	(5,921)	-	(124)	(2)	-	(6,047)
Retirements	-	(2,156)	(172)	(399)	-	(2,727)
Balance as of 31 December 2007	4,031	17,527	6,716	5,437	-	33,711
Impairment losses:						
Balance as of 31 December 2006	-	165	-	44	-	209
Charge for the year	-	-	-	-	-	-
Reversal of impairment	-	(165)	-	(44)	-	(209)
Balance as of 31 December 2007	-	-	-	-	-	-
Net book value as of 31 December 2007	**23,291**	**18,561**	**10,564**	**2,502**	**1,912**	**56,830**
Net book value as of 31 December 2006	**15,288**	**12,649**	**2,903**	**1,603**	**175**	**32,618**

Company	Buildings	Machinery and equipment	Vehicles	Other property, plant and equipment	Total
Cost:					
Balance as of 31 December 2006	8,819	2,481	5,999	5,011	22,310
Additions	-	16	4,009	199	4,224
Disposals	(8,819)	-	(176)	(2)	(8,997)
Retirements	-	(2,381)	(215)	(472)	(3,068)
Balance as of 31 December 2007	-	116	9,617	4,736	14,469
Accumulated depreciation:					
Balance as of 31 December 2006	5,144	2,229	3,894	3,634	14,901
Charge for the year	26	10	1,519	519	2,074
Disposals	(5,170)	-	(125)	(2)	(5,297)
Retirements	-	(2,156)	(172)	(399)	(2,727)
Balance as of 31 December 2007	-	83	5,116	3,752	8,951
Impairment losses:					
Balance as of 31 December 2006	-	165	-	42	207
Charge for the year	-	-	-	-	-
Reversal of impairment	-	(165)	-	(42)	(207)
Balance as of 31 December 2007	-	-	-	-	-
Net book value as of 31 December 2007	**-**	**33**	**4,501**	**984**	**5,518**
Net book value as of 31 December 2006	**3,675**	**87**	**2,105**	**1,335**	**7,202**

The depreciation charge of the Group's and the Company's property, plant and equipment for the year 2007 amounts to LTL 5,962 thousand and LTL 2,074 thousand, respectively (LTL 5,153 thousand and LTL 1,558 thousand for the year 2006, respectively). Amounts of LTL 4,251 thousand and LTL 2,074 thousand for the year 2007 (LTL 3,458 thousand and LTL 1,558 thousand for the year 2006, respectively) have been included into operating expenses in the Company's and the Group's income statement, respectively. The remaining amounts have been included into cost of sales.

Property, plant and equipment of the Group with a net book value of LTL 23,639 thousand (none of the Company assets) as of 31 December 2007 (LTL 14,971 thousand and LTL 3,675 thousand as of 31 December 2006, respectively) was pledged to banks as a collateral for the loans (Note 13).

Part of property, plant and equipment of the Group and the Company with acquisition cost of LTL 10,548 thousand and LTL 5,128 thousand respectively was fully depreciated as of 31 December 2007 (LTL 9,271 thousand and LTL 4,547 thousand as of 31 December 2006, respectively) but were still in active use. These assets include vehicles, freezers, warehouse and office equipment.

The reversal of impairment losses is related to the disposal of asset, for which the impairment losses where accounted for in previous periods. Change in evaluation of impairment of property, plant and equipment is accounted for in the operating expenses caption in the income statement.

5. INVESTMENT PROPERTY

	Group	Company
Cost:		
Balance as of 31 December 2006	2,755	-
Reclassifications	-	-
Balance as of 31 December 2007	2,755	-
Accumulated depreciation:		
Balance as of 31 December 2006	2,123	-
Charge for the year	21	-
Reclassifications	-	-
Balance as of 31 December 2007	2,144	-
Net book value as of 31 December 2007	**611**	**-**
Net book value as of 31 December 2006	**632**	**-**

Part of the Group's property, plant and equipment located in Estonia is not used in the main activities of the Group and is accounted for as investment property. The net book value of the investment property as of 31 December 2007 was LTL 611 thousand (as of 31 December 2006 – LTL 632 thousand). The management of the Company believes, that the market value of these assets as of 31 December 2007 could be in the range between LTL 1,324 thousand and LTL 2,207 thousand. Independent valuation has not been performed.

6. INVESTMENTS INTO SUBSIDIARIES

	Company	
	2007	**2006**
Balance at the beginning of the period	18,286	17,536
Effect of equity method and currency revaluation reserve attributable to the Company	(11)	1,661
UAB KPC Nekilnojamasis Turtas share capital increase	1,990	972
Disposal	(2,000)	(1,883)
	18,265	18,286

In December 2006 the Company established a subsidiary UAB KPC Nekilnojamasis Turtas with the share capital of LTL 10 thousand. In 2007 the Company increased share capital of subsidiary from LTL 10 thousand to LTL 2,000 thousand and sold the subsidiary for the share nominal value.

During 2007 the Group has initiated negotiation concerning the possibility to acquire company Hladokombinat in Sankt Petersburg, Russia. During 2007 consultancy fees and other related expenses have reached LTL 1,257 thousand. As of the date of release of these financial statements negotiation regarding Hladokombinat acquisition was still in process.

In April 2006 the Company acquired the remaining shares of the subsidiary Tallinnna Kulmhoone AS from the minority shareholders for the amount of LTL 1,445 thousand. The value of the net assets acquired – LTL 962 thousand and LTL 483 thousand difference between the part of the net assets acquired and the acquisition cost was accounted for directly in equity.

In December 2006 the subsidiary Tallinna Kulmhoone AS issued a new emission of shares which was purchased by the companies related to the management of the Tallinna Kulmhoone AS. Due to this transaction the minority interest in the equity of the subsidiary increased by 10.1% and the share of the net assets of the subsidiary attributable to the Company decreased by LTL 1,883 thousand. The decrease of the share of the net assets attributable to the Company due to the share transfer to minority was accounted for in equity.

7. INVENTORIES

	Group		Company	
	2007	2006	2007	2006
Goods for resale	5,992	4,745	1,822	1,483
Finished products	6,632	2,084	-	-
Raw materials and other inventories	2,757	1,758	26	27
Less: net realisable value allowance	-	-	-	-
	15,021	8,587	1,848	1,510

As explained in Note 13, the Group has pledged inventories for an amount of LTL 13,137 thousand as of 31 December 2007 (the Company has pledged LTL 1,500 thousand of inventories as of 31 December 2006) in order to secure the repayment of a loan.

8. TRADE RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
Trade receivables, gross	14,300	8,019	2,658	2,378
Less: allowance for doubtful trade receivables	(114)	(149)	(80)	(115)
	14,186	7,870	2,578	2,263

Changes in allowance for doubtful trade receivables for the year 2007 and 2006 have been included into operating expenses in the income statement. In 2007 the Group and the Company have not written-off bad debts.

The Group has pledged accounts receivable for an amount of LTL 11,608 thousand as of 31 December 2007 (no pledged accounts receivable as of 31 December 2006) (Note 13).

9. OTHER ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As of 31 December 2007 other accounts receivable mainly consisted of deferred expenses. Major part of other current assets comprise the bonds for LTL 980 thousands held by the Group at the end of 2006, which were issued by the company related to the management of Tallinna Kulmhoone AS. The maturity date of the bonds is 30 March 2007 and the annual interest rate is 12 %.

Major part of other accounts receivable comprise a loan of LTL 507 thousand granted by the Group to the company related to the management of Tallinna Kulmhoone AS as of 31 December 2007. The outstanding balance as of 31 December 2006 was repaid during the year 2007 and new loan was granted. The outstanding balance as of 31 December 2007 amounted to LTL 507 thousand (LTL 999 thousand as of 31 December 2006).

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
Cash at bank	1,498	352	406	119
Cash on hand	43	63	-	43
Cash in transit	46	70	46	70
	1,587	485	452	232

The Group has pledged the part of cash for the amount of LTL 1,135 thousand as of 31 December 2007 in order to secure loans received (Note 13).

11. SHARE CAPITAL

The share capital of the Company did not change in 2007. As of 31 December 2007 and 2006 the share capital amounted to LTL 32,099 thousand. The share capital consists of 6,419,871 (6,419,871 in 2006) ordinary registered shares with the par value of LTL 5 each. All the shares are fully paid.

According to the Company Law of Republic of Lithuania equity of the company should not be less than ½ of the share capital of the company registered in the company by-laws. The Company was in compliance with this requirement as of 31 December 2007 and 2006.

12. RESERVES

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit calculated according to the Lithuanian Business Accounting Standards are compulsory until the reserve reaches 10% of the share capital. This reserve is used for covering accumulated losses. The shareholders of the Company will have to transfer a minimum of LTL 160 thousand to the legal reserve while distributing the profit for the year 2007.

Retained earnings (deficit)

According to the provisions of the Law on Stock Companies of the Republic of Lithuania, if the total of retained earnings at the beginning of the financial year and net profit (loss) for the year is negative, the General Shareholders' Meeting has to make a decision to cover these losses. Transfers to distributable earnings should be made in the following sequence:

a) transfer from reserves not used in the current financial year;
b) transfer from the compulsory reserve;
c) transfer from the share premium.

The Company was not informed about the shareholder's actions in respect of this matter by the date of issuing of these financial statements.

13. FINANCIAL BORROWINGS

	Group		Company	
	As of 31 December 2007	As of 31 December 2006	As of 31 December 2007	As of 31 December 2006
Non-current borrowings				
Financial lease liabilities	6,085	1,771	3,038	1,185
Bank loans	30,721	8,357	-	-
	36,806	10,128	3,038	1,185
Current borrowings				
Current portion of non-current borrowings	4,311	3,439	-	-
Shares repurchase agreement	1,426	-	-	-
Financial lease liabilities	2,743	1,197	1,187	755
Short-term loans	13,471	3,839	-	2,831
	21,951	8,475	1,187	3,586
	57,331	18,603	4,225	4,771

To secure its debt liabilities the Group and the Company has pledged the property, plant and equipment (Note 4), inventories (Note 7), accounts receivables (Note 8) and future cash inflows (Note 10). In case of the failure to meet financial lease liabilities, the rights of ownership of the leased property are returned to the lessor.

13. BORROWINGS (CONT'D)

The interest rates as of the balance sheet date were as follows:

	Group		Company	
	2007	2006	2007	2006
Bank loans	5.6 %	5.6 %	-	5.7 %
Financial lease liabilities	5.8 %	5.0 %	5.7 %	5.1 %

Terms of repayment of non-current (except for the financial lease liabilities) borrowings are as follows:

	Group		Company	
	2007	2006	2007	2008
Within one year	4,311	3,439	-	-
From one to five years	18,134	8,357	-	-
Over five years	12,586	-	-	-
	35,031	11,796	-	-

As of 31 October 2007 the Group sold a 5 % share of the subsidiary Premia FFL for LTL 1,407 thousand to the third party and according to the purchase-sales agreement, Premia Tallinna Külmhoone AS is obliged to acquire the 5% share in the future at a price equivalent to the other party's investment in AS Premia FFL plus accrued interest of 8 %. According to management, the respective 5% share does not represent a minority interest, but is instead a put option held by the other party on AS Premia FFL shares. Therefore, 100 % of AS Premia FFL has been consolidated to the group's financial statements and the respective liability has been accounted for.

As of 31 December 2007 the Group had unused funds of credit lines amounted to LTL 5,865 thousand (LTL 5,489 thousand as of 31 December 2006), and has different maturity dates, the latest one being on 7 August 2008.

As of 31 December 2007 Group had two overdraft agreements in the amount of LTL 7,251 thousand, of which LTL 1,385 thousand were used at the end of 2007. The overdraft agreements ends on May and August 2008. Additionally, the Group had other short term borrowings from banks in the amount of LTL 12,085 thousand.

The assets leased by the Company and Group under financial lease contracts consist of machinery, equipment and vehicles. Apart from the lease payments, other liabilities under the lease contracts are property maintenance and insurance. The terms of financial lease are from 3 to 5 years.

The distribution of the net book value of the assets acquired under financial lease is as follows:

	Group		Company	
	2007	2006	2007	2006
Machinery and equipment	10,690	2,901	4,010	1,382
Other	651	540	504	540
	11,341	3,441	4,514	1,922

As of 31 December 2007 the interest rate of financial lease liability in EUR varies depending on the 12-month EUR LIBOR plus 1.15 % to 2.4 %.

Minimal future lease payments are as follows:

	Group		Company	
	2007	2006	2007	2006
Within one year	2,967	1,313	1,194	826
From one to six years	6,769	1,913	3,473	1,303
Interest	(908)	(258)	(442)	(189)
Present value of financial lease liabilities	8,828	2,968	4,225	1,940

Present value of lease payments is accounted for as follows:

	Group		Company	
	2007	2006	2007	2006
Current financial lease obligations	2,743	1,197	1,187	755
Non-current financial lease obligations	6,085	1,771	3,038	1,185
	8,828	2,968	4,225	1,940

Present value of lease payments in currencies is accounted for as follows:

	Group		Company	
	2007	2006	2007	2006
LTL	-	-	-	-
EUR	8,828	2,968	4,225	1,940
	8,828	2,968	4,225	1,940

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
Trade payables	15,502	6,861	2,165	1,910
Taxes, wages, salaries and social security	1,207	1,104	75	61
Vacation pay accrual	1,075	999	304	243
Income tax payable	462	-	462	-
Accrued expenses and other amounts payable	1,221	1,078	632	537
	19,467	10,042	3,639	2,751

15. OPERATING LEASE

The Group and the Company concluded several non-cancellable contracts of operating lease. The terms of lease do not include restrictions of the activities of the Group and the Company in connection with the dividends, additional borrowings or additional lease agreements. In 2007 the lease expenses of the Group and the Company amounted to LTL 602 thousand and LTL 24 thousand, respectively (LTL 301 thousand and LTL 70 thousand in 2006, respectively).

Minimal future operating lease payments according to the signed uncancellable lease contracts are as follows:

	Group	Company
Within one year	486	22
From one to five years	453	3
Over five years	-	-
	939	25
Denominated in:		
- EUR	917	3
- LTL	22	22

16. SALES

	Group		Company	
	2007	2006	2007	2006
Ice-cream	62,323	61,339	20,710	20,523
Frozen food products	65,424	51,597	9,388	7,617
Other	993	1,084	347	365
	128,740	114,020	30,445	28,505
Transactions between the group companies	(10,365)	(10,100)	-	-
	118,375	103,920	30,445	28,505

Ice-cream and frozen food products are subject to different sales margins, which are 35 – 47 % for ice-cream and 15 – 25 % for frozen products.

	Geographical region				
Sales of the Group	Lithuania	Estonia	Latvia	Other	Total
2007	29,799	73,656	13,801	1,119	118,375
2006	27,273	70,209	4,797	1,641	103,920

17. COST OF SALES

	Group		Company	
	2007	2006	2007	2006
Ice cream	27,315	28,627	13,131	13,086
Frozen foods	54,263	43,518	6,950	5,935
Other	213	441	213	240
	81,791	72,586	20,294	19,261

18. SELLING AND DISTRIBUTION EXPENSES

	Group		Company	
	2007	2006	2007	2006
Wages, salaries and social security	10,121	7,596	3,494	2,709
Transportation expenses	7,149	6,066	1,657	1,504

Depreciation and amortisation	4,047	3,097	2,000	1,419
Marketing expenses	2,874	2,367	484	550
Rent	1,671	1,062	1,551	904
Utilities	812	907	169	304
Office supplies	543	441	98	76
Change in allowance for doubtful receivables	(35)	10	(35)	12
Other	2,291	1,527	405	407
	29,473	23,073	9,823	7,885

19. ADMINISTRATIVE EXPENSES

	Group		Company	
	2007	**2006**	**2007**	**2006**
Wages, salaries and social security	3,003	2,713	668	646
Professional services	1,222	535	377	321
Depreciation and amortisation	906	432	78	140
Repairs and maintenance	270	507	29	48
Bank charges	243	168	18	25
Security	276	299	41	81
Communications expenses	197	197	20	19
Rent	177	124	56	46
Transportation expenses	165	120	82	54
Office supplies	132	126	14	12
Business travel	109	59	24	10
Real estate tax	9	59	9	59
Insurance	7	10	7	9
Other	826	641	298	183
	7,542	5,990	1,721	1,653

20. OTHER OPERATING INCOME (EXPENSES), NET

	Group		Company	
	2007	**2006**	**2007**	**2006**
Profit (loss) from sale of non-current assets	6,973	(31)	4,858	1,675
Rent income	4	12	4	12
Other (expenses)	(94)	(6)	(144)	(28)
	6,883	(25)	4,718	1,659

In 2007 the Company gained a profit in amount of LTL 4,858 thousand from disposal of non-current assets.

21. INCOME (EXPENSES) FROM FINANCIAL AND INVESTMENT ACTIVITIES, NET

	Group		Company	
	2007	2006	2007	2006
Interest income	283	48	213	-
Foreign currency exchange gain	6	65	6	22
Foreign currency exchange (loss)	(8)	(60)	(8)	(34)
Interest (expenses)	(1,755)	(1,172)	(428)	(341)
Other financial (expenses) income	(29)	(77)	(10)	3
	(1,503)	(1,196)	(227)	(350)

22. INCOME TAX

	Group		Company	
	2007	2006	2007	2006
Income tax	642	-	462	-
Change in deferred income tax	(644)	-	(644)	-
Income tax (income) expenses recorded in the income statement	(2)	-	(182)	-

The income tax expenses attributable to the result for the year and recognized in the income statement can be reconciled with income tax expenses computed by applying standard tax rate to the profit before tax as follows:

	Group		Company	
	2007	2006	2007	2006
Profit (loss) before tax	4,949	1,050	3,013	2,676
Income tax expenses computed at standard rate (18% in 2007 and 19% in 2006)	891	200	542	508
Effect of subsidiary's result taxable at different rates	(104)	308	-	-
Effect of change in income tax rate	(109)	(37)	(109)	(37)
Utilized tax loss carry forward, for which deferred tax asset was not recognised	-	(343)	-	(343)
Permanent differences	14	(222)	87	(222)
Change in valuation allowance accounted for in the income statement	(694)	94	(702)	94
Income tax expenses (income)	(2)	-	(182)	-

	Group		Company	
	2007	2006	2007	2006
Deferred income tax asset				
Tax loss carry forward	-	545	-	545
Allowance for accounts receivable	21	29	13	29
Vacation pay accrual	-	141	-	141
Other	-	-	-	-
Deferred income tax asset before valuation allowance	21	715	13	715
Less: valuation allowance	(21)	(715)	(13)	(715)
Deferred income tax asset, net	-	-	-	-
Deferred income tax liability				
Property, plant and equipment and intangible assets	(2,522)	(667)	(23)	(667)
Deferred income tax liability	(2,522)	(667)	(23)	(667)
Deferred income tax, net	**(2,522)**	**(667)**	**(23)**	**(667)**

22. INCOME TAX (CONT'D)

In 2007 the Company used all accrued losses to lower payable tax. Total amount of used losses was LTL 3,937 thousand.

During the 2007 the Group had acquired Premia FFL AS and FFL SIA (Latvia) and accounted for the amount of LTL 2,499 thousand of deferred tax liability related to the acquisition.

At the 31 December 2007 the consolidated retained earnings of the subsidiary Premia Tallinna Kulmhoone AS amounted to EEK 5,062 thousand (equivalent to LTL 1,117 thousand). In the case the subsidiary Premia Tallinna Kulmhoone AS would have paid all the retained earnings with dividends the maximum profit tax liability payable would be EEK 1,063 thousand (equivalent to LTL 235 thousand), and the net dividend paid would be EEK 3,999 thousand (equivalent to LTL 882 thousand).

The biggest possible tax liability estimated making assumption that Premia Tallinna Kulmhoone AS will pay dividends and the related income tax would not exceed profit for distribution at the end of 2007.

23. EARNINGS PER SHARE

Earnings per share represent the net profit (loss) divided by the number of shares.
The calculation of the earnings per share is presented below:

	Group		Company	
	2007	2006	2007	2006
Net profit for distribution (in LTL thousand)	4,960	978	3,195	2,676
Number of shares (in thousand)	6,420	6,420	6,420	6,420
Earnings (loss) per share (in LTL)	0,77	0,15	0,50	0,42

24. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT

Credit risk

The Group and the Company have no significant concentration of credit risk. The credit risk or the risk that the parties will not meet their obligations is controlled by terms of crediting and supervisory procedures.

The Group and the Company do not issue guarantees for the obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the management of the Group and the Company considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the balance sheet date.

Interest rate risk

The major part of the Company's and Group's borrowings is with variable interest rates, related to VILIBOR and EUR LIBOR and SEB Eesti base interest rate, which creates an interest rate risk (Note 13). There are no financial instruments designated to manage its exposure to fluctuation in interest rates outstanding as of 31 December 2007 and 2006.

Liquidity risk

The Group's and the Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments at a given date in accordance with its strategic plans. The flexibility of financing is insured by unused credit lines (Note 13). The Group's liquidity (current assets / current liabilities) and quick ((current assets – inventory) / current liabilities) ratios as of 31 December 2007 were 0.78 and 0.42, respectively (1.04 and 0.76 as of 31 December 2006, respectively). The Company's liquidity and quick ratios as of 31 December 2007 were 0.97 and 0.61, respectively (0.58 and 0.57 as of 31 December 2006, respectively).

24. FINANCIAL ASSETS AND LIABILITIES AND RISK MANAGEMENT (CONT'D)

Foreign currency exchange risk

Major currency risks of the Company and the Group occur due to the fact that the Company and the Group borrows foreign currency denominated funds as well as is involved in imports and exports. The Company's and Group's policy is to match cash flows arising from highly probable future sales and purchases in each foreign currency. The Group uses forwards up to 21 day to eliminate exposure to USD exchange risk. Profit or loss from the use of forwards are accounted as current period profit or loss from currency exchange.

The Group had no major unfinished derivative instruments as of 31 December 2007 and 2006.

Monetary assets and liabilities stated in various currencies as of 31 December 2007 were as follows (all amounts in the table are presented in LTL thousand):

	Group		Company	
	Assets	**Liabilities**	**Assets**	**Liabilities**
LTL	3,027	2,269	3,027	2,269
EEK	7,447	27,223	-	-
LVL	6,448	2	-	-
EUR	1,018	47,122	4,607	5,307
USD	-	86	-	-
Total	17,940	76,702	7,634	7,576

Since both LTL and EKK are pegged to EUR, the major part of Group's and Company's liabilities is related to the fixed exchange rate in respect of EUR and does not present foreign exchange risk.

Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, long-term and short-term borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade accounts receivable, current accounts payable and short-term borrowings approximates fair value.

b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts.

24. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other one or have significant influence over the other party in making financial and operating decisions. In 2007 and 2006 the related parties of the Group and the Company were as follows:

- Premia Tallinna Kulmhoone AS (directly owned subsidiary);
- UAB KPC Nekilnojamasis Turtas (directly owned subsidiary until April 2007, Note 6);
- FFL SIA (indirectly owned subsidiary);
- TCS Invest OU (indirectly owned subsidiary);
- Premia FFL AS (indirectly owned subsidiary);
- Salpro SIA (indirectly owned subsidiary);
- Nordic Foods AS (company controlled by members of management of Premia Tallinna Kulmhoone AS).

The Company transactions with related parties were as follows:

2007	**Sales**	**Purchases**	**Trade receivables**	**Trade payables**
Related parties				
Premia Tallinna Kulmhoone AS	974	9,550	-	350
Premia FFL AS	-	9	-	9
UAB KPC Nekilnojamasis Turtas (until April 2007, Note 6)	8,558	-	-	-
	9,532	9,559	-	359

2006	**Sales**	**Purchases**	**Trade receivables**	**Trade payables**
Related parties				
Premia Tallinna Kulmhoone AS	1,215	8,920	-	1,489
UAB KPC Nekilnojamasis Turtas	1,800	-	1,800	-
	3,015	8,920	1,800	1,489

The Company loans to related parties:

	Payment term	**Interest rate**	**2007**	**2006**
Premia Tallinna Kulmhoone AS	28 May 2017	6 %	4,489	-

The Group transactions with related parties were as follows:

	Transactions in 2007		**Balance as of 31 December 2007**	
	Sales	**Purchases**	**Trade receivables**	**Trade payables**
Related parties				
Companies related to the management of Premia Tallinn Kulmhoone AS	252	15	-	34
Total	252	15	-	34

The Group during the year 2007 has granted loans amounting to LTL 1,015 thousand to the companies related to the management of Tallinna Kulmhoone AS with the outstanding amount of LTL 507 thousand as of 31 December 2007. Also in 2007 the Group earned LTL 55 thousand of interest revenue. In addition, as of 31 December 2006 the Group held bonds issued by the company related to the management of Tallinna Kulmhoone AS amounting to LTL 980 thousand. The maturity date of the bonds is 30 March 2007 and annual interest – 12 %.

	Transactions in 2006		Balance as of 31 December 2006	
	Sales	**Purchases**	**Receivables**	**Liabilities**
Related parties				
Companies related to the management of Premia Tallinn Kulmhoone AS	217	60	26	17
Total	217	60	26	17

Remuneration of the management and other payments

The Group's and Company's management remuneration amounted to LTL 1,493 thousand and LTL 610 thousand in 2007, respectively (LTL 1.152 thousand and LTL 446 thousand in 2006, respectively); other payments to the management of the Company amounted to LTL 83 thousand in 2007 (LTL 92 thousand in 2006). In 2007 and 2006 the management of the Company did not receive any loans, guarantees; no other payments or property transfers were made or accrued. The management includes general managers of the Group companies, their chief accountants, commercial directors, logistic managers and production managers.

25. SUBSEQUENT EVENTS

In January 2008, subsidiary TCS Invest OÜ was granted a short-term loan of LTL 2.411 thousand and pledged all it's assets in order to secure the loans received. The loan is denominated in USD and bears 8 % annual interest.

In March 2008 all shares of Premia FFL AS, the subsidiary of Premia Tallina Kulmhoone AS, were pledged in favour of AS Sampo Bank.

The profit distribution draft: it is suggested to the shareholders to transfer the net profit of the Group and of the Company for 2007 amounting to LTL 4.960 thousand and LTL 3.195 thousand to retained deficit.

Consolidation Group Interim Financial Report

SAAREMERE KALA AS

Financial year:	1 July 2008 - 31 December 2009
Reporting period:	1 July 2008 - 30 September 2009

Auditor:	Alliott Kangust OÜ
Commercial registry code:	11310040
Address:	Viru 19 10140, Tallinn Estonia
Telephone:	+372 5059 513
Fax:	+372 4590 142
E-mail:	margus@saaremerekala.eu
Principal activities:	fish farming, production and sale of fishery products

ADDITIONAL DOCUMENTS

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ADDITIONAL DOCUMENTS

Margus Rebane

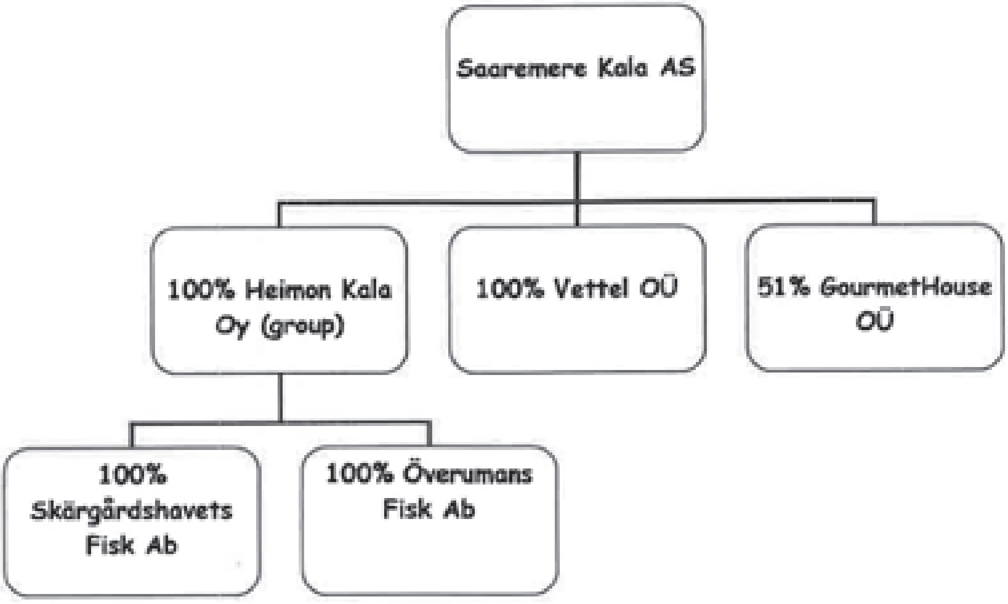
BRIEF INTRODUCTION OF THE GROUP

AS Saaremere Kala is an international fishery group established at the end of 2006 which owns fish farms in Finland and Sweden, modern production facilities in Saaremaa and Finland and sales networks in Estonia and Finland.

The parent company of the Group is located and has its registered office in Estonia, at Viru 19, Tallinn.

As of 30 September 2009, the number of employees of the Group was 177 (192 on 30 June 2008).

As of 30 September 2009, the following companies formed the Group:



Heimon Kala Oy - registered in Finland -100% holding - fish farming, production and sale of fishery products.
Skärgårdshavets Fisk Ab - registered in Sweden - 100% holding - fish farming and sales.
Överumans Fisk Ab - registered in Sweden - 100% holding - fish farming and sales.
Vettel OÜ - registered in Estonia - 100% holding - production and sale of fishery products.
GourmetHouse OÜ - registered in Estonia - 51% holding - sale of fishery products.

Starting from 1 January 2009, Saaremere Kala AS belongs in the Premia Foods Group.

Margus Rebane

MANAGEMENT REPORT

PERFORMANCE RESULTS

In thousand EUR	01.01.09-30.09.09	01.07.08-31.12.08	01.07.07-30.06.08
Sales revenue	20 667	15 412	30 200
Cost of production sold	-16 966	-12 845	-25 335
Gross profit	**3 701**	**2 566**	**4 866**
Gross profit margin	18%	17%	16%
Marketing expenses	-2 575	-1 767	-2 671
General administrative expenses	-1 367	-894	-1 805
Other operating income	342	344	748
Profit/loss from increase in biological assets value	1 964	379	-146
Other operating expenses	-124	-147	-207
EBIT [1]	**1 942**	**481**	**785**
EBIT margin [4]	9%	3%	3%
EBITDA [2]	**1 023**	**2 705**	**1 847**
EBITDA margin [5]	5%	18%	6%
Financial income	6	23	301
Financial expenses	-635	-1 698	-913
EBT [3]	**1 313**	**-1 194**	**173**
EBT margin [6]	6%	-8%	1%
Income tax	-525	59	289
Net profit for the financial period	**788**	**-1 135**	**462**
Net profit margin [7]	4%	-7%	2%

[1] EBIT - operating profit
[2] EBITA - operating profit + depreciation cost
[3] EBT - earnings before taxes
[4] EBIT margin - operating profit/sales revenue
[5] EBITA margin - (operating profit + depreciation cost)/sales revenue
[6] EBT margin - earnings before taxes/sales revenue
[7] Net profit margin - Net profit/sales revenue

Reason of loss at period 1.7.2008 - 31.12.08 is, that goodwill had been written down by EUR 1239 thousand and the write-down was reported as a financial expense for the period.

Margus Rebane

ADDITIONAL DOCUMENTS

Events during the period under review

Production

In autumn 2009 an extension of the production facility was completed in Uusikaupunki, which made it possible to concentrate all production activities in Finland into one production facility, resulting in a significant improvement in production logistics, efficiency and daily operational management.

Fish farming

In summer 2009 the stocks of golden trout were sold and further cultivation of this species was ended, as the golden trout does not differ from the ordinary rainbow trout in terms of its characteristics and the expected market prospects did not materialise. We will focus on farming rainbow trout and whitefish in Finland in the future.

In Sweden the farming of rainbow trout and arctic char will be continued.

In the second half of 2008 the modernisation of fish farms was completed in Sweden and in 2009 the production capacity matching the additional farming licences was achieved.

In 2008 the fish slaughterhouse located on the island of Mossala in the Turku archipelago was renovated, which allowed the fully depreciated production facility in Kustavi to be closed; the Kustavi property was sold in November 2008.

Investments

During the reporting period, investments in fixed assets amounted to EUR 737 thousand, the largest investments being related to the modernisation of fish farming facilities and the rearrangements arising from the extension of the production facility in Uusikaupunki.

Increase of share capital

In December 2008 the share capital of Saaremere Kala AS was increased by EUR 1027 thousand, incl. EUR 34 thousand as share capital and EUR 993 thousand as issue premium. The increase of the share capital was paid for by a non-monetary contribution consisting of bonds issued by a subsidiary. The non-monetary contribution was assessed by the Alliot Kangust Auditors Office. The costs of the evaluation in the amount of EUR 3000 were deducted from the share premium.

Management

Starting from 1 October 2009, the management board of the Saaremere Kala Group consists of 2 members. The work of the management board is supervised by the supervisory board, which currently has 5 members.

Employees and remuneration paid

The average number of the Group's employees was 184 in the financial year (192 in the 2007/2008 financial year). During the reporting period, i.e. 01.07.2008-30.09.2009, the company's labour costs amounted to EUR 6.01 million (EUR 5 million for the 2007/2008 financial year); the data are not comparable with the previous period as the current reporting period covers 15 months.

Remuneration of the members of the management board and supervisory board (incl. management board members of the subsidiaries of the Group) amounted to EUR 559 thousand during the period 01.07.2008-30.09.2009 (EUR 499 thousand for the 2007/2008 financial year).

Overview of markets

The Group operates mainly in the Finnish and Estonian markets, with the relative importance of markets divided as follows: Finnish market - 82% (83% in the 2007/2008 financial year) and Estonian market - 17% (14% in the 2007/2008 financial year). The Group's best-known brands are *Gurme* in Estonia and *Heimon Kala* and *Saaristomeren Kala* in Finland. The company's product portfolio includes fillets, cold-smoked and hot-smoked products, cured and salted fish, breaded fish products, and caviar. The caviar is mostly acquired from our own fish farms. The farmed fish are rainbow trout, whitefish and arctic char.

Margus Rebane

Finnish market

The primary raw material for Finnish fish processing companies is salmon imported from Norway and Denmark (40% of the total volume of the market) and raw material from local fish farms and fishing. Local raw material comprises raw material from fish farms (63%), sea fishing (28%) and freshwater fishing.

Our fish farms focus on the farming and development of trout species and whitefish.

Heimon Kala Oy (a group company) is engaged in fish farming, processing and marketing. Fish is processed in Uusikaupunki, and fish and fry are farmed in 5 different regions in Finland. The company owns, through subsidiaries, 2 fish farms and a fish hatchery in Sweden. The aggregate annual volume under farming licences amounts to approximately 2600 tons (ca. 1500 in Sweden and ca. 1100 tons in Finland). The company supplies Finnish retail organisations in the total production volume of the companies belonging to the Group. The Marketing and Logistics Department is located in Hämeenlinna in Central Finland. The average number of employees was 93 in the reporting period (106 in the 2007/2008 financial year; in the data for 2007/2008 the corresponding figures of Heimon Kala Oy and Saaristomeren Kala Oy were added).

Estonian market

Local fish species from the Baltic Sea like Baltic herring and sprat provide the essential raw material for the Estonian fish processing companies, and the filleting companies use freshwater fish such as perch, pike perch and salmon. Canned production continues to be oriented to the CIS market and the Central and Eastern European markets, with the remaining products being sold in the western markets. Ready-to-eat products are marketed in both eastern and western markets. The production of ready-to-eat products is mainly based on imported raw materials.

Vettel OÜ is a fish processing company mainly engaged in production activities, whose main task is to supply the sales units of Heimon Kala Oy and GourmetHouse OÜ with fishery products.

GourmetHouse OÜ is engaged in the wholesale distribution of fresh fish and fishery products and focuses on supplying retail chains with fresh fish and fishery products. Most of the sales in Estonia are effected through this company.

Swedish market

In this financial period the Group started active marketing of its products in the Swedish market, with fresh rainbow trout being sold through the Swedish subsidiary Fisk Överumans Ab. In addition, active sales of fry to the Swedish market were started in 2009.

Future trends

The Group's management expects to achieve a significant increase in profitability in the fourth quarter and accomplish the targets set in the budget for 2009. The principal goal for the 2010 financial year is to further integrate the activities of Vettel OÜ, Heimon Kala OY and GourmetHouse OÜ in the Premia Food Group and to increase the market share in the Baltic States through the Latvian and Lithuanian entities of Premia Foods. As a result of different companies joining the Saaremere Kala Group, we now have control over the entire supply chain, from fish farming to marketing. It is now vital to gradually implement the synergies arising from it and to boost the strengths of companies. The investment plan for 2010 provides for renovation of wastewater treatment facilities in Sweden in order to ensure compliance with new standards set for wastewater.

The sales forecast for the 2010 financial year is EUR 31.2 million.

Margus Rebane
Member of the management board

Margus Rebane

CONSOLIDATED INTERIM FINANCIAL REPORT

Declaration of the management board to consolidation group interim financial report

We hereby declare our responsibility for composing the consolidated interim accounts on pages 6 - 40 and confirm that:

1. the accounting policies followed in the drawing up of the consolidated interim accounts are in conformity with the international financial reporting standards;

2. the consolidated interim financial statement reflects a true and fair financial situation, results and cash-flow of the Group;

3. the Group and parent company continue to be operating.

Margus Rebane
Member of the management board

Pekka Pentti Olavi Lahtinen
Member of the management board

18 January 2010

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Consolidated statement of financial position

In thousand EUR

	30.09.2009	31.12.2008	30.06.2008	Note
Cash and bank	540	867	427	1
Receivables	2 798	5 195	3 532	2, 3
Prepayments	551	346	367	3
Biological assets	9 298	5 235	4 787	4
Inventories	2 663	3 290	3 322	4
Fixed assets for resale	18	18	18	4
Total current assets	**15 867**	**14 951**	**12 453**	
Long-term financial investments	90	90	95	5
Deferred income tax asset	354	354	354	7
Tangible fixed assets	6 825	7 225	7 705	8
Intangible assets	4 808	4 818	6 081	9
Total fixed assets	**12 077**	**12 487**	**14 235**	
TOTAL ASSETS	**27 944**	**27 438**	**26 688**	
Debt obligations	3 400	5 235	6 405	10, 11
Factoring	1 496	1 977	1 121	10
Liabilities and prepayments	4 661	4 846	4 053	14
Total short-term liabilities	**9 557**	**12 058**	**11 579**	
Long-term liabilities	5 548	3 847	3 106	10, 11
Deferred income tax liability	1 321	786	709	12
Target financing	1 740	1 884	2 068	15
Total long-term liabilities	**8 609**	**6 517**	**5 882**	
Total liabilities	**18 166**	**18 575**	**17 462**	
Share capital	457	457	423	16
Issue premium	9 165	9 165	8 176	16
Mandatory legal reserve	9	9	9	
Unrealised spread	-206	-333	-81	
Retained earnings	131	-627	563	
Total equity capital belonging to the parent company owners	**9 557**	**8 671**	**9 089**	
Minority shareholding	222	192	137	
Total equity capital	**9 778**	**8 863**	**9 226**	
TOTAL LIABILITIES AND EQUITY	**27 944**	**27 438**	**26 688**	

ADDITIONAL DOCUMENTS

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Consolidated statement of comprehensive income

in thousand EUR

	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08	Note
Sales revenue	20 667	15 412	30 200	17
Cost of production sold	-16 966	-12 845	-25 335	18
Gross profit	**3 701**	**2 566**	**4 866**	
Marketing expenses	-2 575	-1 767	-2 671	18
General administrative expenses	-1 367	-894	-1 805	18
Other operating income	342	344	748	18
Profit/loss from increase in biological assets value	1 964	379	-146	18
Other operating expenses	-124	-147	-207	18
Operating profit	**1 942**	**481**	**785**	
Financial income	6	23	301	19
Financial expenses	-635	-1 698	-913	19
Profit (loss) before tax	**1 313**	**-1 194**	**173**	
Income tax	-525	59	289	20
Net profit (loss) for the financial year	**788**	**-1 135**	**462**	
incl. parent company owners' share of net profit	758	-1 190	394	
incl. minority shareholders' share of net profit	30	55	68	
Other comprehensive income (loss)				
Currency translation differences	128	-252	-78	
Total comprehensive income (loss)	**915**	**-1 387**	**385**	
Comprehensive income (loss) attributable to:				
Equity holders of the parent company	886	-1 442	317	
Minority shareholders	30	55	68	
Basic earnings per share,, EUR	1,06	-1,73	0,60	21
Diluted earnings per share, EUR	1,06	-1,73	0,60	21

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Consolidated cash-flow statement

in thousand EUR

	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07- 30.06.08	Note
Cash-flow from operations				
Operating profit	1 942	481	785	
Operating profit adjustments	**651**	**281**	**462**	
Depreciation and decline in value of fixed assets	830	490	1 102	8, 9
Loss from sale of fixed assets	0	-39	-252	18
Target financing	-229	-167	-400	18
Discount of receivables and prepayments	2	0	7	18
Exchange losses	49	-2	5	18
Change in operating receivables and prepayments	**2 193**	**-2 006**	**921**	
Change in liabilities	2 397	-2 028	1 010	
Change in prepayments	-205	21	-90	
Change in inventory	628	31	-614	
Change in biological assets	-4 063	-447	301	18
Change in operating liabilities and prepayments	-135	706	539	
Paid income tax	0	159	-135	20
Total cash-flow from operations	**1 215**	**-795**	**2 259**	
Cash-flow from investments				
Purchase of tangible and intangible fixed assets	-331	-201	-1 687	8, 9
Sale of tangible and intangible fixed assets	16	86	506	8, 9
Net cash-flow from acquisition of subsidiaries	0	0	-216	
Net cash-flow from sale of subsidiaries	0	0	62	
Acquisition of financial investments	0	0	-5	6
Sale of other financial investments	0	0	66	6
Interest and other financial income	6	10	50	19
Total cash-flow from investments	**-310**	**-194**	**-1 222**	
Cash-flow from financing				
Received loans and issued debentures	5 816	1 250	2 585	
Repayment of loans	-5 914	-591	-2 640	
Change in factoring payables	-481	855	-463	
Received target financing	84	396	79	2, 15
Repayment of capital financial lease	-36	-77	-155	10
Interest expenses	-470	-488	-980	19
Total cash-flow from financing	**-1 000**	**1 346**	**-1 573**	
Effect of exchange gains (losses) on cash and cash equivalents	-232	84	-78	
Total cash-flow	**-327**	**440**	**-614**	
Money and money equivalents at start of period	867	427	1 041	1
Change in money and money equivalents	-327	440	-614	
Money and money equivalents at end of period	**540**	**867**	**427**	1

The balance of money and money equivalents in the cash-flow statement equals the cash and bank balance on the balance sheet.

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Consolidated statement of changes in equity

in thousand EUR

	Equity owned by parent company owners							
	Share capital	Issue premium	Legal reserve	Unrealized spread	Retained earnings	Total attributable to parent	Minority holding	Total equity
Balance as of 30.06.2007	**423**	**8 176**	**0**	**-4**	**178**	**8 772**	**0**	**8 772**
Constitution of legal reserve	0	0	9	0	-9	0	0	**0**
Minority shareholding from business combinations	0	0	0	0	0	0	69	**69**
Comprehensive income	0	0	0	-78	394	317	68	**385**
Balance as of 30.06.2008	**423**	**8 176**	**9**	**-81**	**563**	**9 089**	**137**	**9 226**
Share issue	34	990	0	0	0	1 024	0	**1 024**
Comprehensive income	0	0	0	-252	-1 190	-1 442	55	**-1 387**
Balance as of 31.12.2008	**457**	**9 165**	**9**	**-333**	**-627**	**8 671**	**192**	**8 863**
Comprehensive income	0	0	0	128	758	886	30	**915**
Balance as of 30.09.2009	**457**	**9 165**	**9**	**-206**	**131**	**9 557**	**222**	**9 778**

Further information on equity components is disclosed in Note 16.

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Accounting Policies and Estimates.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU and on a historical cost basis, including IAS 34, except as disclosed in the accounting policies below (e.g., certain financial assets, which are measured at fair value). The current financial report have been prepared in thousands of euro's (EUR).
In accordance with the revised and new standards additional disclosures were added to the financial statements.

A. Changes in accounting policies

The consolidated financial report is composed based on consistency and comparability principles, which means that the Group continually applies same accounting principles and presentation. Changes in accounting policies and presentation take place only if these are required by new or revised IFRS standards and interpretations or if new accounting policy and / or presentation gives a more objective overview of financial position, financial results and cash flows of the Group.

a) Revised International Financial Reporting Standards (IFRS), new IFRS standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

The accounting policies and presentation adopted in preparation of the current financial statements are consistent with those of the previous financial year. In addition, the following new/revised standards have been adopted:
a) IFRIC 11 IFRS 2 - Group and Treasury Share Transactions;
b) IFRIC 12 Service Concession Agreements;
c) IFRIC 13 Customer Loyalty Programmes;
d) IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
e) IFRIC 16 Hedges of a Net Investment in a Foreign Operation;
f) Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets.

b) New IFRS standards and interpretations issued but not yet effective

In the opinion of the management of the Group the new or revised IFRS standards and their interpretations issued by the time of preparing the current consolidated financial statements, but not effective yet, and not applied early by the Group.
These standards and interpretations will be applied starting from their effective date and are as follows:
a) IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements, effective for financial years beginning on or after 1 July 2009;
b) IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items, effective for financial years beginning on or after 1 July 2009.

Changes in the presentation of information in 2009
In connection with changes in IAS I "Presentation of Financial Statements", which will come into force as of 1 January 2009, the Group's quarter 2009 interim report was replaced of the consolidated income statement by a consolidated statement of comprehensive income. The comprehensive income statement also includes all non-owner changes previously recognized in equity. In connection with the compilation of the consolidated comprehensive income statement, the presentation of the report on changes in equity also changed. The report on changes in equity does not recognize statement of comprehensive income elements as separate changes. Pursuant to IAS 1, the term "balance sheet" used previously is replaced by the term "statement of financial position". The presentation of basic reports and the new terms do not affect the recognition of transactions and balances or the accounting principles.

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B. **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of Saaremere Kala AS and its subsidiary consolidated line-by-line.
Subsidiaries are companies, in which the Group has an interest of more than 50% of the voting rights or otherwise has power to govern the financial and operating decisions of these companies. Subsidiaries are consolidated from the acquisition date (date on which control is transferred to the Group) and cease to be consolidated from the disposal date (date on which control is transferred out of the Group).
The financial statements of the subsidiary are prepared for the same reporting year as the Parent, using consistent accounting policies, in all material respects. All inter-group transactions, balances and unrealized profits and losses on transactions between Group's companies have been eliminated in the consolidated financial statements. Unrealized losses are not eliminated, if these losses represent impairment of assets sold.

C. **Transactions in foreign exchange**

The accounting currency of the parent company is Estonian kroon. The presentation currency is euro, which is the presentation currency of the consolidated reports of the Group and unconsolidated reports of the parent company; all other currencies are regarded as foreign exchange.

The transactions fixed in foreign currencies are reflected based on the official exchange rates of the Bank of Estonia on the day of the transactions. The assets and liabilities fixed in foreign currencies are recalculated into Euro based on the official exchange rates of the Bank of Estonia on the balance day.

The profit and loss from foreign exchange transactions are reflected on the income statement under the period's income and expenses. The profit and loss from foreign exchange that are associated with the transactions with suppliers and buyers are reflected under operating income and expenses, other foreign exchange profit and loss are reflected under financial income and expenses.

The accounting currency of subsidiaries abroad is the euro. All transactions and balances of assets and liabilities of subsidiaries in Sweden are recalculated into euro on the consolidated financial statements of the subsidiaries.

On the consolidated balance sheet of the Finnish subsidiary Saaristomeren Kala Oy and Heimon Kala Oy, exchange rate difference arises when consolidating the Swedish subsidiaries due to the exchange differences between the Swedish krona and the euro. Therefore the following exchange rates from Swedish krona to the euro are used when consolidating the subsidiaries:

- assets and liabilities are recalculated based on the exchange rate of the Bank of Estonia on the balance day;
- income and expenses are recalculated based on the average exchange rate of the year.

The difference in the revaluation arising from the usage of different exchange rates is reflected under equity capital as entry "unrealised spread".

D. **Money equivalents**

Money equivalents reflects the short-term (up to 3-month term) high liquidity investments on the cash-flow statement, which can be converted to a known sum of money and which do not have a significant risk of change in market value, including cash and money on the bank accounts, up to 3-month deposits and interest market fund shares.

E. **Financial assets**

Financial assets are initially recognised at cost, being the fair value of the consideration given. Acquisition cost includes also all the directly attributable transaction costs, including service charges payable to brokers and advisors, non-refundable taxes and other similar expenditures. The only exception are such financial assets that are reflected in their fair value with a change on the income statement and the additional acquisition costs are reflected on the income statement as expense

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All regular way purchases and sales of financial assets are recognised on the trade date. The trade date is when the Group commits (e.g. concludes an agreement) to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Upon initial registration the financial assets are divided into the groups below. At the end of each financial year it is checked whether the financial assets belong to the appropriate groups and if necessary, corrections are made, except for in cases of such financial assets that cannot be re-classified pursuant to the international financial reporting standards. For the measuring of financial assets by groups the following principles have been implemented:

- financial assets at fair value, change through income statement - measured at fair value;
- held-to-maturity investments - amortised at acquisition cost;
- receivables - amortised at acquisition cost;
- available-for-sale financial assets - at fair value or acquisition cost in cases of equity instruments whose fair value cannot be reliably measured.

Financial assets at fair value

At each balance sheet date, the financial assets measured at fair value are re-valued to their fair values, without any deduction for transaction costs it may incur on sale or other disposal. The fair value of investments that are listed on the stock exchange is determined by the closing price on the balance sheet date and rates of exchange of the Bank of Estonia. For investments that are not listed on the stock exchange, the fair value is determined using all available information on the value of the investment and comparisons and/or discounted cash-flow analysis are used as valuation techniques.

Profits and losses arising from the change in the fair value are reflected on the income statement under "financial income and expense". Profits and losses arising from sale of financial assets measured at fair value as well as interests and dividends from these assets are reflected on the income statement under the entry "financial income and expense".

Receivables and held-to-maturity financial investments

Receivables, except those that the Group intends to sell in the near term, and held-to-maturity financial assets are reflected at adjusted acquisition cost, using the effective interest rate. The adjusted acquisition cost is computed for the whole term of financial assets considering any discounts or premiums and expenditures directly related with the acquisition.

The financial assets reflected at adjusted acquisition cost method are discounted if it is likely that the covered value is below the balance sheet value. The covered value of the financial assets reflected at adjusted acquisition cost is the present value of estimated future cash-flows discounted at the financial asset's original effective interest rate. The discount of financial assets related to operating activities is reflected on the income statement as operating expense (under "General administrative expenses") and discount of financial assets related to investing activities is reflected as financial expense on the income statement.

The decrease in value is determined separately for financial assets that are individually significant. Based on prior experience the receivables that are overdue by more than 90 days are regarded as unlikely receivables in the amount of 50% (i.e. they are discounted) and 100% unlikely receivables when the receivable is more than 180 days overdue. Receivables can be regarded as unlikely also earlier if there are other events suggesting that the covered value of the receivable is below its book value.

In case a previously discounted receivable is received or in case of other events that suggest that the discount is no longer justified, the reversal of the discount is reflected as the decrease of the expense on the income statement it was originally reflected under.

Interest income from receivables is reflected on the income statement under the entry "financial income and expense".

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Financial assets at acquisition cost

The financial assets at acquisition cost are discounted to the covered value if the latter is lower than the book value of the financial asset. The covered value of financial assets at acquisition cost is the estimated future cash-flows from the asset discounted at the current market profitability rate of similar financial assets. The discount of financial assets is presented in the income statement as "financial expense" and such discount is irreversible later.

The reflection of financial assets is terminated when the Group no longer has the right to the cash-flows arising from the financial asset, also in case there is an obligation to transfer the cash-flow in full and without significant delay to a third party, to whom most of the risks and benefits related with the financial assets have been transferred.

F. Inventory

The finished products and unfinished products are registered at production cost price, which includes the direct and indirect production expenses that are necessary to take the inventories to the present condition and quantity. Production overhead costs are divided between inventories assuming regular production volume of finished and unfinished products.

Other inventory is registered at acquisition cost, which comprises inventory purchase price, customs duties associated with the purchase, other non-refundable taxes and directly acquisition-related transportation costs, from which discounts have been deducted.

The weighted average acquisition cost method is used for reflecting the inventory cost and calculating the book value.

On the balance sheet the inventory is valued at either the acquisition cost or net realisable value, depending on which is lower. Materials and unfinished products are discounted in case the estimated acquisition cost of the finished products to be produced from the materials exceeds the net realisable value of those finished products.

The expense from discounting inventory to net realisable value is reflected in the discount period on the income statement under "marketing expenses".

G. Biological assets

Biological assets include live fish and fertilised eggs, from which the Group will receive future financial benefit. The biological assets are reflected in their fair value at their initial registration and thereafter on the following days, from which the estimated sale expenses have been deducted. From the moment biological asset becomes a product, the product is reflected in its fair value, from which the estimated sale expenses have been deducted. The fair value of biological assets is the market price.

Profits and losses arising from the change in the fair value are reflected on the income statement in the accounting period under the entry "profit from increase in biological asset's value" / "loss from decrease in biological asset's value".

H. Tangible fixed assets

Tangible fixed assets are registered in the accounting documents in their acquisition cost, which comprises of the purchasing price, non-refundable taxes and other expenses directly related with taking the asset into use. The acquisition cost of tangible fixed assets produced for own use include actual production expenses.

Hereinafter, the tangible fixed assets are reflected on the balance sheet at the acquisition cost, from which accumulated depreciation and possible discounts due to decrease in value have been deducted.

In case an object of material fixed assets comprises of distinguishable important components with useful life of different lengths, these components are registered in the accounting documents as separate assets with separate depreciation rates based on the useful life of the components.

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Due to the specifics of an object of material fixed asset, its useful life may vary from what is generally specified for the group. In that case the object is approached separately and it is given an appropriate depreciation period.

Later expenses associated with the material fixed assets registered in the accounting documents (e.g. replacement of certain parts of some objects) are added to the balance sheet value of the assets if the following criteria are met: (a) it is plausible that the Group will receive financial gain from it in the future and (b) the acquisition cost can be reliably measured. The replaced parts are written off the balance sheet. All other expenses are reflected as expenses in the period they were incurred.

The Group uses linear method for calculating depreciation of tangible fixed assets. The depreciation rate is specified for each fixed asset or asset group separately depending on its useful life. The estimated useful life of tangible fixed assets is reviewed during interim inventory and when registering improvements. If necessary, the useful life of a fixed asset can be amended. The calculation of depreciation of a fixed asset starts from when the asset is operational. The depreciation is stopped when the end value of the asset exceeds the book residual value, until the final removal of asset from usage or when it is re-classified as fixed asset to be sold. The depreciation calculation is terminated when the asset is fully depreciated.

On each balance day the depreciation rates, depreciation methods and the justification of end values are assessed.

Should it transpire that the covered value of a material fixed asset (i.e. higher of the two following figures: fair value minus sale expenses or asset usefulness value) is lower than its balance sheet residual value, the object is reassessed to its covered value. Asset discounting is reflected in the income statement of the accounting period under "other operating expense".

The reflection of tangible fixed asset is terminated when the asset is transferred or when the Group no longer expects to receive benefits from the usage or sale of the asset. Revenue or loss from the termination of reflecting the tangible fixed asset are reflected in the period the reflection was terminated, in the income statement under the entry "other operating income" or "other operating expense".

The tangible fixed assets that are very likely to be sold within the next 12 months are re-classified as fixed assets to be sole and are reflected under a separate entry in the current assets group on the balance sheet. The depreciation of fixed assets to be sold is stopped and it is reflected at book residual value or fair value (minus sale expenses), depending on which is lower.

The annual depreciation rates of the Group for groups of material fixed assets are as follows:

• Land	0%
• Buildings and structures	2-20 %
• Fixtures and equipment	8-50 %
• Vehicles	10-25 %
• Other inventory, tools and fittings	10-50 %

I. Goodwill

Goodwill is initially reflected in its acquisition cost, which is the positive difference between the cost of the acquired shares and the fair value of the acquired assets, liabilities and contingent liabilities on the acquisition date. In the future reflection the goodwill is assessed in its acquisition cost, from which possible asset discounts have been deducted. Goodwill value test is conducted at least once a year or more frequently, should any events or circumstances refer to the potential decrease in book value of goodwill.

For the purposes of testing the decrease in value, goodwill arisen from the business combination is divided between the money generating units that should receive economic returns from the business combination or to the groups of such units. The dividing of goodwill between the money generating units is based on the internal reporting of the Group - goodwill is distributed at the lowest level, where it could be observed by the management of the Group in the internal reporting.

The decrease in value is defined by assessing the covered value of the goodwill-related money-generating unit. Should the covered value of the money-generating unit be lower than its book value, the loss arisen from the

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decrease in value is reflected. Loss arising from discounting is reflected under "other operating expense" in the income statement of the accounting period. Should the covered value of goodwill increase beyond its book value later, the discounts are not reversed.

J. Other intangible assets

The intangible assets acquired separately from a business combination are registered only if the following criteria are met:

a) the asset is controlled by the Group;
b) it is likely that the Group will receive future revenue from the usage of the object;
c) the acquisition cost of the object can be reliably valued.

The intangible assets that are acquired through a business combination are registered separately from goodwill if the objects are separable or have arisen from contractual or other legal rights and their value can be reliably valued on the date of the acquisition.

Intangible assets are initially registered in the accounting documents in their acquisition cost, which comprises of the purchasing price and directly acquisition related expenses. Hereinafter, intangible fixed assets are reflected on the balance sheet in their acquisition cost, from which accumulated depreciation and possible discounts from decrease in value have been deducted.

The intangible assets are assessed whether the asset has a limited useful life or unspecified useful life. Intangible assets with a limited useful life are depreciated using the linear depreciation method. The annual depreciation rates are as follows:

• Software licences	33%
• Trademarks	4 %
• Fish farming licence	2 % or according to the duration

The depreciation rate of intangible assets with a limited useful life is reflected on the income statement in the cost group to which the specific intangible asset belongs by its function. The depreciation period and method of intangible assets with limited useful life are reviewed at the end of each financial year. The changes in the estimated useful life or in the time structure of the future economic benefits are reflected as changes in the depreciation period and method, that is as a change in the accounting estimates.

Should there be any circumstances that suggest that the covered value of intangible assets with a limited useful life has fallen below its book value, the asset value test is carried out and if necessary the asset is valued to its covered value.

Each year a value decrease test is carried out for intangible assets with an unspecified useful life either for each asset or money generating unit. Such intangible assets are not depreciated. The useful life of intangible assets with an unspecified useful life is reviewed annually to make sure the useful life is still unspecified. In case there is a change, it is reflected in the useful life term in the future.

K. Financial liabilities

Financial liabilities are initially registered in the accounting documents in their acquisition cost, which is the fair value of the payment received for the financial liabilities. Hereinafter the financial liabilities are reflected in their adjusted acquisition cost, using the effective interest rate. The transaction costs are taken into account when calculating the effective interest rate and are written off during the lifetime of the financial liability.

Interest expenses associated with the financial liabilities are reflected in the accrual method under period's expenses in the income statement under the entry "financial income and expense", except for the interest rates associated with the financing of building tangible fixed assets for own use (for further information see accounting principle H).

Financial liabilities are no longer reflected if the liabilities have been paid, are cancelled or expired.

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L. Factoring

Factoring is the selling of claims whereas depending on the type of factoring contract the buyer of the claim possesses the right to sell the claim back to the seller during a certain period of time (factoring with recourse) or does not have the right to resell the claim and all the risks associated with the claim are transferred from the seller to the buyer (factoring without recourse).

Factoring with recourse is reflected as financing (i.e. debt lodged on claim) and the claim is reflected on the balance sheet until it is received or the right for recourse has expired. The factoring obligations arisen from factoring transactions are reflected similarly to other financial obligations.

Factoring without recourse is reflected as sale of a claim. Costs from selling claims are reflected either as financial expenses or as claim deduction expenses depending on whether the transaction was made with the purpose of managing the cash-flow or to manage the bad claims' risk.

M. Corporate income taxation

Parent company and subsidiaries registered in Estonia
According to the Estonian Income Tax Law the company's net profit is not subject to income tax; thus there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause the deferred income tax. Instead of taxing net profit, all dividends paid by the company are subject to income tax with the rate of 21/79 (the rate of 21/79 was effective for dividends paid out in 2008). Income tax from the payment of dividends is recorded as income tax expense at the moment of declaring the dividends, regardless of the actual payment date or the period for which the dividends are paid out.
The balance sheet does not reflect the potential income tax liability regarding the available shareholders' equity, which would follow the payment of available shareholders' equity as dividends.

Subsidiaries registered abroad
Pursuant to the effective Income Tax Act, the net profit of a company that has been adjusted by the temporary and permanent differences stipulated in the Income Tax Act, is income taxable in Finland and Sweden (the tax rate in Finland is 26% and in Sweden 28%).

The deferred income tax is reflected in liabilities method concerning all the temporary differences between the taxation base and balance sheet value of assets and liabilities on the balance day in the accounts records. The deferred income tax assets are reflected only when it is plausible that the company will incur profits in the future, on the account of which the deferred income tax assets can be used.

Income tax to be paid is reflected under short-term liabilities and deferred income tax liability as a long-term liability.

N. Legal reserve

Pursuant to the Commercial Code of the Republic of Estonia and the articles of association of the parent company, the company makes an annual appropriation of at least 5 % of the net profit to the legal reserve until the legal reserve amounts to at least 10 % of the share capital. Legal reserve can not be paid out in dividends, but it can be used to cover losses unless the losses can be covered with available shareholders' equity. Legal reserve can also be used to increase the share capital.

O. Lease accounting

A financial lease is a lease agreement with which all the significant risks and benefits associated with asset ownership are transferred to the lessee. Other commercial lease contracts are viewed as operational leasing.

The assets rented on financial lease are initially reflected on the balance sheet of the lessee in their acquisition value or minimum payments current value, in case the latter is lower. The depreciation period of assets rented on financial lease is the useful life of the asset or the lease period, depending on which is shorter. Assets sold under financial lease are reflected on the balance sheet of the lessor as a claim in the amount of the net investment

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made into the financial lease. The lease payments are divided into financial expenses / -revenue and lease payables /claim payment so that the interest rate would be the same at any given moment.

In case of operational leasing the assets are reflected on the balance sheet of the lessor. Operational leasing payments are reflected linearly as revenue by the lessor and as expense by the lessee during the lease period.

P. Target financing

<u>Asset target financing</u>
In reflecting the target financing the company has been guided by the gross method, i.e. assets acquired through target financing are registered on the balance sheet at its acquisition cost and the amount received to finance the acquisition of assets is reflected on the balance sheet as a liability as future income from target financing. The acquired asset is depreciated under expenses and the target financing obligation under income during the useful life of the acquired asset. The income associated with target financing is reflected under the entry "other operating income" on the income statement.

<u>Operational expenditure target financing</u>
Income from target financing is reflected in the income statement in proportion with the associated expenditure. Income is reflected in the gross method, i.e. received payments and compensated expenditure are reflected under different entries of the income statement. The income associated with target financing is reflected under the entry "other operating income" on the income statement.

Q. Post balance day events

The interim report reflects those important circumstances that affect the valuation of assets and liabilities that occurred between the balance day and the date the report was drawn up and that are associated with the transactions during the accounting period or earlier periods.
The post balance day events that have not been taken into account in the valuation of assets and liabilities and that have a significant impact on the results of the next financial year have been published in the interim report.

R. Revenue accounting

Revenue is reflected in the fair value of the received or due payments. Proceeds from selling goods are reflected when the significant risks and benefits associated with the ownership of the goods have been transferred to the buyer, the sales revenue and transaction-related costs can be measured reliably and the payment for the transaction is likely. Revenue from selling services is reflected upon providing the service.
Revenue from interests and dividends is reflected when the receipt of the revenue is likely and the amount of the revenue can be reliably estimated. Interest revenue is reflected using the inner interest rate of the asset. Dividend revenue is reflected when the owner has the legal right to receive it.

S. Cash-flow statement

The cash-flow statement has been prepared in the indirect method, i.e. in order to find the cash-flow from commercial activities the operating profit has been adjusted by eliminating the impact of non-monetary transactions and the changes in the balances of assets and liabilities that are associated with commercial activities.

T. Investment into subsidiaries in the unconsolidated balance sheet of the parent company

Investments into the subsidiaries are reflected on the unconsolidated statement of financial position of the parent company (see Note 26) in the acquisition cost method. This means that an investment is initially reflected in its acquisition cost, which is the fair value at the time of acquisition and if necessary is later discounted due to decrease in the value of investment. For further information regarding discounts of investments at acquisition cost, see accounting principle H.
The dividends paid by subsidiaries and joint enterprises are reflected, when the parent company has the right for such dividends, as financial income, except for the part of dividends that is paid out on the account of available capital that the subsidiary or joint enterprise has earned prior to the acquisition by the Group. That part of the dividends is reflected as a reduction in investment.

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Notes to the Consolidated Interim Financial Report

Note 1 Cash and bank

(EUR '000)	30.09.2009	31.12.2008	30.06.2008
Cash and bank accounts	540	867	427
Total	**540**	**867**	**427**

Note 2 Receivables and prepayments

Receivables (EUR '000)	30.09.2009	31.12.2008	30.06.2008
Accounts receivable	2 802	5 149	3 076
Allowance for doubtful receivables (see Note 3)	-6	-4	-4
Government grants receivables	0	0	364
Other short-term receivables	2	50	96
Total	**2 798**	**5 195**	**3 532**

Prepayments (EUR '000)	30.09.2009	31.12.2008	30.06.2008
Prepaid taxes, including	385	207	207
VAT	272	53	159
Income tax	113	145	48
Other taxes	0	9	0
Prepaid expenses	166	138	160
Total	**551**	**346**	**367**

Tax arrears are presented in Note 14.

Note 3 Discounted receivables

The changes in unlikely receivables from buyers were as follows:

(EUR '000)	30.09.2009	31.12.2008	30.06.2008
Allowance for receivables at the beginning of period	-4	-4	-4
Additional write-down	-2	0	-1
Doubtful receivables at the end of period	**-6**	**-4**	**-4**

During the accounting period subsidiaries have written off irrecoverable claims in the total amount of EUR 2 thousand that is reflected in the income statement under "other operating expenses". The unlikely receivables and irrecoverable claims are reflected in Note 18.

The limitation period of receivables is shown in the table below:

(EUR '000)	30.09.2009	31.12.2008	30.06.2008
term not due	2 678	5 076	2 914
up to 3 months	40	36	131
3 - 6 months	12	2	30
6 - 12 months	33	33	0
more than 12 months	39	2	0
Total receivables (see note 3, 4)	**2 802**	**5 149**	**3 076**

As of the end of financial period 2009 there are receivables that are more than a year overdue in the amount of EUR 39 thousand, but the management of the Group is certain that the receivable will be paid during the current financial year.

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Note 4 Inventories and biological assets

Inventories (EUR '000)	30.09.2009	31.12.2008	30.06.2008
Raw materials	1 254	1 955	729
Unfinished goods	235	43	947
Finished goodes	1 174	1 269	1 592
Goods in transit	0	14	53
Prepayments	0	10	0
Total	**2 663**	**3 290**	**3 322**

Biological assets (EUR '000)	30.09.2009	31.12.2008	30.06.2008
Fingerlings	1 643	1 117	1 317
Undersized fish (fish < 0,4 kg)	316	688	0
Full-grown fish (fish > 0,4 kg)	7 340	3 429	3 470
Total	**9 298**	**5 235**	**4 787**

Fish value assessment is based on the average market price, from which the estimated sales expenses have been deducted. Fry value assessment is based on the weighted average market price, at which fry has been sold or bought from suppliers during the past year. Fish have been divided into three categories: fry, undersized fish and fish for sale. There is a market price for fry and fully-grown fish, but there is no active market for undersized fish.

Fixed assets to resale	30.09.2009	31.12.2008	30.06.2008
Fixed assets to resale	18	18	18
Total	**18**	**18**	**18**

Used fish processing equipment is classified as fixed assets to resale.

Note 5 Long-term financial investments

(EUR '000)	Effective interest rate	30.09.2009	31.12.2008	30.06.2008
Loans	3,50%	26	26	30
Shares		64	64	65
Total		**90**	**90**	**95**

Long-term financial investments reflect granted loans and long-term investments into shares and units by subsidiaries.
The loan is granted with an interest rate of 3,5 % and the repayment term is 15 December 2013.
Since the fair value of shares and units reflected under long-term financial investments can not be determined, they are presented on the balance sheet in their acquisition cost.

Note 6 Subsidiaries

The Group comprises of the following subsidiaries:

Name of subsidiary	Country	30.09.2009	31.12.2008	30.06.2008
Heimon Kala Oy	Finland	100%	100%	100%
Vettel OÜ	Estonia	100%	100%	100%
GourmetHouse OÜ	Estonia	51%	51%	51%
Saaristomeren Kala Oy	Finland		100%	100%
Skärgårdshavets Fisk Ab	Sweden	100%	100%	100%
Överumans Fisk Ab	Sweden	100%	100%	100%

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The shareholding in the equity capital of the subsidiary equals the voting right.
None of the subsidiaries have their shares or units listed on the stock exchange.
In end of May 2009 subsidiaries Saaristomeren Kala Oy and Heimon Kala Oy was merged.
Shareholding in subsidiaries Skärgårdshavets Fisk Ab and Överumans Fisk Ab are via subsidiary Heimon Kala Oy.

On 31 of May 2009 subsidiaries Saaristomeren Kala Oy was merged with subsidiaries Heimon Kala Oy. Saaristomeren Kala Oy consolidated net assets on merging moment was in total sum EUR 3 113 thousand. The merger of subsidiaries was recognised pursuant to the adjusted purchase method:

The fair value of acquired net assets as of 31.05.2009 is as follows:

Saaristomeren Kala Oy	(EUR '000)
Investment to subsidiary	3 113
Issue premium	2 623
Retained earnings	491

As of 31.12.2008 the company has conducted a goodwill covered value decrease test, using the market-based comparable value coefficients. In the case of the market-based approach the company has been compared with other similar companies in the same sector that are publicly traded or recently sold and there is sufficient information regarding the transaction cost available. In this case the sector includes manufacturers of frozen and chilled foodstuffs, fish farms and manufacturers of fishery products in Europe and the price levels and various ratios of these companies have been compared. The ratios used are price-to-sales and price-to-book. To calculate the fair value, the industry average value coefficients have been implemented to subsidiary actual financial figures. In addition the illiquidity discount of subsidiaries has been taken into account, since none of the subsidiaries is a listed and publicly traded company. The recoverable value determined as a result of the test was smaller by EUR 1239 thousand than the book value of the cash-generating units tested; therefore, goodwill was written down by EUR 1239 thousand and the write-down was reported as a financial expense for the period in the Income Statement (see Note 19)

Note 7 Deferred income tax assets

The income tax claim of subsidiary Heimon Kala Oy is reflected under deferred income tax assets in the amount of EUR 354 thousand, which has resulted from the difference in fixed assets tax depreciation and loss from previous periods.
Deferred income tax liability is presented in Note 12.

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Note 8 Tangible fixed assets

(EUR '000)	Land and buildings	Fixtures and equipment	Other tangible fixed assets	Unfinished building and prepayments	Total tangible fixed assets
Residual value as of 30.06.2008	**3 986**	**3 206**	**80**	**433**	**7 705**
Acquired during the period	0	40	0	222	262
Taken into use during the period	0	37	0	-37	0
Sales at residual cost	-39	-45	0	0	-84
Write-offs at residual cost	0	-2	0	0	-2
Change in value due to exchange rate	-74	-90	-1	-53	-218
Depreciation for the accounting period	-175	-249	-13	0	-437
Acquisition cost as of 31.12.2008	4 343	3 969	116	564	8 992
Accumulated depreciation	-645	-1 072	-49	0	-1 767
Residual value as of 31.12.2008	**3 698**	**2 896**	**67**	**564**	**7 225**
Acquired during the period	0	196	15	36	247
Taken into use during the period	67	31	0	-98	0
Sales at residual cost	0	-16	0	0	-16
Change in value due to exchange rate	33	38	0	33	104
Depreciation for the accounting period	-278	-439	-19	0	-736
Acquisition cost as of 30.09.2009	4 443	4 218	131	535	9 327
Accumulated depreciation	-923	-1 511	-68	0	-2 502
Residual value as of 30.09.2009	**3 520**	**2 706**	**63**	**535**	**6 825**

In November 2008 the Kustavi property owned by Saaristomeren Kala Oy was sold, with the gains on sale of fixed assets amounting to EUR 39 thousand (see Note 18).
Fixed assets waiting to be sold are presented in Note 4.
The division of depreciation between the cost groups is presented in Note 18.

Note 9 Intangible assets

(EUR '000)	Trade-marks	Software licences	Authorisations, subscription fees	Goodwill	Pre-payments	Total
Residual value as of 30.06.2008	**995**	**11**	**701**	**4 263**	**110**	**6 081**
Acquired during the period	0	69	0	0	-40	29
Depreciation for the accounting period	-27	-7	-19	0		-53
Acquisition cost as of 31.12.2008	1 076	108	757	4 263	70	6 274
Re-classification as period cost	0	0	0	-1 239	0	-1 239
Accumulated depreciation	-108	-35	-74	0	0	-217
Residual value as of 31.12.2008	**968**	**73**	**683**	**3 024**	**70**	**4 818**
Acquired during the period	0	0	26	0	59	84
Taken into use during the period		70			-70	0
Depreciation for the accounting period	-40	-24	-30	0	0	-94
Acquisition cost as of 30.09.2009	1 076	178	782	3 024	59	5 119
Accumulated depreciation	-148	-59	-104	0	0	-311
Residual value as of 30.09.2009	**928**	**119**	**678**	**3 024**	**59**	**4 808**

Authorisations, subscription fees include among others Water protection warrant in the amount of EUR 2 thousand that has an unspecified useful life.

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The prepayments are made for the implementation and licences of business software NAV pursuant to the contract.
The division of depreciation between the cost groups is presented in Note 18. As of 31 December 2008, goodwill had been written down by EUR 1239 thousand and the write-down was reported as a financial expense for the period (see Notes 6 and 19).

Note 10 Financial and operational lease

Financial lease - the Group as a lessee

(EUR '000)	30.09.2009	31.12.2008	30.06.2008
Payment period less than 1 year	22	40	107
Payment period 1-5 years	55	73	83
Total lease payment	**77**	**113**	**190**

(EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Lease payments in the accounting period	36	77	145
Interests paid in the accounting period	4	5	18
Interest rate range	5 - 7,9 %	5 - 11,9 %	5 - 11,9 %

Assets under financial lease

(EUR '000)	Fixtures and equipment	Total
Acquisition cost as of 30.06.2008	1 400	1 400
Residual value as of 30.06.2008	800	800
Acquisition cost as of 31.12.2008	1 398	1 398
Residual value as of 31.12.2008	720	720
Acquisition cost as of 30.09.2009	133	133
Residual value as of 30.09.2009	76	76

Operational lease - the Group as a lessee

The Group rents transport vehicles, scraps crusher, computer- and office equipment under operational lease conditions.

(EUR '000)	Equipment	Vehicles	Total
Lease payments in 2007-2008	10	59	0
Lease payments in 1.7.08-31.12.08	3	43	46
Lease payments in 1.1.09-30.9.09	13	74	86
Estimated lease payments in 1.10.09-30.9.10	10	64	74

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Note 11 Short- and long-term debt obligations

Short-term borrowings (EUR '000)	Effective interest rate	Repayment due date	30.09.09	31.12.08	30.06.08
Finance lease liabilities (see Note 10)			22	40	107
Factoring with a limit of 2,000 thousand EUR			1 496	1 977	1 121
Borrowings, incl.			3 378	5 195	6 298
Overdraft, incl.			0	386	400
with a limit of 168 thousand EUR	5,70%	Without a term	0	156	150
with a limit of 185 thousand EUR	1-month EURIBOR + 2,0 %	30.09.2009	0	62	89
with a limit of 168 thousand EUR	3-month EURIBOR + 2,5 %	Without a term	0	168	161
Bonds, incl.			0	1 248	2 250
Bonds with a coupon rate of 11%	12,02 %	9.04.2009	0	1 248	2 250
Pension insurance loan:		1.07.2030	300	1	1
25 thousand EUR	6,00%	1.07.2030	0	1	1
650 thousand EUR	5,35%	25.01.2014	130	0	0
850 thousand EUR	5,35%	25.01.2014	170	0	0
Investment loans, incl.			3 078	3 560	3 647
2 499 thousand EEK	6-month EURIBOR + 2,5 %	16.02.2009	0	2 499	2 499
100 thousand EUR	6-month EURIBOR + 1,8 %	15.10.2008	0	0	10
168 thousand EUR	6-month EURIBOR + 1,2 %	15.12.2008	0	0	12
72 thousand EUR	6-month EURIBOR + 1,9 %	30.06.2014	0	4	9
135 thousand EUR	3-month EURIBOR + 1,0 %	15.07.2009	0	7	16
171 thousand EUR	12-month EURIBOR + 0,5 %	15.09.2010	0	18	36
402 thousand EUR	12-month EURIBOR + 0,5 %	10.12.2014	0	22	45
100 thousand EUR	6-month EURIBOR + 1,8 %	9.03.2010	0	10	20
500 thousand EUR	12,50 %	28.12.2009	500	0	0
1 000 thousand EEK	12,50 %	31.12.2009	64	0	0
3 000 thousand EUR	6-month EURIBOR + 1,5 %	1.02.2010	589	1 000	1 000
1 500 thousand EUR	6-month EURIBOR + 1,5 %	1.02.2010	1 500	0	0
1 975 thousand EUR	3-month EURIBOR + 8,4 %	20.03.2012	226	0	0
1 250 thousand EUR	3-month EURIBOR + 8,4 %	20.03.2012	139	0	0
525 thousand EUR	3-month EURIBOR + 8,4 %	20.03.2012	60	0	0
Total			**4 895**	**7 212**	**7 527**

In November 2008 the Kustavi property owned by Saaristomeren Kala Oy was sold for EUR 71 thousand (see Note 18). The investment loan of MEUR 3 was settled, ahead of term, to the extent of the amount received from the sale. In February 2009 a loan agreement was signed with the VARMA pension insurance company, as a result of which all loans of Heimon Kala Oy were refinanced, the overdrafts of Heimon Kala Oy in the amount of EUR 185 thousand and EUR 168 thousand and the overdraft of Saaristomeren Kala Oy in the amount of EUR 168 thousand were repaid. The loans issued by the VARMA pension insurance company are guaranteed by the Finnish Sampo Bank and the fee rate for the guarantee is 2.5%. The investment loans of EUR 1975 thousand, EUR 1275 thousand and EUR 525 thousand are also guaranteed by the KredEx Credit and Export Guarantee Fund, with the fee rate for the guarantee being 2.1% (see Note 13).

Bonds

In July 2008 4 000 bonds were issued through AS Swedbank, from which the Group received additional funds in the total amount of EUR 2 230 thousand. The nominal value of the bonds was EEK 10 thousand, with an annual interest rate of 11%. The shareholders of Saaremere Kala AS held bonds of Vettel OÜ issued by AS Swedbank; in December 2008 the share capital of AS Saaremere Kala was increased and the increase was paid for by the bonds of Vettel OÜ in the aggregate amount of EUR 1027 thousand. The volume of bonds decreased and the share capital increased by said amount (see Note 16). The bonds were redeemed when due.
Further information regarding assets pledged as collateral is presented in Note 13.

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Long-term borrowings (EUR '000)	Effective interest rate	Repayment due date	30.09.2009	31.12.2008	30.06.2008
Finance lease liabilities (see Note 10)			55	73	83
Borrowings, incl.			5 493	3 774	3 024
Pension insurance loan:			1 050	12	12
25 thousand EUR	6,00%	1.07.2030	0	12	12
650 thousand EUR	5,35%	25.01.2014	455	0	0
850 thousand EUR	5,35%	25.01.2014	595	0	0
Investment loans, incl.			4 443	3 761	3 011
72 thousand EUR	6-month EURIBOR + 1,9 %	30.06.2014	0	42	42
171 thousand EUR	12-month EURIBOR + 0,5 %	15.09.2010	0	43	43
402 thousand EUR	12-month EURIBOR + 0,5 %	10.12.2014	0	246	246
100 thousand EUR	6-month EURIBOR + 1,8 %	9.03.2010	0	20	20
3 000 thousand EUR	6-month EURIBOR + 1,5 %	1.02.2010	0	660	1 160
1 500 thousand EUR	6-month EURIBOR + 1,5 %	1.02.2010	0	1 500	1 500
1 975 thousand EUR	3-month EURIBOR + 8,4 %	20.03.2012	1 664	0	0
1 250 thousand EUR	3-month EURIBOR + 8,4 %	20.03.2012	1 087	0	0
525 thousand EUR	3-month EURIBOR + 8,4 %	20.03.2012	442	0	0
1 250 thousand EUR	8,75 %	31.01.2011	1 250	1 250	0
Total			**5 548**	**3 847**	**3 106**

On 15 December 2008 a loan agreement was signed between Saaremere Kala AS and Premia Tallinna Külmhoone AS, under which a loan of EUR 1250 thousand was issued. The pension insurance loan of EUR 25 thousand and the investment loans of EUR 72 thousand, EUR 17 thousand, EUR 402 thousand and EUR 100 thousand were repaid ahead of term.

Note 12 Deferred income tax liabilities

The deferred income tax liabilities in the total amount of EUR 1 321 thousand, which has been incurred as a result of the following transactions:

(EUR '000)	30.09.09	31.12.08	30.06.08
Balance at start of the period	786	709	875
Change in deferred income tax liabilities arising from sale of subsidiaries within business combination (Note)	0	0	-6
Deferred income tax liabilities arising from depreciation reserves during the period			-25
Deferred income tax liabilities arising from revaluation of assets during the period	533	106	-121
Reversed deferred income tax liabilities during the period	-9	-6	-12
Change in value arising from exchange rate	10	-23	-2
Total	**1 321**	**786**	**709**

Deferred income tax assets are presented in note 7.

Note 13 Loan guarantees and pledged assets

The loans of Vettel OÜ are guaranteed by a mortgage established on "Kärsa" registered immovable in the amount of EUR 5 130 thousand and a commercial pledge for the movable property in the amount of EUR 639 thousand. The book residual cost of Kärsa registered immovable is EUR 1 685 thousand as of 30.09.2009.
Vettel OÜ has received a loan from AS UniCredit Bank Estonian Branch in the amount of EUR 3225 thousand, which is guaranteed by the KredEx Credit and Export Guarantee Fund to the minimum extent of 51.13%, with the fee rate for the guarantee being 2.1%.

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Saaremere Kala AS has received a loan from AS UniCredit Bank Estonian Branch in the amount of EUR 525 thousand, which is guaranteed by the KredEx Credit and Export Guarantee Fund to the maximum extent of 51.13%, with the fee rate for the guarantee being 2.1% (see Note 11).

The loans of Heimon Kala Oy are guaranteed by a mortgage in the amount of EUR 899 thousand and a commercial pledge for the movable property in the amount of EUR 2 165 thousand. Heimon Kala Oy received a loan from the VARMA pension insurance company in the amount of EUR 1500 thousand, which is guaranteed by the Finnish Sampo Bank and the fee rate for the guarantee is 2.5%.

Swedish subsidiaries have been paid EU grants, which in accordance with the regulation established in Sweden to cover EU grants must be guaranteed by a mortgage or commercial pledge. The subsidiaries have guaranteed the EU grants with a mortgage on real estate in the amount of EUR 484 thousand and with a commercial pledge in the amount of EUR 163 thousand. As of 30 September 2009 the guaranteed residual value of the EU grants is the amount of EUR 256 thousand.

Note 14 Liabilities and prepayments

(EUR '000)	30.09.2009	31.12.2008	30.06.2008
Liabilities to suppliers	2 935	2 914	2 529
Tax arrears, including	839	876	591
VAT	597	621	387
Individual income tax and income tax arrears from fringe benefits	107	105	73
Social security contributions	43	64	70
Unemployment insurance	23	20	1
Mandatory funded pension	64	65	50
Corporate income tax	1	1	11
Other taxes	4	1	
Obligations to employees	534	715	668
Interest liabilities	201	157	185
Other accruals	152	182	75
Reclamation of target financing (Note)	0	3	4
Total liabilities	**4 661**	**4 846**	**4 053**

Tax prepayments are presented in Note 2.
Reclamation of target financing on 31 December 2008 is from financial year 2007-2008.

Note 15 Target financing

(EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Income from target financing of future periods at start of period	1 884	2 068	2 052
Target financing received during the period	84	32	455
Subsidiary sale-related expenses	0	0	-24
Refunded target financing	0	0	-14
Change in value arising from exchange rate	1	-48	-2
Revenue during the period (see Note 18)	-229	-167	-399
Income from target financing of future periods at end of period, incl.	**1 740**	**1 884**	**2 068**
Revenue within 1 year	237	202	286
Revenue within 2-14 years	1 503	1 682	1 782

For further information regarding target financing-related off-balance sheet receivables, see Note 24.

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Note 16 Share capital

As of 30.09.2009 the share capital of the parent company in the total amount of EUR 457 thousand was divided into 714 388 shares, the nominal value per share is EUR 0,64. According to shareholder meeting decision from 1-th of December 2008 was issued 53 170 new shares and share capital was raised in the amount of EUR 34 thousand and issue premium raised in the amount EUR 993 thousand, The costs of valuation of the non-monetary contribution in the amount of EUR 3 thousand were deducted from the share premium. The non-monetary contribution was valuated by the Aivar Kangust Auditors Office. Contributions to the share capital were paid for with the bonds of Vettel OÜ issued by AS Swedbank (see Note 13). Pursuant to the articles of association the minimum capital of AS Saaremere Kala is EUR 160 thousand and the maximum capital is EUR 639 thousand.

Note 17 Sales revenue

By area of activity (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Processing and storage of fish and fishery products	396	265	4 114
Wholesale of fish and fishery products	20 069	14 917	25 546
Sea aquaculture	0	0	156
Freshwater aquaculture	217	209	359
Services and other sales	-15	20	25
Total	**20 667**	**15 412**	**30 200**

By regions (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Finland	16 965	12 689	25 017
Estonia	3 459	2 407	4 312
Other countries	243	315	871
incl. EU	242	224	729
incl. other countries	2	92	142
Total	**20 667**	**15 412**	**30 200**

Note 18 Operating expenses and other operating income

Cost of the production sold (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Raw materials, semi-finished products	-12 737	-9 503	-18 631
Personnel expenses	-2 135	-1 870	-3 820
Depreciation of tangible fixed assets (see Note 8)	-604	-398	-790
Depreciation of intangible fixed assets (see Note 9)	-31	-20	-37
Transportation costs	-42	-7	-234
Electricity	-276	-212	-329
Other expenses	-1 141	-834	-1 494
Total	**-16 966**	**-12 845**	**-25 335**

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Marketing expenses (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Transportation costs	-880	-632	-1 144
Personnel expenses	-497	-311	-333
Advertising and promotion	-765	-557	-934
Depreciation of tangible fixed assets (see Note 8)	-120	-80	-148
Depreciation of intangible fixed assets (see Note 9)	-42	-29	-54
Other expenses	-271	-157	-58
Total	**-2 575**	**-1 767**	**-2 671**

General administrative expenses (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Consultation fees	-273	-160	-295
Personnel expenses	-675	-522	-852
Depreciation of tangible fixed assets (see Note 8)	-14	-3	-20
Depreciation of intangible fixed assets (see Note 9)	-22	-10	-18
Other expenses	-382	-198	-620
Total	**-1 367**	**-894**	**-1 805**

Other operating income (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Income from assets target financing (see Note 15)	229	167	399
Financial investments sale profit (see Note 10)	0	0	4
Profit from exchange rate change	11	89	0
Insurance indemnity	59	21	33
Fixed assets sale profit	0	39	254
Other income	43	27	57
Total	**342**	**344**	**748**

Profit/loss from biological assets (EUR '000)	Fry	Undersized fish	Fish for sale	01.07.07 - 30.06.08
Increment of assets and reclassification	124	-73	742	794
Asset sale	-419	-4	-75	-498
Biological inventory discount	-60	-22	-359	-441
Total	**-354**	**-99**	**307**	**-146**

Profit/loss from biological assets (EUR '000)	Fry	Undersized fish	Fish for sale	01.07.08 - 31.12.08
Increment of assets and reclassification	454	91	44	589
Asset sale	-79	0	-131	-209
Total	**375**	**91**	**-87**	**379**

Profit/loss from biological assets (EUR '000)	Fry	Undersized fish	Fish for sale	01.01.09 - 30.09.09
Increment of assets and reclassification	-22	13	2 190	2 181
Asset sale	-2	0	-214	-216
Total	**-24**	**13**	**1 975**	**1 964**

Biological assets is presented in Note 4.

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Other operating expenditure (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Unlikely and irrecoverable receivables (see Note 3)	-2	0	-7
Fixed assets sale loss	0	0	-1
Loss from exchange rate change	-60	-87	-2
Other expenses	-62	-60	-197
Total	**-124**	**-147**	**-207**

Note 19 Financial revenue and expenditure

Financial revenue (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Interest revenue	3	10	37
Financial revenue from subsidiary units	0	0	206
Other financial revenue	3	14	58
Total	**6**	**23**	**301**

Financial expenditure (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Interest costs	-548	-427	-882
Other financial costs	-87	-33	-31
Goodwill writing-down (see Note 6)	0	-1 239	0
Total	**-635**	**-1 698**	**-913**

Note 20 Income tax

Income tax (EUR '000)	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07 - 30.06.08
Income tax from profit	0	159	-155
Change in income tax asset (Heimon Kala Oy)	0	0	291
Deferred income tax, incl. (see Note 12)	-524	-100	153
Added during the period	-533	-106	141
Reversed during the period	9	6	12
Total	**-525**	**59**	**289**

Note 21 Share profit

	30.09.2009	31.12.2008	30.06.2008
Number of shares (in thousand pcs)	714	688	661
Net profit distributed to the owners of the parent company (in thousand euro's)	758	-1 190	394
Share profit (in euro's)	**1,06**	**-1,73**	**0,60**

Since the Group does not have potential ordinary shares, the dissolved share profit equals ordinary share profit.

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Note 22 Financial risks

Several financial risks may be related with the activities of the Group: foreign-exchange risk, credit risk and interest rate risk:

Foreign exchange risk

Foreign exchange risk arises when business transactions and assets and liabilities are fixed a currency, which is not the accounting currency of the company. The Group tries to avoid large open foreign exchange positions. The main used currencies are EEK or EUR. The company is most open to the exchange rate fluctuations of the Swedish krona. The Group has not used any financial instruments to secure against the foreign-exchange risks that may arise from the business transactions and assets and liabilities in the future. The Group does not have significant foreign exchange risks.

Credit risk

Credit risk is the expression of potential loss that may arise from the inability of business partners to fulfil their obligations. In order to minimise credit risks, the Group assesses the payment discipline of its clients in a consistent manner. The Group does not have significant credit risks.

Interest rate risk

The Group uses fixed and EURIBOR-based interest rates; for more detailed information of liabilities with interest rates, see Note 12, 13 . The Group has not applied any instruments to secure itself.
Below is a summary of the Group's open interest risk position as of 30.09.09:

	30.09.2009		
Fixed interest rates	**less than 1 year**	**more than 1 year**	**Total**
Interest-bearing receivables (see Note 5)	0	26	26
Interest-bearing liabilities (see Note 11)	2 359	2 300	6 749
Net position (EUR '000)	**2 359**	**2 274**	**4 634**
Variable interest rate			
Interest-bearing liabilities (see Note 11)	2 536	3 248	3 695
Net position (EUR '000)	**2 536**	**3 248**	**5 784**

	31.12.2008		
Fixed interest rates	**less than 1 year**	**more than 1 year**	**Total**
Interest-bearing receivables (see Note 5)	0	26	26
Interest-bearing liabilities (see Note 11)	3 381	1 262	4 643
Net position (EUR '000)	**3 381**	**1 236**	**4 617**
Variable interest rate			
Interest-bearing liabilities (see Note 11)	3 831	2 585	6 415
Net position (EUR '000)	**3 831**	**2 585**	**6 415**

	30.06.2008		
Fixed interest rates	**less than 1 year**	**more than 1 year**	**Total**
Interest-bearing receivables (see Note 5)	0	30	30
Interest-bearing liabilities (see Note 11)	3 478	83	3 561
Net position (EUR '000)	**3 478**	**53**	**3 531**
Variable interest rate			
Interest-bearing liabilities (see Note 11)	4 048	3 024	7 072
Net position (EUR '000)	**4 048**	**3 024**	**7 072**

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The Group estimates a 1%-change in the interest rates to be likely. According to the sensitivity analysis a one percentage point change (increase or decrease) of the interest rate would change the profit before tax in the amount of EUR 45 thousand (in year 2008 it was in the amount of EUR 72 thousand).

Liquidity risk

According to the estimate of the management, the Group will not have liquidity problems provided that:

- if necessary, additional circulating capital can be raised through bonds' issue(s) or through loan refinancing.

The Group's liabilities by repayment terms in a long-term timeline are as follows:

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As of 30.09.2009					
Debt obligations	829	3 240	5 963	0	10 032
Factoring	1 496	0	0	0	1 496
Liabilities to suppliers and other liabilities	4 094	366	0	0	4 460
Total liabilities (EUR '000)	**6 419**	**3 605**	**5 963**	**0**	**15 987**

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As of 31.12.2008					
Debt obligations	3 467	2 349	4 135	14	9 965
Factoring	1 977	0	0	0	1 977
Liabilities to suppliers and other liabilities	4 200	489	0	0	4 689
Total liabilities (EUR '000)	**9 644**	**2 838**	**4 135**	**14**	**16 631**

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As of 30.06.2008					
Debt obligations	752	6 273	3 300	67	10 392
Factoring	1 121	0	0	0	1 121
Liabilities to suppliers and other liabilities	3 646	387	89	0	4 122
Total liabilities (EUR '000)	**5 519**	**6 661**	**3 389**	**67**	**15 636**

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry practice, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as the sum of equity as shown in the consolidated balance sheet and net debt.

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Gearing ratios of the Group

	30.09.2009	31.12.2008	30.06.2008
Total borrowings (see Note 11)	10 444	11 058	10 633
Cash and bank (see Note 1)	540	867	427
Net debt (EUR '000)	9 904	10 192	10 206
Total equity (EUR '000)	9 778	8 863	9 226
Total capital (EUR '000)	19 682	19 055	19 432
Gearing ratio	**50%**	**53%**	**53%**

Note 23 Transactions with related parties

The Group considers parties to be related if one of the parties either has control over the other party or has significant influence over the other party's business decisions. Related parties are:

- Parent company (Premia Foods AS)
- Companies controlled by the parent company (Premia Foods group companies)
- Share holders of parent company
- The management and supervisory board of the private limited company and other members of the management, private owners with a significant holding, except for in cases when the specified people do not have the opportunity to have significant influence over the company's business decisions. In addition, related parties include close relatives of the aforementioned persons and the companies associated with them.

Purchase (EUR '000)		01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07- 30.06.08
Enterprises related with members of management and supervisory board	Services	30,89	43,59	87,04
Enterprises related with members of management and supervisory board	General Administrative expenses	4,81	7,67	0,00
Enterprises related with members of management and supervisory board	Tangible assets	0,00	0,77	0,00
Parent company	Services	41,41	0,00	0,00
Enterprise controlled by parent company	Raw materials	0,25	0,59	0,00

Sales (EUR '000)		01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07- 30.06.08
Enterprises related with members of management and supervisory board	Sales of goods	4,27	2,88	0,00
Enterprise controlled by parent company	Sales of goods	41,35	45,61	0,00

Intermediation of invoices (EUR '000)		01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07- 30.06.08
Enterprises related with members of management and supervisory board	Intermediation of invoices	0,46	0,48	0,00

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Financial expenses (EUR '000)		01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07-30.06.08
Enterprise controlled by parent company	Interest expense	82,94	3,95	0,00
Enterprise controlled by parent company	Other financial expense	0,64	0,64	0,00
Parent company	Interest expense	59,76	0,00	0,00
Parent company	Other financial expense	9,75	0,00	0,00

Receivables (EUR '000)		30.09.09	31.12.08	30.06.08
Enterprise controlled by parent company	Customer receivables	2,31	30,13	0,00
Enterprises related with members of management and supervisory board	Customer receivables	9,97	5,38	0,47

Liabilities (EUR '000)		30.09.09	31.12.08	30.06.08
Enterprises related with members of management and supervisory board	Liabilities to suppliers	2,87	39,01	13,19
Enterprises related with members of management and supervisory board	Loan	63,91	0,00	0,00
Enterprises related with members of management and supervisory board	Interest liability	0,91	0,00	0,00
Enterprise controlled by parent company	Liabilities to suppliers	0,04	0,00	0,00
Parent company	Liabilities to suppliers	7,67	0,00	0,00
Enterprise controlled by parent company	Loan	1 250,00	1 250,00	0,00
Enterprise controlled by parent company	Interest liability	86,89	3,95	0,00
Parent company	Interest liability	59,76	0,00	0,00
Share holder of parent company	Interest liability	36,97	36,97	36,94

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Guarantees

Share holders of parent company have guaranteed Vettel OÜ and Saaremere Kala AS loans with commercial pledge in the total amount of EUR 3 750 thousand.
Share holder of parent company Amber Trust S.C.A have guaranteed Heimon Kala Oy loans with commercial pledge in the total amount of EUR 3 000 thousand.

Fees of the management

In the financial period 01.07.08 -31.12.08 the management and supervisory board and other members of the management received payments (salary, bonus, other allowances) in the total amount of EUR 213 thousand and in the financial period 01.01.09 - 30.09.09 the management and supervisory board and other members of the management received payments (salary, bonus, other allowances) in the total amount of EUR 346 thousand (includes dismissal compensation in the total amount EUR 41 thousand). The members of the management and supervisory board do not receive pension-related rights from the company.

Dismissal compensation

The chairman of the management board and member of management board is entitled to receive dismissal compensation, the maximum cost arising from payment of dismissal compensation is EUR 79 thousand.

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Note 24 Off-balance sheet assets and liabilities

EU structural grant

Heimon Kala Oy has applied for grants in the amount of EUR 12 thousand to the fish processors and fish wholesalers aid programme, which as of the balance day is an off-balance sheet receivable.
Överumans Fisk Ab has applied for grants in the amount of EUR 171 thousand to receive aid from the fish farmers aid programme, which as of the balance day is an off-balance sheet receivable. The application has been acceded, but has not been paid out yet.
The Swedish subsidiary Överumans Fisk Ab has been issued an EU grant repayment claim in the amount of EUR 8 thousand due to violating the conditions of applying for the EU grants, which as of the balance day is an off-balance sheet payable.

Income tax from dividends

Retained earnings as of 30.09.2009 are EUR 131 thousand. The maximum potential income tax amount that would arise if the entire amount of the retained earnings were to be distributed as dividends would be EUR 39 thousand. The maximum potential net dividend amount would be EUR 92 thousand. The calculations of the maximum potential income tax liability is based on the assumption that the total of distributed net dividends and income tax expenditure arising from it would not exceed the distributable profit at the end of the financial year.

Note 25 Post balance day events

Saaremere Kala AS has raised a claim against former minority shareholders of Saaremere Kala AS in the amount of EUR 485 thousand under the framework contract signed on 9 May 2008. The former minority shareholders of Saaremere Kala AS, on their part, have raised a claim against Saaremere Kala AS in the amount of EUR 166 thousand.

Heimon Kala Oy, a subsidiary of Saaremere Kala AS, had a disagreement with a supplier regarding overdue receivables and payables in the amount of EUR 18 thousand. In December 2009 an agreement was made under which Heimon Kala Oy wrote off its claim of EUR 18 thousand and paid EUR 15 thousand to the supplier (the original claim was EUR 18 thousand). The agreement was signed out of court and all the amounts were paid in December 2009. As a result of the agreement Heimon Kala Oy sustained a loss of EUR 15 thousand.

It appeared in the course of compiling the income tax return of Saaristomeren Kala Oy, a subsidiary, that a mistake had been made in the calculation of the company's income tax amount, i.e. the income tax prepaid by the company had been reported in an amount which was smaller than the actual amount prepaid by EUR 20 thousand. The prepaid amount of income tax will be corrected after the Balance Sheet date and the net assets of Saaristomeren Kala Oy as of merger will increase by EUR 20 thousand.

As of 20 October 2009 the factoring contract of the subsidiary GourmetHouse OÜ has been extended. The contract has been concluded without the right of recourse, the contract limit is the amount of EUR 326 thousand and the term of the contract is 12 months.

On 29 October 2009 the factoring contract of the subsidiary Heimon Kala Oy was amended. In accordance with the amendment the factoring limit was increased to the amount of EUR 2.5 million during 21 December 2009 - 31 January 2010 and 31 March 2010 - 10 May 2010.

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Note 26 Unconsolidated statement of financial position of parent company

In thousand EUR

	30.09.2009	31.12.2008	30.06.2008
Cash and bank	0	634	270
Receivables and prepayments	810	3 213	1 309
Total current assets	**810**	**3 847**	**1 579**
Long-term financial investments	10 748	9 595	9 595
Total fixed assets	**10 748**	**9 595**	**9 595**
TOTAL ASSETS	11 558	13 442	11 174
Debt obligations	60	3 749	2 499
Liabilities and prepayments	133	52	55
Total short-term liabilities	**193**	**3 801**	**2 554**
Long-term liabilities	1 692	0	0
Total long-term liabilities	**1 692**	**0**	**0**
Total liabilities	**1 885**	**3 801**	**2 554**
Share capital	457	457	423
Issue premium	9 165	9 165	8 176
Mandatory legal reserve	9	9	9
Retained earnings	10	12	23
Current year earnings	31	-2	-10
Total equity capital	**9 673**	**9 641**	**8 620**
TOTAL LIABILITIES AND EQUITY	11 558	13 442	11 174

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Note 27 Unconsolidated income statement of parent company

In thousand EUR

	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.2007- 30.06.2008
Sales revenue	286	179	152
Cost of production sold	-159	-117	-162
Gross profit	**127**	**62**	**-10**
General administrative expenses	-63	-29	-48
Other operating income	0	1	
Other operating expenses	0	-1	-37
Operating profit	**63**	**33**	**-95**
Financial income	134	79	262
Financial expenses	-166	-114	-177
Net profit for the financial year	**31**	**-2**	**-10**

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Note 28 Unconsolidated cash-flow statement of parent company

In thousand EUR

	01.01.09 - 30.09.09	01.07.08 - 31.12.08	01.07.07- 30.06.08
Operating profit/loss	63	33	-95
Change in operating receivables and prepayments	-381	-209	-58
Change in operating liabilities	6	-12	12
Total cash-flow from operations	**-312**	**-188**	**-142**
Net cash-flow from acquisition of subsidiaries (see Note 8)	0	0	-228
Granted loans	-590	-590	0
Repayment of loans	2 294	0	940
Interest collected	61	0	63
Other cash-flow			0
Total cash-flow from investments	**1 765**	**-590**	**775**
Received loans and issued debentures	525	1 750	0
Redemption of debt instruments	-2 522	-500	-500
Interest paid	-84	-108	-177
Other cash-flow	-6	0	0
Total cash-flow from financing	**-2 087**	**1 142**	**-677**
Total cash-flow	**-634**	**364**	**-44**
Money and money equivalents at start of period	634	270	313
Change in money and money equivalents	-634	364	-44
Money and money equivalents at end of period	**0**	**634**	**270**

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Note 29 Unconsolidated statement of changes in equity of parent company

In thousand EUR

	Share capital	Issue premium	Legal reserve	Retained earnings	Total
Balance as of 30.06.2007	**423**	**8 176**	**0**	**32**	**8 630**
Constitution of legal reserve	0	0	9	-9	0
Net loss for the financial year	0	0	0	-10	-10
Balance as of 30.06.2008	**423**	**8 176**	**9**	**12**	**8 620**
Share issue	34	989	0	0	1 023
Net loss for the financial year	0	0	0	-2	-2
Balance as of 31.12.2008	**457**	**9 165**	**9**	**10**	**9 641**
Net profit for the financial year	0	0	0	31	31
Balance as of 30.09.2009	**457**	**9 165**	**9**	**42**	**9 673**

The adjusted unconsolidated equity capital of the parent company as of 30 September 2009 is as follows:

(EUR '000)	30.09.2009
Parent company unconsolidated equity capital	9 673
Book value of subsidiaries on the unconsolidated balance sheet of the parent company (minus)	-9 595
Value of subsidiaries in equity method (plus)	9 479
Total	**9 557**

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INDEPENDENT AUDITOR'S OPINION

To the shareholders of Saaremere Kala AS

We have audited the accompanying consolidated interim financial statements of Saaremere Kala AS and its subsidiaries, which comprise the consolidated statement of financial position as at 30 September 2009, and the consolidated income statement, statement of changes in equity and cash flow statement for the fifteen months period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management 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 management 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 interim financial statements present fairly, in all material respects, the financial position of Saaremere Kala AS and its subsidiaries as at 30 September 2009, and their financial performance and cash flows for the fifteen months period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Aivar Kangust
Alliott Kangust OÜ
Tallinn
18 January 2010

ADDITIONAL DOCUMENTS

SIGNATURES OF THE MANAGEMENT AND SUPERVISORY BOARD TO THE INTERIM FINANCIAL REPORT

With this we confirm the correctness of the data presented in the Consolidation Group AS Saaremere Kala interim financial report:

Erik Haavamäe
Chairman of the supervisory board

Kuldar Leis
Member of the supervisory board

Katre Kõvask
Member of the supervisory board

Silver Kaur
Member of the supervisory board

Aivo Varem
Member of the supervisory board

Margus Rebane
Member of the management board

Pekka Pentti-Olavi Lahtinen
Member of the management board

18 January 2010

Margus Rebane

Consolidation Group Annual Report

Translation of the Estonian original

PUBLIC LIMITED COMPANY SAAREMERE KALA

Beginning of financial year:	1 July 2007
End of financial year:	30 June 2008
Commercial registry code:	11310040
Address:	Viru 19 10140, Tallinn Republic of Estonia
Telephone:	+372 5175 440
Fax:	+372 4590 142
E-mail:	aivo@saaremerekala.eu
Main activities:	fish farming, production and sale of fishery products

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CONSOLIDATED MANAGEMENT REPORT

The international fishery group Saaremere Kala AS was founded at the end of 2006, it owns fish farms in Finland and Sweden, contemporary production facilities in Saaremaa and Finland and sales networks in Estonia, Latvia and Finland. The best-known brands of the Group in Estonia are Gurme and Meriline and in Finland Heimon Kala and Saaristomeren Kala. The companies that belong to the Group are OÜ Vettel and OÜ GourmetHouse in Estonia, Saaristomeren Kala Oy and Heimon Kala Oy in Finland, Överumans Fisk Ab and Skärgårdshavets Fish Ab in Sweden. The product portfolio of the Group includes fillets, cold smoked and hot smoked products, cured and salted fish, breaded fish products and caviar. The caviar comes from our own fish farms. The farmed fish are rainbow trout, white fish and also more rare trout-like fishes such as golden trout and brown trout.
Saaremere Kala AS is owned by international investment fund Amber Trust S.C.A, its associated funds and the management of the company.

The net turnover of Saaremere Kala AS during the period 01.07.2007-30.06.2008 was EEK 472.5m and the net profit was EEK 7.2m.

Market overview

Finnish market

The primary raw material for Finnish fish processing companies is salmon imported from Norway and Denmark (40% of the total volume of the market) and raw material from local fish farms and fishing. 63% of the local raw material comes from fish farms, 28% comes from sea fishing and 9% from freshwater fishing.

The main emphasis of our fish farms is on farming and development of trout-like fishes and white fish.

Saaristomeren Kala Oy (enterprise belonging to the Group) principal activities are fish farming and processing. Fish processing takes place in Uusikaupunki, fish and fry are farmed in 5 different regions in Finland. The company owns two fish farms in Sweden. Fish farms are subsidiaries of Saaristomeren Kala Oy and the total volume of annual farming licence is approximately 2,600 tons (respectively ~1,500 tons in Sweden and ~1,100 tons in Finland). The average number of employees during the financial year was 63.

Heimon Kala Oy (second enterprise belonging to the Group) principal activities are fish processing and marketing. The company markets and supplies for all the Finnish retail organisations in the total production volume of the companies belonging to the Group. The company is based in Central Finland in Hämeenlinna. The average number of employees during the financial year was 43.

Estonian market

Local species of fish from the Baltic Sea like Baltic herring and sprat provide the essential raw material for the Estonian fish processing companies and the filleting companies use freshwater fish such as perch, perch pike and salmon. The canning production continues to be oriented to the CIS and Central and Eastern European markets, the rest of the products to the western markets. The ready-to-eat products are marketed both to the East and West. The production of ready-to-eat products is primarily based on imported raw materials.

Vettel OÜ export volume during the financial year 2007-2008 was EEK 120m (1,6 thousand tons) and import volume was EEK 147m (2.8 thousand tons). Compared with the Nordic countries, the share of fishery products in food intake is considerably smaller in Estonia. In Western Europe the share of fish in household food expenditure varies greatly from 2.5% in Austria to 15.6% in Portugal. Most fish is consumed in Portugal (63 kg/pp), Iceland (46 kg/pp), Spain (41 kg/pp) and Norway (37 kg/pp). In Estonia the respective figure is 15 kg per person (607 EEK/pp). According to the survey ordered by the Estonian Association of Fishery household expenditure on fishery products increased by ca 4% in 2005, which is similar to the growth on the Finnish market. This trend is expected to continue in the coming years as the household income and increase in consumer numbers continues to grow. Pursuant to the survey of the Estonian Association of Fishery the consumers are most interested in chilled fish and fishery products, salted and smoked fishery products, this applies for red fish (trout and salmon) and freshwater fish.

Events of the financial year

In October 2006 new company Saaremere Kala AS was founded and through a share swap in January 2007 it acquired 100% shareholding in Vettel OÜ and Saaristomeren Kala Oy.

The management board of the Saaremere Kala AS Group has three members: the chairman of the board and two members of the board (manager of Vettel OÜ and manager of Heimon Kala Oy).

During the accounting period a total of EEK 24.7m was invested into fixed assets. The major investments were renewing and modernising production equipment, obtaining fish farming and feeding stuffs equipment and building the water supply and treatment facility.

The Group still has many unrealised opportunities to make it more efficient, primarily internal reorganisation measures that would enable to enhance the strengths and eliminate the weaknesses of undertakings. By now the first stage of reorganisation is completed, which has resulted in stabilised mark-ups and production volume growth, which has led the Group to starting the new financial year with a more stable net margin. The acquisition of GourmetHouse, a new subsidiary in Estonia has remarkably improved the market position of the Group in Estonia.

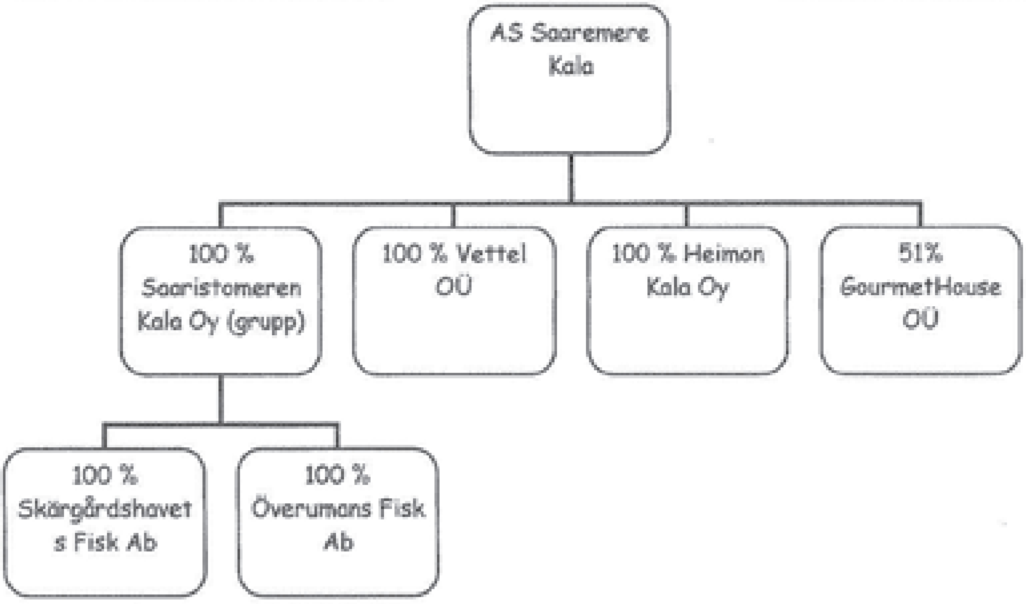
The average number of employees in the Group during the financial year was 192. The personnel expenses during the accounting period amounted to EEK 78.3m.

In 2007-2008 the members of the management board and supervisory board received fees in the amount of EEK 7,8m.

Subsidiaries

As of 30.06.08 the following subsidiaries belonged to Saaremere Kala AS:

Saaristomeren Kala Oy - registered in Finland - holding 100% - fish farming, manufacturing and sale of fishery products.
Skärgårdshavets Fisk Ab - registered in Sweden - holding 100% - fish farming and sales.
Överumans Fisk Ab - registered in Sweden - holding 100% - fish farming and sales.
Vettel OÜ - registered in Estonia - holding 100% - manufacturing and sale of fishery products.
Heimon Kala OY - registered in Finland - holding 100% - manufacturing and sale of fishery products.
GourmetHouse OÜ - registered in Estonia - holding 51% - sale of fishery products.



Financial ratios

		2007/2008	2006/2007
liquidity ratio	[(current assets - inventory) / (current liabilities - liabilities to owners)]	0.34	0.66
current ratio	[current assets / (current liabilities - liabilities to owners)]	1.05	1.74
EBITDA margin	[(operating profit + depreciation cost) / net sales]	6.12%	8.35%
net margin	[net profit / net sales]	1.53%	1.38%

Future trends

The principal goal for financial year 2008/09 is to further integrate the activities of Vettel OÜ, Heimon Kala OY, Saaristomeren Kala OY and GourmetHouse OÜ in the Saaremere Kala Group. The enterprises in the Saaremere Kala Group have joined forces to achieve control over the entire supply chain, from fish farming to marketing. It is now vital to gradually implement the synergies arising from it and to boost the strengths of enterprises. The investment plan for 2008/09 includes the completion of the already started production expansion in Saaremaa in Vettel OÜ and the completion of fish farming expansion in Sweden. Turnover forecast for the next financial year is EEK 500m.

The management board of the company proposes to refer the profit for the financial year to retained earnings. Pursuant to the long-term development plans, the company does not foresee any payments of dividends to its owners prior to 2009.

Aivo Varem
Chairman of the management board

CONSOLIDATED ANNUAL ACCOUNTS

DECLARATION OF THE MANAGEMENT BOARD JUHATUSE KINNITUS KONSOLIDEERIMISGRUPI RAAMATUPIDAMISE AASTAARUANDELE

We hereby declare our responsibility for composing the consolidated annual accounts on pages 6 - 43 and confirm that:

1. the accounting policies followed in the drawing up of the consolidated annual accounts are in conformity with the international financial reporting standards;

2. the consolidated annual financial statement reflects a true and fair financial situation, results and cash-flow of the Group;

3. the Group and parent company continue to be operating.

Aivo Varem
Chairman of the management board

Pekka Pentti Olavi Lahtinen
Member of the management board

Petri August Oksanen
Member of the management board

15 December 2008

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19.12.2008 [illegible]

CONSOLIDATED BALANCE SHEET

in thousands of kroons

	30.06.2008	30.06.2007	Note
Cash and bank	6 681	16 287	2
Short-term financial investments	0	179	3
Receivables	55 259	50 928	4
Prepayments	5 745	4 339	4
Non-current assets held for sale	284	284	6
Biological assets	74 904	78 874	7
Inventories	51 971	40 741	7
Total current assets	**194 843**	**191 632**	
Long-term financial investments	1 482	1 409	8
Investment in joint enterprise	0	792	10
Deferred tax assets	5 541	991	11
Property, plant and equipment	120 555	122 205	12
Intangible assets	95 148	92 697	13
Total non-current assets	**222 725**	**218 094**	
TOTAL ASSETS	**417 569**	**409 725**	
Borrowings	117 766	56 177	15
Payables and prepayments	63 409	50 273	18
Government grants	4 470	3 967	19
Total current liabilities	**185 645**	**110 417**	
Long-term borrowings	48 603	120 230	15
Deferred tax liability	11 087	13 689	16
Government grants	27 880	28 134	19
Total non-current liabilities	**87 570**	**162 053**	
Total liabilities	**273 215**	**272 470**	
Minority interests	**2 143**	**0**	
Share capital	6 612	6 612	20
Share premium	127 921	127 921	
Mandatory legal reserve	139	0	
Unrealised currency exchange rate differences	-1 275	-60	
Retained earnings	8 813	2 781	
Total owner's equity	**142 211**	**137 255**	
Total equity	**144 354**	**137 255**	
TOTAL LIABILITIES AND OWNER'S EQUITY	**417 569**	**409 725**	

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CONSOLIDATED INCOME STATEMENT

in thousands of kroons

	01.07.07 - 30.06.08	24.10.06 - 30.06.07	Note
Revenue	472 531	202 040	21
Cost of sales	-396 400	-168 813	22
Gross profit	**76 131**	**33 227**	
Marketing expenses	-41 794	-20 735	22
Administrative and general expenses	-28 246	-13 605	22
Other income	11 704	4 637	22
Profit/loss from increase in the value of biological assets	-2 277	13 228	22
Other expenses	-3 242	-1 707	22
Operating profit	**12 276**	**15 045**	
Financial income	4 706	254	23
Financial expenses	-14 279	-7 146	23
Profit before tax	**2 702**	**8 153**	
Income tax	4 529	-5 372	24
Net profit for the financial year	**7 231**	**2 781**	
net profit attributable to the shareholders of the Parent	6 171	2 781	
net profit attributable to minority interest	1 061	-	

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CONSOLIDATED CASH FLOW STATEMENT

in thousands of kroons

	01.07.2007-30.06.2008	24.10.2006-30.06.2007	Note
Cash flow from operating activities			
Operating profit	12 276	15 045	
Adjustments to operating profit	7 235	5 366	
Depreciation and impairment of non-current assets	17 249	7 884	12, 13
Profit from disposals of property, plant and equipment	-3 947	79	22
Government grants	-6 254	-2 191	22
Allowance of receivables and prepayments	104	-369	22
Foreign exchange losses	83	-37	22
Change in receivables and prepayments related to operating activities	14 403	18 722	
Change in receivables	15 809	21 626	
Change in prepayments	-1 406	-2 904	
Change in inventory	-9 604	-6 067	
Change in biological assets	4 705	-13 228	22
Change in liabilities and prepayments related to operating activities	8 433	-66 583	
Income tax paid	-2 107	-1 693	24
Total cash flow from operating activities	**35 341**	**-48 438**	
Cash flow from investing activities			
Purchase of property, plant and equipment, and intangible fixed assets	-26 393	-4 174	9, 12, 13
Sale of property, plant and equipment, and intangible fixed assets	7 922	246	
Net cash flow from purchase of subsidiaries	-3 377	11 763	9
Net cash flow from sale of subsidiaries	977	0	9
Acquisition of other financial assets	-73	-179	3, 8
Sale of other financial assets	1 040	1 174	10
Interest received	785	254	23
Total cash flow from investing activities	**-19 119**	**9 084**	
Cash flow from financing activities			
Loans received, bonds issued	40 450	120 994	
Repayments of loan received	-41 299	-39 518	
Change in factoring liability	-7 249	-2 678	
Government grant received	1 236	1 505	19
Repayment of financial lease principal	-2 422	-1 203	14
Interest paid	-15 328	-4 187	23
Issue of shares	0	23 046	20
Repurchase of treasury shares of subsidiary	0	-42 658	
Total cash flow from financing activities	**-24 613**	**55 301**	
Total cash flow	**-8 391**	**15 947**	
Cash and cash equivalents at beginning of the period	16 287	400	2
Unrealised currency exchange rate differences	-1 215	-60	
Change in cash and cash equivalents	-8 391	15 947	
Cash and cash equivalents at end of the period	**6 681**	**16 287**	2

The balance of cash and cash equivalents in the cash flow statement equals to the balance of cash and bank accounts in the balance sheet.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of kroons

	Attributable to equity holders of the Parent							
	Share capital	Share premium	Mandatory legal reserve	Unrealised currency exchange rate differences	Retained earnings	Total	Minority interests	Total equity
As of 24.10.2006	**400**	**0**	**0**	**0**	**0**	**400**	**0**	**400**
Share issue	6 212	127 921	0	0	0	134 134	0	134 134
Change in unrealised currency exchange rate differences	0	0	0	-60	0	-60	0	-60
Net profit for the financial year	0	0	0	0	2 781	2 781	0	2 781
As of 30.06.2007	**6 612**	**127 921**	**0**	**-60**	**2 781**	**137 255**	**0**	**137 255**
Constitution of legal reserve	0	0	139	0	-139	0	0	0
Minority shareholding due to business combination (Note 9)	0	0	0	0	0	0	1 082	1 082
Change in unrealised currency exchange rate differences	0	0	0	-1 215	0	-1 215	0	-1 215
Net profit for the financial year	0	0	0	0	6 171	6 171	1 061	7 231
As of 30.06.2008	**6 612**	**127 921**	**139**	**-1 275**	**8 813**	**142 211**	**2 143**	**144 354**

Additional information on owner's equity has been disclosed in Note 20.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information and the basis of preparation

A. General information

AS Saaremere Kala was established on 24 October 2006 and thus all the consolidated financial statements regarding the previous financial year reflect the period from 24 October 2006 to 30 June 2007.

The main fields of activity of the Saaremere Kala Group are fish farming, fish processing and sales.

AS Saaremere Kala is a holding company registered in Republic of Estonia and its subsidiaries are involved in fish farming, fish processing and sales.

According to the Estonian Commercial Code, the General Shareholders' Meeting authorizes the annual report prepared by the Management Board and approved by the Supervisory Board. The current consolidated financial statements form a part of the annual report to be approved by the shareholders and the basis of the profit allocation decision. The shareholders hold the power not to approve the annual report prepared by the Management Board and approved by the Supervisory Board and the right to request a new annual report to be prepared.

The 2007-2008 consolidated financial statements of AS Saaremere Kala include the financial performance of the following enterprises: Vettel OÜ, GourmetHouse OÜ, Heimon Kala Oy and Saaristomeren Kala Oy Group (consolidated together with subsidiaries).

B. Basis of preparation

AS Saaremere Kala (hereinafter also "parent company") and its subsidiaries (hereinafter together "Group") consolidated financial statements have been prepared on the historical cost basis, except for in cases that are described in the following accounting principles otherwise (e.g. certain financial investments and biological assets are recorded in their fair value).

The consolidated financial reports are prepared in thousands of Estonian kroons, unless noted otherwise.

Pursuant to the Accounting Act of the Republic of Estonia, the unconsolidated financial statements (i.e. balance sheet, income statement, cash flow statement and statement of changes in equity) of the parent company are presented in the notes of the consolidated financial statements. The unconsolidated financial statements of AS Saaremere Kala are presented in Note 30. The financial statements are prepared using the same accounting principles and estimation bases as for the consolidated financial statements, except for investments in subsidiaries.

Statement of compliance
The consolidated financial statements of AS Saaremere Kala and its subsidiaries are prepared in accordance with the International Financial Reporting Standard (IFRS).

The main accounting principles and basis of estimations have been laid out below.

C. Basis of consolidation

The consolidated financial statements comprise the financial indicatores of AS Saaremere Kala and its subsidiaries, consolidated on a line-by-line basis. The subsidiaries are consolidated from the date on

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which significant influence is transferred to the Group and cease to be consolidated from the date on witch the significant influence is transferred out of the group.

Subsidiaries are companies controlled by the parent company. Control is presumed to exist if the parent company owns, either directly or indirectly, over 50% of the voting shares or share capital of the subsidiary, or if the parent company controls the subsidiary's financial or operating policies under a contract or agreement, or if the parent company has the right to appoint or remove a majority of the members of the management board or higher management of the subsidiary.

The accounting principles applied by subsidiaries in the preparation of the financial statements are, to a material extent, the same principles as those applied by the parent company. All intra-group transactions, receivables and liabilities, including unrealised profits and losses arising from intercompany transactions, have been fully eliminated. Unrealised losses are not eliminated, if these losses essentially represent a decrease in the value of assets.

Minority shareholding, which is the part of profit or loss and net assets of a subsidiary that does not belong to the Group, is reflected as a separate entry in the income statement and on the balance sheet (as part of owner's equity).

New subsidiaries (business combinations) are recognised in the consolidated financial statements based on the purchase method.

The acquisition cost of business combinations, accounted for by using the purchase method, is allocated to the fair values of assets, liabilities and contingent liabilities on the acquisition date. The portion of the acquisition cost which exceeds the fair value of the acquired assets, liabilities and contingent liabilities is recognised as goodwill (see accounting principle "Goodwill"). If the fair value exceeds the cost, the difference will immediately be fully charged to the income of the period (under "Administrative and general expenses" in the income statement).

The acquisition of minority shareholding is reflected so that the difference between acquisition cost and the book value of the acquired minority shareholding is reflected directly under owner's equity belonging to the parent company.

D. *Changes in accounting principles and presentation*

The consolidated financial statements are prepared based on the principle of consistency and comparability. This means that the same accounting policies and presentation formats are used by the group on an on-going basis in preparation of financial statements. Changes will be introduced to the accounting principles and presentation formats only if so conditioned by the new or revised IFRS and its interpretations, or if the new accounting principles and/or presentation formats give a more objective overview of the financial position and economic results of the group and the parent company, as well as their cash flows.

Changes in accounting principles and presentation

The accounting principles and presentation used to draw up the current financial statements follow the principles applied last financial year. In addition, the following new/revised standards have been adopted, which had no material effect on the financial statements:

IFRS 7 Financial Instruments: Disclosures; IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments;

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IAS 1 Presentation of Financial Statements. This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes of managing capital;

IFRIC 10 Interim Financial Reporting and Impairment. This interpretation establishes that an entity must not reverse and impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost;

IFRIC 11 IFRS 2 - Group and Treasury Share Transactions. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group has not issued instruments caught by this interpretation.

The new IFRS standards and interpretations

In the opinion of the group's management board, the following new or revised standards and interpretations, which have been passed by the date of preparation of this annual report but have not yet entered into force and been applied by the group, have no effect on the assets and liabilities of the group as of 30 June 2008. The requirements of these standards and interpretations shall be followed from the moment of their entry into force:

- IAS 23 Borrowing costs (revised). The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The revised IAS 23 will be effective for financial years beginning on or after 1 January 2009 and is expected to have an impact on the financial statements of the Group;
- IFRS 8 Operating segments. IFRS 8 was issued in November 2006 and is effective for financial years beginning on or after 1 January 2009. IFRS 8 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The Group has determined that the operating segments disclosed in IFRS 8 will be the same as the business segments disclosed under IAS 14. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009;
- IFRIC 12 Service Concession Agreements. The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRS) to account for the obligations they undertake and rights they receive in service concession arrangements. Effective for annual periods beginning on or after 1 January 2008.
- IFRIC 13 Customer Loyalty Programmes. IFRIC Interpretation 13 becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the Group's financial statements as the Group does not use such schemes.
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC Interpretation 14 becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Group expects that this Interpretation will have no impact on the financial position or performance of the Group, because the Group does not use such compensation schemes.

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- IFRIC 15 Agreement for the Construction of Real Estate. IFRIC 15 becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.
- IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27Consolidated and Separate Financial Statements. The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statement and do not have an impact on the consolidated financial statements.
- IFRS3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements. The revised standards become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests.
- IAS 1 Revised Presentation of Financial Statements. The revised Standard becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is yet to decide whether to present one or two statements.
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation. These amendments to IAS 32 and IAS 1 become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if

ADDITIONAL DOCUMENTS

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19.12.2008

they fulfil a number of specified features. The amendments to the standards will have no impact on the financial position or performance of the Group, as the Group has not issued such instruments.

- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items. These amendments to IAS 39 become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of ihflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.
- IFRS 2 Share-Based Payment (Amendments). The IASB issued an amendment to IFRS 2 in January 2008 that clarifies the definition of a vesting condition and prescribes the treatment for an award that is cancelled. This amendment will be effective for financial years beginning on or after 1 January 2009.

Improvements to IFRSs. In May 2008, IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The following standards have been amended:

IAS 1 Presentation of Financial Statements
IAS 8 Accounting Policies, Change in Accounting Estimates and Errors
IAS 10 Events after the Reporting Period:
IAS 16 Property, Plant and Equipment
IAS 23 Borrowing Costs
IAS 28 Investment in Associates
IAS 31 Interest in Joint ventures
IAS 36 Impairment of Assets
IAS 38 Intangible Assets
IFRS 7 Financial Instruments: Disclosures

The Group anticipates that these changes will have no material effect on the financial statements.

Significant accounting judgements and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires the management to make estimates and judgements that affect the reported amounts and accounting policies of assets and liabilities.

Although the estimations and judgements are reviewed by the management consistently and these are based on the previous experiences and the best knowledge on future trends, the actual outcomes may differ from the current estimates. The management has made the following significant estimates and judgements on the following that have effect on the amounts recognised in the consolidated financial statements

- Determining the useful lives of property, plant and equipment
- Determining the useful lives of intangible assets
- Determining the fair value of net assets aquired from business combination
- Performing the goodwill impairment test
- Allowances for receivables and inventories
- Determining the fair value for biological assets
- Estimating the sales opportunity for non-current assets classified as held for sale

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E. Investments into joint ventures

A joint venture is an entity where two or more parties (incl parent company) undertake an economic activity that is subject to joint control.

Investments in joint ventures are recognised in the balance sheet under the equity method of accounting. Pursuant to the equity method, the investment is initially accounted for at acquisition cost, and adjusted thereafter on the basis of the changes in the investor's stake in the equity of the investment object, as well as depreciation of the goodwill arising from the acquisition, or recognition of negative goodwill as income, less any impairment in the value of the investment. The group's interest in the economic results of the associated company is recorded under "Net financial items" in the consolidated income statement. If the joint venture has conducted transactions the effect of which is recognised directly under equity, the group will also recognise its share of these transactions directly under owner's equity.

Unrealised profits arising from transactions between joint venture and group companies are eliminated in accordance with the group's interest in the joint venture. Unrealised losses are eliminated as well, unless the loss is generated by decrease in the value of assets. Investment in a joint venture includes the goodwill arising from the acquisition, less any accumulated impairment losses.

If the group's stake in the loss of the joint venture recorded based on the equity method equals to or exceeds the net book value of the joint venture, the net book value of the investment will be written down, and further losses accounted as a reduction of long-term receivables which essentially form a part of the investment in the investment object. There is one exception to this rule - if the group company has guaranteed or obliged to satisfy the obligations of the associated company, both the respective obligation and the loss from the equity method will be recognised in the balance sheet.

F. Foreign currency transactions

The Estonian kroon is the functional currency of the parent company, and the reporting currency of the consolidated financial statements of the group and the unconsolidated financial statements of the parent company. All other currencies are considered foreign currencies.

Transactions denominated in foreign currency are recorded on the basis of the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. Assets and liabilities denominated in foreign currency have been translated into Estonian kroons on the basis of the currency exchange rates of the Bank of Estonia officially valid on the balance sheet date.

Foreign exchange gains and losses resulting from revaluation are recorded as revenue and expenses in the income statement of the reporting period, whereas foreign exchange gains and losses related to settlements with suppliers and customers are recorded under revenue and expenses, and other foreign exchange gains and losses under net financial items in the income statement.

The functional currency of Finnish subsidiaries is the euro. The balances of the transactions, assets and liabilities of all Swedish-based subsidiaries are translated into euros in the subsidiary's consolidated financial statements. The exchange rate between the Estonian kroon and the euro has been fixed at 1 euro = 15.6466 Estonian kroons.

A currency exchange rate difference arises in the consolidated balance sheet of the Finnish-based subsidiary Saaristomeren Kala from consolidation of Swedish-based subsidiaries. This is due to the difference between the exchange rates for the Swedish kronor and the euro. The subsidiary has therefore translated Swedish kronors into euros on the basis of the following exchange rates:

- assets and liabilities have been translated on the basis of the official exchange rate of the Bank of Finland on the balance sheet date;
- revenue and expenses have been restated on the basis of the annual average exchange rate.

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The exchange rate differences arising from revaluations are recognised under "Unrealised exchange rate differences" in owner's equity.

G. Cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are short-term (with a term of up to three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in market value. Cash and cash equivalents include cash in hand and at bank, short-term deposits with an original maturity of three months or less and interest market fund shares.

H. Financial assets

Financial assets are initially recognised at cost, being the fair value of the consideration given. The acquisition cost includes all expenditures directly related to the purchase of the financial asset, including service charges payable to brokers and advisors, non-refundable taxes and other similar expenditures. Financial assets which are measured at fair value with changes in the income statement constitute an exception — the additional expenses incurred in connection with their acquisition are charged to expenses in the income statement.

All regular way purchases and sales of financial assets are recognised on the transaction date. A transaction date is the date that the group commits (e.g. concludes an agreement) to purchase or sell the financial asset. Regular way transactions are purchases and sales transactions that require delivery of the financial asset to be purchased or sold by the seller to the buyer within the time frame generally established by regulation or convention in the marketplace.

Subsequent to initial recognition, financial assets are divided into the below groups. At the end of each financial year, the financial asset is tested and reclassified, if necessary. Financial assets which cannot be reclassified under IFRS constitute an exception. The following principles are applied for financial asset groups:

- financial assets at fair value, through profit and loss - are measured at their fair value;
- investments to be held to maturity are measured at amortised cost;
- receivables are measured at amortised cost;
- available-for-sale financial assets are measured at fair value or acquisition cost, if these assets are equity instruments whose fair value cannot be reliably measured.

Financial assets measured at fair value
Financial assets measured at fair value are restated each balance sheet date. Potential transaction costs on disposal of the assets are not deducted from the fair value. The fair value of listed securities is based on the closing price of the security, as well as the official exchange rate of the Bank of Estonia on the balance sheet date. The fair value of unlisted securities is determined on the basis of the available information and by analysing the securities by using the comparative and/or the discounted cash flow method.

Gains and losses from the changes in fair value are recorded under "Net financial items" in the income statement. Profit and loss from disposal of financial assets measured at fair value, as well as interest and dividends, are recorded under "Net financial items" in the income statement.

Receivables and financial assets intended to be held to maturity
Receivables, which the group has not purchased for resale, including financial assets that are intended to be held-to-maturity are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition, as well as expenses directly related to the transaction, over the year to maturity.

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Financial assets measured at amortised cost will be written down, if it is probable that their recoverable amount is lower than their carrying amount. The recoverable amount of a financial asset measured at amortised cost is the net present value of future cash flows from the financial asset, discounted, upon its initial recognition, with the effective interest rate. The write-down of financial assets related to operating activities is charged to expenses in the income statement (under "Administrative and general expenses") while the write-down of financial assets related to investing activities is charged to financial expenses in the income statement.

Impairment of financial assets will be presented separately for each item, if the item is material. On the basis of historical data, an allowance will be made for doubtful receivables in the amount of 50% of the receivable, if the receivable is due for over 90 days, and in the amount of 100%, if due for over 180 days. The allowance will be established for doubtful receivables earlier, if certain events indicate that the recoverable amount of the receivable has fallen below its carrying amount.

In case of collection of receivables previously written down, or other events indicating that the write-down is no longer justifiable, the previous write-down will be reversed in the income statement as a reduction of the expense item to which the write-down was initially charged.

Interest income from receivables is recorded under "Net financial items" in the income statement.

Financial assets measured at acquisition cost

Financial assets measured at acquisition cost will be written down to their recoverable amount, if the recoverable amount has fallen below the carrying amount. The recoverable amount of financial assets measured at cost consists of the estimated future cash flows from the financial asset, discounted with the average rate of return from similar financial assets on the market. The impairment loss is recognised under financial expenses in the income statement, and shall not be reversed.

Financial assets are derecognised when the group loses the right on the future cash flows from the financial asset. Financial assets are derecognised also if the group undertakes to fully and without any significant delay transfer the cash flows to a third party who has already assumed a majority of the risks and benefits associated with the financial assets.

I. Inventories

Finished products and work-in-progress are recorded at production cost, consisting of the direct and indirect production costs incurred upon bringing the inventories to their present condition and amount. General production costs are charged to inventories and spread out during the cycle on the basis of the standard production volumes of finished goods and work-in-progress.

Other inventories are recorded at acquisition cost, consisting of the purchase price, customs duties, other non-refundable taxes and direct transportation costs related to the purchase, less discounts.

Expenses on inventories and calculation of the net book value of inventories are based on the weighed average cost method.

Inventories are measured in the balance sheet according to the lower of the acquisition cost or net realisable value. Materials and work-in-progress are written down, if the estimated cost of products to be manufactured exceeds the net realisable value of finished products.

The amount of write-down of inventories to their net realisable value is recorded under "Marketing expenses" of the reporting period in the income statement.

J. Biological assets

Biological assets include live fish and fertilised fish eggs which are expected to generate economic benefits in the future. In both initial and subsequent recognition, biological assets are recorded at their

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fair value, less the estimated sales expenses. On the moment when biological assets are transformed into produce, the produce is recognised at fair value, less the estimated sales expenses. The fair value of biological assets is the market price of the assets.

Gains and losses arising from the change in the fair value are recognised under "Profit from increase in the fair value of biological assets/Loss from decrease in the fair value of biological assets".

K. Property, plant and equipment

PPE are recognised at cost, consisting of the purchase price, non-refundable taxes and other expenditures directly related to the process of taking the non-current asset item into use. The acquisition cost of PPE constructed for own use includes the actual cost of construction.

Following initial recognition, an item of PPE is carried in the balance sheet at its cost, less accumulated depreciation and any accumulated impairment losses.

If the PPE item consists of distinguishable components with different useful lives, these components are separately recorded under assets, and their depreciation rates specified separately thereof in accordance with their useful lives.

Due to the specifics of the PPE item, its useful life may differ from that of a similar group. In this case, the PPE item is viewed as a separate item, with a respective depreciation period.

Expenses incurred on PPE after their recognition (e.g. replacement of a part of the asset item) are added to the book value of the item, provided it meets the following criteria:
(a) the asset item is likely to generate economic benefits for the group in the future; and (b) the acquisition cost can be reliably measured. Replaced parts are written off from the balance sheet. All other costs on maintenance and repairs are charged to expenses when incurred.

Depreciation of PPE is calculated on a straight-line basis. Depreciation rates are determined for each PPE item or PPE group separately, depending on its useful life. The estimated useful life of non-current assets is inventoried in the course of the annual stock-take, and upon accounting for improvements. The remaining useful life of the non-current assets is changed when necessary. Depreciation of a non-current asset item is recognised from the moment the item is operational. Depreciation is derecognised if its final value exceeds the net book value, or until the item is removed from use or reclassified into non-current assets held for sale. Depreciation is derecognised if the asset is fully depreciated.

The depreciation rates, depreciation methods and final values are evaluated on each balance sheet date.

If the recoverable amount of the PPE item (i.e. higher of the fair value less sales expenses or the value in use of the asset item) is lower than its carrying amount, the PPE item will be written down to its recoverable amount. The amount of write-down is charged to the expenses of the period, under "Other expenses".

PPE is derecognised upon transfer of the asset, or if the group can expect no financial benefits from use or disposal of the asset. Any profits and losses arising from derecognition of PPE are charged to "Other income" or "Other expenses" in the income statement of the period when the PPE were derecognised.

PPE items which are likely to be sold within 12 months are reclassified into non-current assets held for sale, and recorded on a separate entry under current assets in the balance sheet. Non-current assets held for sale will no longer be depreciated, and will be recorded at the lower of the net book value or fair value (less sales expenses).

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The following annual depreciation rates apply for PPE groups:

• Land	0%
• Buildings and facilities	2-20 %
• Machinery and equipment	8-50 %
• Transport vehicles	10-25 %
• Other equipment; fixtures, fittings and tools	10-50 %

L. Goodwill

Goodwill is initially measured at cost, being the excess of the cost of acquisition over the fair value of the acquired net assets, liabilities and contingent liabilities on the date of acquisition. Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

In order to determine the impairment, any goodwill acquired is allocated to each cash-generating units expected to benefit from the combination's synergies, or groups of such units. Allocation of goodwill between cash-generating units is based on intra-group reporting — goodwill is allocated to the lowest level, where it is monitored by the management within the framework of internal accounting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment losses are charged to expenses under "Other expenses" in the income statement of the reporting period. Impairment losses will not be reversed, if the recoverable amount of goodwill rises above its carrying amount.

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M. Other intangible assets

Intangible assets acquired separately from a business combination will be recognised only if the following conditions are met:

a) the asset item can be tested by the group;
b) generation of future economic benefits from the object is likely;
c) the acquisition cost of the item can be reliably measured.

Intangible assets acquired from a business combination will be recognised separately from goodwill, if the asset items are distinguishable or arise from contractual or other legal rights, and their fair value can be reliably measured on the date of acquisition.

Intangible assets are initially recorded at acquisition cost, consisting of the purchase price and expenses directly related to the acquisition. Following initial recognition, an item of intangible assets is carried in the balance sheet at its cost, less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either infinite or definite. Amortisation of intangible assets with a definite useful life is calculated on a straight-line basis. The following annual amortisation rates are used:

• Software licenses	33%
• Trademarks	4 %
• Fish farming licenses	2 % or depending on the term of validity

Where amortisation is charged on definite intangible assets, this expense is taken to the income statement through the line item to which the assets belong. The amortisation period and amortisation methods of definite intangible assets are reviewed at the end of each financial year. Changes in

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estimated useful life or future economic benefits over time are recorded as changes in the amortisation period and amortisation methods (i.e. as changes in accounting estimates).

If there is any indication that the recoverable amount of definite intangible assets has fallen below its carrying amount, the asset will be tested for impairment and, if necessary, written down to its recoverable amount.

Infinite intangible assets are tested for impairment annually either individually or at the cash generating unit level. These intangible assets are not depreciated. The useful life of infinite intangible assets is reviewed on an annual basis to make sure the useful life has remained infinite. Adjustments, where applicable, are made on a prospective basis.

N. Financial liabilities

Financial liabilities are initially recognised at their acquisition cost, consisting of the fair value of the consideration given. Following initial recognition, financial liabilities are measured at their amortised cost by using the effective interest rate method. Transaction costs are taken into consideration upon calculating the effective interest rate, and charged to expenses over the term of the financial liability.

Interest expenses related to the financial liability are recorded under "Net financial items" in the income statement, except for interest expenses related to the financing of the PPE constructed for own use (see also accounting principle K).

The financial liability will be derecognised when the liability is paid, cancelled or expired.

O. Factoring

Factoring is the sale of receivables. Depending on the type of the factoring contract, the buyer has the right to sell the transferred receivable within the time agreed (factoring with recourse), or there is no right for resale and all the risks and benefits associated with the receivable are transferred from the seller to the buyer (factoring without recourse).

Factoring with recourse is recorded as a financing transaction (i.e. as collateralised borrowing), and the amount is recognised in the balance sheet as a receivable until collection or until expiration of the recourse. Factoring liabilities arising from factoring transactions are recorded similarly with other financial liabilities.

Factoring without recourse is recognised as a sale of receivable. The loss from the sale of receivables is either recognised as a financial expense or as an impairment expense depending on whether the transaction was concluded for the purpose of cash flow management or for hedging the risk of doubtful/uncollectible receivables.

P. Corporate income tax

Parent company and subsidiaries registered in Estonia

According to Estonian Income Tax Law the company's net profit is not subject to income tax, thus there are no temporary differences between the tax bases and carrying values of assets and liabilities that may cause the deferred income tax. Instead of net profit, all dividends paid by the company are subject to income tax (22/78 of net dividend paid out before December 31, 2007; 21/79 of net dividend paid / payable out during the calendar year 2008).

The company's potential income tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet.

The income tax due on dividend distribution is recorded as tax cost in the income statement when dividend is announced.

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Subsidiaries registered in foreign countries
Pursuant to the laws on income tax, net profit which has been adjusted by temporary and permanent differences stipulated in the law on income tax is subject to income tax in Finland and Sweden (with the established tax rate is 26% in Finland and 28% in Sweden).

Deferred income tax is recorded based on the liability as at the balance sheet date for all temporary differences between the tax bases and carrying values of assets and liabilities. Deferred income tax is recognised only if the company expects future economic benefits at the expense of which the deferred income tax can be used.

The payable income tax is recorded under current liabilities, and deferred income tax under non-current liabilities.

Q. Mandatory legal reserve

Pursuant to the Commercial Code of the Republic of Estonia, at least 5% of the net profit must be transferred to the reserve capital each financial year, until the reserve capital amounts to at least 10% of the share capital. The mandatory reserve cannot be paid out as dividends. Still, it can be used for covering the loss, if loss cannot be covered from the available shareholder's equity. Mandatory reserve can also be used for increasing the share capital of the company.

R. Leases

Lease transactions, where all material risks and benefits from ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating lease.

Assets leased under finance lease are recorded in the lessee's balance sheet at the lower of acquisition cost or the net present value of minimum lease payments. The depreciation period of assets acquired under finance lease is the useful life of the asset or the rental period, whichever is shorter. Assets leased out under finance lease are recorded in the balance sheet as a receivable in the amount of the net investment in the finance lease. Rental payments are divided into financial expenses/income, and rental payable/receivable so that the interest rate would be the same at any given moment.

In case of operating lease, the assets are recorded in the lessor's balance sheet. Operating lease payments are recorded during the lease period as income (by lessor) and expenses (by lessee) based on the straight-line method.

S. Government grants

Government grants allocated for assets
Government grants allocated for assets are recorded by using the gross method, i.e. the assets acquired using government grants are accounted for in the balance sheet at the acquisition cost, and the grant is recorded in the balance sheet under liabilities as deferred income. The acquired assets are depreciated and the deferred income is recognised as income over the useful life of the asset. Income related to government grants is recorded under "Other income" in the income statement.

Government grants allocated for operating expenses
Income from government grants is recorded in the income statement in proportion with the related expenses. The gross method is applied for recording income, i.e. the grant received and the expenses to be compensated for are recorded under different captions of the income statement. Income related to government grants is recorded under "Other income" in the income statement.

T. Events after the balance sheet date

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the balance sheet date and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements.

Subsequent events that have not been taken into consideration when valuating the assets and liabilities but have a material effect on the result of the next financial year, are disclosed in the financial statements.

U. Revenue recognition

Revenue is recognised at the fair value of the received/receivable income. Revenue from the sales of goods is recognised when all material risks related to the ownership of the asset have been transferred to the buyer, the amount of revenue and expenses related to the transaction can be reliably measured, and the receipt of the revenue is probable. Revenue from the sales of services is recorded upon rendering of the service.

Interest income and dividend income is recorded when collection of the revenue is probable and the amount of the revenue can be reliably measured. Interest income is recorded based on the efficient interest rate of the asset item. Dividend income is recognised when the owner is granted a legal right to receive dividends.

V. Cash flow statement

The cash flow statement has been prepared based on the indirect method - in order to calculate the cash flow from operating activities, the net profit for the financial year has been adjusted by eliminating the effect of non-monetary transactions, and changes in the balance of current assets and liabilities related to operating activities.

W. Accounting for investments in subsidiaries in the parent company's unconsolidated balance sheet

In the parent company's unconsolidated balance sheet (presented in Note 30.1), investments in subsidiaries have been accounted for on a historical cost basis. This means that the investment is initially recognised at acquisition cost, consisting of the fair value of the payable amount, adjusted thereafter by the impairment losses arising from the decrease in the value of the investment. Additional information on the write-down of investments recorded at acquisition cost is available under accounting principle H.

Dividends paid by subsidiaries and joint ventures are recorded when the parent company's right to receive the dividends (as financial income) is established, except for the portion of dividends payable at the expense of available shareholders' equity generated by the subsidiary, joint venture or associated company before the group acquires the company. The respective portion of the dividends is recorded as a reduction of the investment.

Note 2 Cash and bank accounts

	30.06.2008	30.06.2007
Cash and bank accounts	6 681	16 287
Total	**6 681**	**16 287**

Note 3 Short-term financial investments

	30.06.2008	30.06.2007
Term deposits	0	179
Total	**0**	**179**

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Fixed term deposit contract was terminated on 29.10.2007

Note 4 Receivables and prepayments

Receivables	30.06.2008	30.06.2007
Accounts receivable	48 123	49 520
Allowance for doubtful receivables	-67	-56
Government grants receivables (see Note 19)	5 700	0
Other short-term receivables	1 502	1 464
Total	**55 259**	**50 928**

Prepayments	30.06.2008	30.06.2007
Prepaid taxes, including	3 242	2 468
Value added tax	2 491	884
Income tax	752	1 507
Other taxes	0	77
Prepaid expenses	2 503	1 871
Total	**5 745**	**4 339**

Taxes payable have been disclosed in Note 18.

Note 5 Allowance for doubtful receivables

The following changes occurred in the allowance for doubtful receivables:

	30.06.2008	30.06.2007
Allowance for receivables at the beginning of period	-56	0
Additional write-down	-104	-56
Derecognition of impaired receivables	93	0
Doubtful receivables at the end of period	**-67**	**-56**

During the reporting period, a total of EEK 104 thousand of bad debt, which had previously been written off from the balance sheet by subsidiaries, were collected. During the reporting period, subsidiaries have written off a total of EEK 93 thousand of bad debts is recorded under "other expenses" in the income statement. Doubtful receivables and bad debts are disclosed in Note 22.

The aging of receivables is presented in the table below:

	30.06.2008	30.06.2007
Neither past due not impaired	52 727	46 833
Past due but not impaired (up to 3 months)	2 048	2 473
Past due but not impaired (up to 6 months)	472	989
Past due but not impaired (up to 12 months)	7	812
Past due but not impaired (over 12 months)	5	0
Receivables total	**55 259**	**51 107**

At the end of reporting period 2008 there were in total of EEK 5 thousand receivables past due over 12 months. According to management estimation these receivables will be collected in the following accounting period.

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Note 6 Non-current assets held for sale

The equipment used for processing white fish in the net book value of EEK 284 thousand has been re-classified as non-current assets held for sale. The company's management estimates the sale of the non-current assets to be very likely in the financial year 2008-2009.

Note 7 Inventories and biological assets

Inventories	30.06.2008	30.06.2007
Raw materials	11 408	24 926
Work-in-progress	14 818	30
Finished goods	24 909	15 785
Goods in transit	835	0
Total	51 971	40 741

Biological assets	30.06.2008	30.06.2007
Fingerlings	20 612	26 640
Undersized fish (fish < 0.4 kg)	0	1 685
Full-grown fish (fish > 0.4 kg)	54 292	50 549
Total	74 904	78 874

Loss from the biological assets in the reporting period was EEK -2 277 thousand ((2007 - profit EEK 13 228 thousand (Note 22)).

In the measurement of biological assets, fingerlings are measured on the basis of the number by pieces, fish is measured on the basis of live fish biomass by kilograms. Fish are valued on the basis of the average market price, less the estimated sales expenses. Fingerlings are valued on the basis of the weighted average market price for which fingerlings have been sold of purchased from suppliers within the last year. Fish are divided into three groups: fingerlings, undersize fish and full-grown fish. Fingerlings and full-grown fish have a real market price, undersize fish have no active market.

Note 8 Long-term financial investments

	Effective interest rate	30.06.2008	30.06.2007
Loans	3.50%	472	439
Shares		1 010	970
Total		1 482	1 409

Long-term financial investments include loans granted and subsidiaries' long-term investments into shares and units.
The loan is granted with an interest rate of 3.5 % and repayment due date on 15 December 2013.
Since the fair value of shares recorded as long-term financial investments cannot be reliably measured, these shares have been recognised at acquisition cost in the balance sheet.

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Note 9 Subsidiaries

The Group incorporates the following subsidiaries:

		Share	
Name of subsidiary	Country	30.06.2008	30.06.2007
Heimon Kala Oy	Finland	100%	100%
Airistolainen Oy	Finland	0%	100%
Vettel OÜ	Estonia	100%	100%
GourmetHouse OÜ	Estonia	51%	0%
Saaristomeren Kala Oy	Finland	100%	100%
Polar Fish Oy	Finland	0%	100%
Skärgårdshavets Fisk Ab	Sweden	100%	100%
Överumans Fisk Ab	Sweden	100%	100%
Imatran Kala ja Kaviaari Oy	Finland	0%	81%

The share in the equity of subsidiaries equals to the voting right.
The subsidiaries' shares have not been listed on any stock exchange.
Subsidiary Airistolainen Oy was merged with subsidiary Heimon Kala Oy on 31.10.2007.
In June 2008 the subsidiary of Vettel OÜ, Heimon Kala Oy, was sold to the parent company Saaremere Kala AS, the transaction was non-monetary; it was a settlement of accounts.
The Group holds a share in subsidiaries Skärgårdshavets Fisk Ab and Överumans Fisk Ab through the subsidiary Saaristomeren Kala Oy.
Subsidiaries Polar Fish Oy and Imatran Kala ja Kaviaari Oy were sold during the reporting period and the total profit from the sale of shares amounted to EEK 3 216 thousand (Note 23).

In July 2007 the company acquired a 51% shareholding in GourmetHouse OÜ, which is registered in Estonia. The acquisition cost of the investment was EEK 3 567 thousand, consisting the following components:

- the purchase/sale price of EEK 3 400 thousand was paid as a monetary contribution for shares.
- legal consulting and advisory services as well as non-refundable taxes associated with the transaction amounted to a total of EEK 167 thousand.

The fair value of acquired net assets as of 01.07.2007 was as follows:

	Book value	Fair value
Cash and cash equivalents	190	190
Receivables and inventories	5 407	5 407
Property, plant and equipment	869	869
Borrowings	-4 238	-4 238
Net assets	2 228	2 228
Fair value of minority interest	0	1 082
Fair value of acquired net assets	0	1 146
Acquisition cost	0	3 567
Goodwill (see Note 13)	0	2 421

Net cash flow from the acquisition of the subsidiary	
Paid for services	-167
Paid for shares	-3 400
Cash and cash equivalents of the subsidiary	190
Net cash flow	-3 377

The goodwill in the total amount of EEK 2 421 recognized from the acquisition transactions is related to the profit from synergy arising from the concept of joint management of subsidiaries.

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On 09.05.2008 the Group sold its 100% shareholding in subsidiary Polar Fish Oy. The selling price of the shares was EEK 970 thousand and the Group earned EEK 606 thousand profit from this transaction.

The net assets of the sold subsidiary at the time of the transaction were as follows:

Polar Fish Oy	
Cash and cash equivalents	1
Property, plant and equipment (see Note 12)	1 459
Borrowings	-1 095
Book value of sold shareholding	364

The net cash flow of the Group in 2008 from the sale of subsidiary is EEK 969 thousand (i.e. full price of 970 thousand, from which the cash on the balance sheet of the subsidiary on the day of the transaction in the amount of EEK 1 thousand has been deducted).

On 09.05.2008 the Group sold its 81% shareholding in subsidiary Imatra Kala ja Kaviaari Oy. The selling price of the shares was EEK 8 thousand and the group earned EEK 2 610 thousand profit from this transaction. Pursuant to the agreement arising from the contract of purchase and sale of Imatran Kala and Kaviaari Oy the claim of the parent company against the subsidiary in amount of EEK 2 730 thousand was assigned, and liabilities have been diminished during calculation of net assets at the moment of sale.

The net assets of the sold subsidiary at the time of the transaction were as follows:

Imatra Kala ja Kaviaari Oy	
Cash and cash equivalents	1
Receivables and inventories	973
incl biological inventories	735
Property, pland and equipment (see Note 12)	2 296
Government grants (see Note 19)	-379
Deferred tax liabilities (see Note 16)	-91
Borrowings	-5 410
Book value of sold shareholding	-2 611

The net cash flow of the Group in 2008 from the sale of subsidiary is EEK 7 thousand (i.e. full price of 8 thousand, from which the cash on the balance sheet of the subsidiary on the day of the transaction in the amount of EEK 1 thousand has been deducted).

As of 30.06.2008, the group has performed goodwill impairment test to determine the recoverable amounts of goodwill. Impairment test was performed on the basis of the comparative market-based ratios. In case of the market-based approach, the company is compared with similar companies in the same sector which are publicly traded or which have been recently sold and over the transaction price of which there is sufficient information. In current case, the frozen and chilled foodstuff producers in Europe have been benchmarked as the corresponding sector and the price levels and various ratios of these companies are compared. The ratios compared include the price-to sales ratio and the price-to-book ratio. In order to ascertain the fair value, the average ratios for the branch of industry have been applied for the actual economic indicators of subsidiaries. The illiquidity discount rate of subsidiaries has been additionally considered, since none of the subsidiaries are listed or publicly traded on the market. The test ascertained that, in Vettel OÜ (together with Heimon Kala Oy), the coverable amount is EEK 32 015 thousand higher than the carrying amount of the comparative cash generating unit (2007-EEK 30 517 thousand higher) and, in Saaristomeren Kala Oy, Eek 4 251 thousand higher than the carrying amount of the comparative cash generating unit (2007-EEK 3 813 thousand higher).

Note 10 Joint ventures

The subsidiary Saaristomeren Kala Oy had a 28.41% stake in the joint venture Kiinteistö Oy Vason Myllyranta.

Joint enterprise	Location	Share	Acquisition cost	Owner's equity 30.06.2007
Kiinteistö Oy Vason Myllyranta	Soome	28,41 %	792	695

The difference between the acquisition cost and owner's equity is goodwill arising on the acquisition and related to the value of the lease contract concluded over jointly controlled assets.

Subsidiary Saaristomeren Kala Oy sold its 28.41% shareholding in joint enterprise Kiinteistö Oy Vason Myllyranta and earned a profit of EEK 69 thousand from the sale of shares.

Note 11 Deferred tax assets

The deferred income tax assets include the subsidiary Heimon Kala Oy's income tax receivable in the amount of EEK 5 541 thousand, arising from the difference in the non-current asset tax depreciation and losses earned in previous financial periods.

The deferred tax liability has been disclosed in Note 16.

Note 12 Property, plant and equipment

	Land and buildings	Machinery and equipment	Other property, plant and equipment	Construction-in-progress and prepayments	Total property, pland and equipment
Net book value as of 24.10.2006	0	0	0	0	0
Additions related to acquisition of the subsidiary (see Note 9)	68 324	49 861	1 263	6 354	125 802
Acquisitions during the period	7	4 171	103	1 596	5 877
Reclassification during the period	0	2 797	1 145	-3 942	0
Reclassification to non-current assets held for sale	0	-284	0	0	-284
Disposals at net book value	0	-1 620	0	0	-1 620
Write-off's at net book value	0	-50	-5	0	-55
Currency exchange effects	-233	-270	-2	-4	-509
Depreciation charge	-2 672	-4 121	-213	0	-7 007
Acquisition cost as of 30.06.2007	68 095	54 593	2 504	4 004	129 873
Accumulated depreciation	-2 669	-4 109	-213	0	-7 668
Net book value as of 30.06.2007	**65 425**	**50 483**	**2 292**	**4 004**	**122 205**
Additions related to acquisition of the subsidiary (see Note 9)	0	771	98	0	869
Acquisitions during the period	7 700	9 738	396	6 817	24 652
Reclassification during the period	3 828	89	85	-4 002	0
Expenses related with subsidiary sales (note 9)	-1 915	-755	-1 085	0	-3 755
Disposals at net book value	-6 968	-909	0	0	-7 877
Write-offs at net book value	0	-39	-6	0	-44
Reclassification as period expense	0	0	0	-39	-39
Currency exchange effects	-203	-252	-2	-3	-461
Depreciation charge	-5 500	-8 967	-528	0	-14 995
Acquisition cost as of 30.06.2008	69 716	63 045	1 822	6 777	141 361
Accumulated depreciation	-7 350	-12 885	-571	0	-20 806
Net book value as of 30.06.2008	**62 366**	**50 160**	**1 251**	**6 777**	**120 555**

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Non-current assets held for sale are disclosed in Note 6.
Depreciation by cost lines is disclosed in Note 22.

The acquisition cost of fully depreciated property, plant and equipment still in use is EEK 498 thousand as of 30.06.2008 (2007 - EEK 268 thousand).

Note 13 Intangible assets

	Trade-marks	Software licences	Licenses, interconnection fees	Goodwill	Pre-payments	Total
Net book value as of 24.10.2006	0	0	0	0	0	0
Additions related to acquisition of the subsidiary (see Note 9)	16 836	524	11 842	64 278	0	93 479
Acquisitions during the period	0	74	0	0	0	74
Amortisation charge	-421	-145	-290	0	0	-856
Acquisition cost as of 30.06.2007	16 836	597	11 842	64 278	0	93 553
Accumulated amortisation as of 30.06.2007	-421	-145	-290	0	0	-856
Net book value as of 30.06.2007	**16 415**	**452**	**11 552**	**64 278**	**0**	**92 697**
Additions related to acquisition of the subsidiary (see Note 9)	0	0	0	2 421	0	2 421
Acquisitions during the period	0	15	0	0	1 726	1 741
Amortisation charge	-842	-288	-581	0	0	-1 711
Acquisition cost as of 30.06.2008	16 836	612	11 842	66 699	1 726	97 715
Accumulated amortisation as of 30.06.2008	-1 263	-433	-871	0	0	-2 567
Net book value as of 30.06.2008	**15 573**	**179**	**10 971**	**66 699**	**1 726**	**95 148**

Licenses, interconnection fees include the water protection license in the amount of EEK 25 thousand, an item with an indefinite useful life.
Prepayments are made for the implementation and licences of business software NAV pursuant to the contract.
Depreciation by cost lines has been disclosed in Note 22.
Additional information on goodwill has been disclosed in Note 9.

Note 14 Financial lease and operating lease

Financial lease - the Group as a lessee

	30.06.2008		30.06.2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Payable within less than 1 year	1 677	1 431	2 556	2 307
Payable within 1-5 years	1 294	1 012	3 152	2 860
Total minimum lease payment	**2 971**		**5 708**	
Future interest expenses	-529		-541	
Total present value of minimum lease payments	**2 442**		**5 167**	

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	01.07.2007-30.06.2008	24.10.06 - 30.06.07
Lease payments paid during the period	2 263	1 202
Interests paid during the period	283	181
Interest rate spread	5 - 11.9 %	5,0 - 13.0 %

Assets acquired under financial lease terms:

	Fixtures and equipment	Total
Acquisition cost as of 30.06.2007	21 721	21 721
Net book value as of 30.06.2007	14 733	14 733
Acquisition cost as of 30.06.2008	21 911	21 911
Net book value as of 30.06.2008	12 511	12 511

The acquisition of subsidiaries added assets leased under finance lease with an acquisition cost of EEK 293 thousand and a net book value of EEK 246 thousand.

Operational lease - the Group as a lessee

The Group rents transport vehicles, a freezer, scraps crusher, computer- and office equipment under operational lease terms.

	Equipment	Vehicles	Total
Lease expenses in 2006-2007	69	365	434
Lease expenses in 2007-2008	149	926	1 075
Estimated lease expenses in 2008-2009	99	983	1 082

Note 15 Short-term and long-term borrowings

Short-term borrowings	Effective interest rate	Repayment due date	30.06.08	30.06.07
Finance lease liabilities (see Note 14)			1 677	2 307
Factoring with a limit EUR 2 000 thousand			17 545	24 794
Borrowings, including			98 545	29 076
Overdraft, including			6 263	3 841
with a limit EUR 168 thousand	OP prime +1.25 %	Without a term	2 348	1 369
with a limit EUR 185 thousand	1 month EURIBOR + 2.5 %	26.09.2009	1 399	0
with a limit EUR 168 thousand	3 month EURIBOR + 2.5 %	Without a term	2 516	2 472
Bonds, including			35 202	20 117
Bonds with a coupon rate of 9 %	10.50%	7.09.2007	0	12 300
Bonds with a coupon rate of 10 %	10.00%	10.07.2007	0	7 817
Bonds with a coupon rate of 11 %	12.02%	9.04.2009	35 202	0
Pension insurance loan EUR 25 thousand	6.00%	1.07.2030	16	17
Investment loans, including				5 102
EEK 39 100 thousand	6 month EURIBOR + 2.5 %	16.02.2009	39 100	0
EUR 100 thousand	6 month EURIBOR + 1.8 %	15.10.2008	156	313
EUR 168 thousand	6 month EURIBOR + 1.2 %	15.12.2008	188	376
EUR 72 thousand	6 month EURIBOR + 1.9 %	30.06.2014	133	133
EUR 135 thousand	3 month EURIBOR + 1.0 %	15.07.2009	258	304
EUR 171 thousand	12 month EURIBOR + 0.5 %	15.09.2010	571	571
EUR 134 thousand	3 month EURIBOR + 0.5 %	30.09.2007	0	200
EUR 402 thousand	12 month EURIBOR + 0.5 %	10.12.2014	699	699
EUR 100 thousand	6 month EURIBOR + 1.8 %	9.03.2010	313	313
EUR 3 000 thousand	6 month EURIBOR + 1.5 %	1.02.2010	15 647	0
EUR 303 thousand	OP prime +1.5 %	31.08.2007	0	470
EUR 315 thousand	OP prime +1.5 %	30.11.2007	0	985
EUR 354 thousand	6 month EURIBOR + 0.8 %	31.05.2012	0	739
Total			117 766	56 177

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OP prime is the Finnish Osuuspankki base interest 4.50 % as of 30.06.2008.

The investment loan in the amount of EUR 354 thousand with an outstanding balance of EEK 3 695 thousand as of 30.06.2007, of which EEK 739 thousand is recorded under short-term debt liabilities and EEK 2 956 thousand is recorded under long-term liabilities was also repaid before the maturity date in September 2007.

Investment loan in the amount of EUR 3 000 thousand with an outstanding balance as of 30.06.2008 is EEK 33 799 thousand, of which EEK 15 647 thousand is recorded under short-term liabilities and EEK 18 151 thousand under long-term liabilities, was partly paid before the maturity date in May 2008 in the amount of EEK 13 141 thousand.

Bonds

In January 2007, the company issued 782 bonds through SEB Eesti Ühispank, thus generating EEK 7 820 thousand of additional funds. The nominal value of the bonds is EEK 10 thousand, and the annual interest rate is 10%. The redemption date of the bonds was 10.07.2007.

The Group has issued bonds with a coupon rate of 9 % and nominal value of EEK 10 thousand in the total amount of EEK 12,300 thousand and a redemption date of 07.09.2007. The bonds were redeemed prematurely on 10.07.2007.

In July 2007 4 000 bonds were issued through AS Hansapank, from which the Group received additional funds in the total amount of EEK 34 899 thousand. The nominal value of the bonds was EEK 10 thousand, with an annual interest rate of 11%. The redemption date of the bonds is 09.04.2009.

Assets pledged as collateral to borrowings have been disclosed in Note 17.

Long-term borrowings	Effective interest rate	Repayment due date	30.06.08	30.06.07
Finance lease liabilities (see Note 14)			1 294	2 860
Borrowings, including			47 308	117 370
Pension insurance loan EUR 25 thousand	6.00%	1.07.2030	190	221
Investment loans, including			47 118	117 149
EUR 100 thousand	6 month EURIBOR + 1.8 %	15.10.2008	0	156
EUR 168 thousand	6 month EURIBOR + 1.2 %	15.12.2008	0	188
EUR 72 thousand	6 month EURIBOR + 1.9 %	30.06.2014	663	795
EUR 135 thousand	3 month EURIBOR + 1.0 %	15.07.2009	0	257
EUR 171 thousand	12 month EURIBOR + 0.5 %	15.09.2010	674	1 245
EUR 402 thousand	12 month EURIBOR + 0.5 %	10.12.2014	3 846	4 545
EUR 100 thousand	6 month EURIBOR + 1.8 %	9.03.2010	313	626
EUR 354 thousand	6 month EURIBOR + 0.8 %	31.05.2012	0	2 956
EUR 3 000 thousand	6 month EURIBOR + 1.5 %	1.02.2010	18 152	46 940
EUR 1 500 thousand	6 month EURIBOR + 1.5 %	1.02.2010	23 470	20 341
EEK 39 100 thousand	6 month EURIBOR + 2.5 %	16.02.2009	0	39 100
Total			48 603	120 230

Note 16 Deferred tax liability

Deferred tax liability in the amount of EEK 11 087 thousand includes the subsidiary Saaristomeren Kala Oy's income tax liability in the amount of EEK 2 883 thousand, that resulted from the difference between the accounting-base and tax-base for depreciation of non-current assets. In addition, the deferred tax liability includes EEK 8 204 thousand resulting from the following transactions:

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	30.06.2008	30.06.2007
Balance at the beginning of the period	10 420	0
Deferred tax liability resulting from assets recognised and revalued to fair value in the course of business comination	0	6 741
Change in deferred income tax liabilities resulting from sale of subsidiaries within the enterprise (see Note 9)	-91	0
Deferred tax liability resulting from origination and subsequent revaluation of assets	0	3 774
Deferred tax liability resulting from revaluation of assets during the period	-1 898	0
Amortization of deferred tax liability on revalued asstes resulting from business combination	-189	-95
Change in value resulted from exchange rate	-38	0
Total	**8 204**	**10 420**

Information on deferred tax assets have been disclosed in Note 11.

Note 17 Loan collateral and pledged assets

Collateral to the loans of OÜ Vettel include a mortgage on the "Kärsa" registered immovable in the amount of EEK 80 million and a commercial pledge on the company's movable property in the amount of EEK 10 million. The net book value of the Kärsa registered immovable amounted to EEK 32,5 million as of 30.06.2007.

A commercial pledge established on the shares of Vettel OÜ in amount of EEK 3 300 thousand . No liabilities has been secured at the moment.

Collateral to the loans of Heimon Kala Oy include a mortgage established in the amount of EEK 14 069 thousand and a commercial pledge on the company's immovable property in the amount of EEK 19 953 thousand.

Collateral to the loans of Saaristomeren Kala Oy include a mortgage established in the amount of EEK 8 182 thousand and a commercial pledge on the company's immovable property in the amount of EEK 16 681 thousand.

Note 18 Payables and prepayments

	30.06.2008	30.06.2007
Accounts payable	39 573	23 564
Taxes payable, including	9 255	9 386
Value added tax	6 057	6 748
Personal income tax and income tax payable on fringe benefits	1 143	1 334
Social insurance contributions	1 096	732
Unemployment insurance	10	8
Mandatory funded pension	782	560
Corporate income tax	167	4
Payables to employees	10 447	10 333
Interest payables	2 900	3 948
Other accrued expenses	1 177	3 043
Reclamation of government grant	57	0
Total payables	**63 409**	**50 273**

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Tax prepayments have been disclosed in Note 4.
Government grants have been disclosed in Note 19.

Note 19 Government grants

	01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
Deferred income related to government grants at the beginning of the period	32 101	0
Additions from acquisition of the subsidiary	0	32 963
Government grants received during the period	7 120	1 505
Movement related to the sales of subsidiary (see Note 9)	-379	0
Government grants returned	-217	0
Currency exchange effect	-31	-176
Government grants charged to income in the period (see Note 22)	-6 244	-2 191
Deferred income related to government grants at the end of the period, incl.	**32 350**	**32 101**
To be charged to income within 1 year	4 470	3 967
To be charged to income within 2-17 years	27 880	28 134

During the accounting period EU grants in the amount of EEK 160 thousand were repaid from the non-depreciated residue of the sold property, plant and equipment.
The Swedish subsidiary Överumans Fisk Ab has been issued an EU grant repayment claim in the amount of EEK 57 thousand due to violating the conditions of applying for the EU grants (see Note 18).

In 2004 subsidiary Vettel OÜ was assigned a structural grant from the Programme for Agriculture, Fishery and Rural Development in the amount of EEK 7 823 thousand. As of 30.06.2007 part of the project was completed and the off-balance sheet claim as of the balance sheet date was in the amount of EEK 6 742 thousand. The project was completed in May 2008 and as of the balance sheet date the last proportion of the grant in the amount of EEK 5 614 thousand, was recorded as receivables on the balance sheet (see Note 4).

Information on off-balance sheet receivables associated with government grants has been disclosed in Note 28.

Note 20 Share capital

As of 30.06.2007, the parent company's share capital in the total amount of EEK 6 612 thousand was divided into 661 218 shares, with the nominal value per share amounting to EEK 10. The minimum share capital of AS Saaremere Kala allowed by the company's articles of association is EEK 2.5 million and the maximum share capital EEK 10 million.

On 05.12.2006 the sole shareholder resolved to increase the parent company's share capital and share premium by a total of EEK 23 047 thousand.
With the general shareholders' meeting of 18.01.2007, the parent company's share capital and share premium was increased by a total of EEK 111 087 thousand. As of the balance sheet date, all monetary and non-monetary contributions have been made, and the changes in the company's share capital entered in the Estonian Central Register of Securities.
The non-monetary contribution was valuated by Audiitorbüroo Toomas Villems OÜ.

Transaction	Type	Sum
Shareholders of Saaremere Kala AS	Monetary	23 047
Shareholders of Vettel OÜ	Non-monetary	32 197
Shareholders of Saaristomeren Kala Oy	Non-monetary	78 890
Total		**134 134**

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As of 30.06.2008, the parent company's share capital in the total amount of EEK 6 612 thousand was divided into 661 218 shares, with the nominal value per share amounting to EEK 10. The minimum share capital of AS Saaremere Kala allowed by the company's articles of association is EEK 2.5 million and the maximum share capital EEK 10 million.

Note 21 Revenue

By fields of activity	01.07.07 - 30.06.08	24.10.06 - 30.06.07
10201 - Processing and storage of fish and fishery products	64 372	193 128
46381 - Wholesale of fish and fishery products	399 702	0
03211 - Sea aquaculture	2 436	0
03221 - Freshwater aquaculture	5 624	5 209
10201 - Services and other sales	394	3 703
52221 - Port and waterways usage-related activities	3	0
Total	**472 531**	**202 040**

By geographival areas	01.07.07 - 30.06.08	24.10.06 - 30.06.07
Finland	391 424	189 747
Estonia	67 476	2 337
Other countries	13 632	9 956
incl Europe	11 414	9 020
incl other	2 218	936
Total	**472 531**	**202 040**

Note 22 Operating expenses and other income

Cost of sales	01.07.07 - 30.06.08	24.10.06 - 30.06.07
Raw materials, semi-finished goods	-291 514	-116 852
Personnel expenses	-59 763	-29 758
Depreciation (see Note 12)	-12 364	-5 367
Amportisation (see Note 13)	-581	-290
Nitrogen	-65	-82
Transportation expenses	-3 658	-588
Electricity	-5 141	-3 451
Write-down of inventories	0	-1 126
Other expenses	-23 314	-11 298
Total	**-396 400**	**-168 813**

Marketing expenses	01.07.07 - 30.06.08	24.10.06 - 30.06.07
Transportation expenses	-17 894	-9 361
Personnel expenses	-5 209	-1 365
Advertising and sales organisation	-14 621	-7 404
Depreciation (see Note 12)	-2 332	-1 271
Amortisation (see Note 13)	-842	-566
Other expenses	-906	-769
Total	**-41 794**	**-20 735**

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Administrative and general expenses	01.07.07 - 30.06.08	24.10.06 - 30.06.07
Advisory expenses	-4 612	-2 078
Personnel expenses	-13 335	-5 044
Depreciation (see Note 12)	-309	-336
Amortisation (see Note 13)	-288	0
Other expenses	-9 702	-6 147
Total	**-28 246**	**-13 605**

Other income	01.07.07 - 30.06.08	24.10.06 - 30.06.07
Revenue from government grants (see Note 19)	6 244	2 191
Insurance indemnities	515	1 176
Profit from sales of property, plant and equipment	3 979	0
Other income	967	1 270
Total	**11 704**	**4 637**

Profit/loss from biological assets	Fingerlings	Undersize fish	Full-grown fish	24.10.06 - 30.06.07
Growth and reclassification	15 219	-4 327	7 545	18 437
Sales	-3 779	0	-1 429	-5 209
Total	**11 440**	**-4 327**	**6 116**	**13 228**

Profit/loss from biological assets	Fingerlings	Undersize fish	Full-grown fish	01.07.07 - 30.06.08
Growth and re-calssification	1 940	-1 135	11 615	12 420
Sales	-6 549	-60	-1 180	-7 789
Biological inventory discount	-935	-347	-5 625	-6 908
Total	**-5 545**	**-1 542**	**4 811**	**-2 277**

During the reporting period fish from Saaristomeren Kala Oy Pyhämaa fish farm were sold in the amount of EEK 2 166 thousand and the rental contract of the Pyhämaa fish farm was terminated. The change in biological assets of subsidiary Imatran Kala ja Kaviaari Oy arises from sale and is reflected through net asset change. Subsidiary Överumans Fisk AB has carried out a full inventory of its biological assets during the summer 2008 and as a result has written down inventories in the amount of EEK 6 908 thousand and in the total quantity of 189 thousand kg, which is due to the wrong management decisions and insufficient inventory management of the previous management board.
Biological assets are presented in Note 7.

Other expenses	01.07.07 - 30.06.08	24.10.06 - 30.06.07
Doubtful receivables and bad debts (see Note 5)	-104	-369
Loss from sales of non-current assets	-16	-79
Foreign exchange losses	-32	-37
Other expenses	-3 090	-1 222
Total	**-3 242**	**-1 707**

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Note 23 Net financial items

Financial income	01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
Interest income	579	226
Profit from sales of shares of subsidiary units (see Note 9)	3 216	0
Other financial income	911	28
Total	**706**	**254**

Financial expenses	01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
Interest expense	-13 802	-6 319
Other financial expense	-478	-827
Total	**-14 279**	**-7 146**

Note 24 Income tax

Income tax	01.07.2007 - 30.06.2008	24.10.2006 - 30.06.2007
Income tax on profit	-2 421	-1 693
Change in income tax asset (Heimon Kala Oy)	4 550	0
Deferred income tax, incl (see Note 16)	2 400	-3 679
Origination of temporary tax differences	0	-3 774
Reversal of temporary tax differences	2 400	95
Total	4 529	**-5 372**

Note 25 Earnings per share

	2008	2007
Number of shares (in thousands)	661	661
Profit attributable to owners (in thousands of kroons)	6 171	2 781
Earnings per share (in kroons)	9,34	4,21

Since the group has no contingently issuable common shares, diluted EPS equals to basic EPS.

Note 26 Financial risks

The group's activities involve several risks — currency risk, credit risk, interest rate risk, liquidity risk and capital risk:

Foreign exchange risk

The currency risk is incurred when the business transactions, assets and liabilities are fixed in a currency which is not the company's functional currency. At the same time, the group tries to avoid major open currency positions. The main currencies used are EEK and EUR. The company is most exposed to changes in the Swedish kronor. The group has not used any financial instruments to hedge itself against future currency risks arising from business transactions, assets and liabilities. The group has no outstanding significant currency risks as of 30.06.2007 and 30.06.2008.

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Credit risk

Credit risk exposes the potential loss that the group may bear as a result of its business partners not fulfilling their commitments. To hedge the credit risk, the group continually monitors the payment discipline of its customers. The group has no significant credit risks. As of 30. 06.2008, the maximum credit risk exposure of unwarranted receivables is EEK 481 thousand (2007 - EEK 495 thousand).

Interest rate risk

The group applies both fixed interest rates and interest rates tied with the EURIBOR. Detailed information on interest bearing liabilities is available in Notes 14 and 15. No instruments have been used for hedging the interest risk.

Below, a summary of the Group's exposure to interest rate risk is presented as of June 30:

	2008			2007		
Fixed interest rate	<1 year	>1 year	Total	<1 year	>1 year	Total
Interest-bearing receivables	0	472	472	0	439	439
Interest-bearing liabilities	54 424	1 294	55 718	47 217	2 860	50 077
Net position	**54 424**	**822**	**55 246**	**47 217**	**2 421**	**49 638**
Floating interest rate						
Interest-bearing liabilities	63 343	47 308	110 651	8 960	117 370	126 330
Net position	**63 343**	**47 308**	**110 651**	**8 960**	**117 370**	**126 330**

The Group estimates that a 1% change in interest rates would be reasonably possible. The sensitivity analysis of profit before tax demonstrated that a 1 percentage point change (rise or decline) in interest rates would affect (increase or reduce) profit before tax for 2008 by EEK 1 123 thousand (2007 - 1 220 thousand EEK).

Liquidity risk

According to the estimate of the management, the Group will not have liquidity problems provided that:

- if necessary, additional capital can be raised through bonds' issue(s) (subsequent to the balance sheet date bonds have been issued to the parent company of the Group, see Note 29);
- some of the loan terms are related with the investment strategy of the parent company of the Group, which by now have changed and subsequently the management is on the opinion that the repayment terms can be extended;
- the parent company increases the share capital of the Group (the share capital has been increased subsequent to the balance sheet date, see Note 29)

The Group's liabilities by repayment terms in a long-term timeline are as follows:

	<3 months	3-12 months	1-5 years	Over 5 years	Total
As of 30.06.2008					
Borrowings	29 303	98 157	51 632	1 049	180 141
Trade payables and other liabilities	57 051	6 061	1 390	0	64 501
Total	**86 354**	**104 218**	**53 022**	**1 049**	**244 642**
As of 30.06.2007					
Borrowings	54 383	40 404	156 441	1 976	253 204
Trade payables and other liabilities	42 753	7 095	0	0	49 847
Total	**97 136**	**47 498**	**156 441**	**1 976**	**303 051**

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Capital risk

Capital risk management is based on the principle of cost effective system so as to minimize risk occurring from core activities. As all risks related to business growth can not be covered due to practical and monetary restrictions, then preventive risk management system is used. To assure continuing risk management according to an overall, yet simple scheme, equity ratio has been kept on at least 24%. As at June 30, 2007 and June 30, 2008 the aforesaid ratio has been accordingly 33.5% and 34.1% - which is to some extent higher than the minimum standard set.

Decision about dividend payments is very important for the Group, as it may have an effect on the capital structure and share price. Company's strategy developments, shareholders interest and other factors have to be considered to make the decision about dividend payments. Taking into consideration that AS Saaremere Kala is entering into new business activities as well as potential extension of current segments, it has been proposed not to distribute profit of the financial year and to transfer the net profit to retained earnings or to other capital reserves, but also possibility to increase share capital through equity financing.

Information on financial instruments of the Group by category is as follows:

	30.06.2008	30.06.2007
Cash and cash equivalents	**6 681**	**16 287**
incl. loans and receivables	6 681	16 287
Receivables	**60 996**	**55 258**
incl. loans and receivables	60 996	55 258
Financial investments	**480**	**448**
incl. loans and receivables	480	448
Total financial assets	**68 157**	**71 993**
Loans and borrowings	**169 269**	**180 355**
incl. carried at amortized costs	169 269	180 355
Payables	**60 510**	**46 325**
incl. carried at amortized costs	60 510	46 325
Total financial liabilities	**229 778**	**226 680**

ADDITIONAL DOCUMENTS

Note 27 Related party transactions

Parties who control the other party or have significant influence over the business decisions of the other party are deemed related parties by the group. Related parties include:

- The parent company (Amber Trust SCA)
- Entities controlled by the parent company
- Entities related to the parent company
- The Management Board and Supervisory Board of the public limited company, other management employees and private individuals with major holdings in the public limited company, except in cases where these individuals do not have significant influence over the business decisions of the company; In addition, related parties include close relatives of and companies controlled by the above individuals.

Purchases		01.07.2007-30.06.2008	24.10.2006-30.06.2007
Companies related to management and supervisory board members	Services	1 362	957

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Sales		01.07.2007-30.06.2008	24.10.2006-30.06.2007
Companies related to management and supervisory board members	Other revenue	0	2

Receivables		30.06.2008	30.06.2007
Companies related to management and supervisory board members	Customer receivables	7	9

Payables		30.06.2008	30.06.2007
Companies related to management and supervisory board members	Accounts payable	206	122
Members of management and supervisory board	Other accrued expenses	0	45
Enterprise controlled by parent company	Bonds 10% coupon	0	7 817
Enterprises related to parent company	Bonds 11% coupon	15 765	0
Parent company	Interest payable	578	578

Management remuneration

A total of EEK 7 786 thousand (2007 - EEK 3 389 thousand) was paid to members of the management board and supervisory board of group companies and other management employees in the financial year (wages, bonuses, other benefits). No pension benefits have been granted to the management board and supervisory board members by the company.

Severance compensation to management

The management board and supervisory board members have not been granted the right to receive severance compensation. The maximum expense from dismissal compensation would be EEK 300 thousand.

Note 28 Off-balance sheet assets and liabilities

EU structural grant

Heimon Kala Oy has been granted EEK 405 thousand from the fish processors and fish wholesalers aid programme, of which as of the balance sheet date EEK 172 thousand is recorded as an off-balance sheet receivable. The limitation period for the receivable is 31 August 2008. In October 2008 172 thousand EEK have been received.

Saaristomeren Kala Oy has applied for grants in the amount of EEK 1 448 thousand from the fish processors and fish wholesalers aid programme, which as of the balance sheet date is an off-balance sheet receivable. In October 2008 applications in the total amount of EEK 1 049 thousand have been acceded and in November 2008 EEK 426 thousand has been received.

Överumans Fisk Ab has applied for grants in the amount of EEK 2 956 thousand to receive aid from the fish farmers aid programme, which as of the balance sheet date is an off-balance sheet receivable. In November 2008 the application has been acceded, but has not been paid out yet.

Subsidiary Överumans Fisk AB has written down inventories in summer 2008 in the amount of EEK 6 908 thousand and in the total quantity of 189 thousand kg. The claim against previous management board of

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the subsidiary will be submitted in full amount and is recognized at the moment as off-balance receivable (see Note 22).

Income tax from dividends

As of June 30, 2008, the group's retained earnings amount to EEK 8 813 thousand. The maximum possible income tax liability related to the payment of the group's retained earnings as dividends is EEK 1 851 thousand. The group can thus pay EEK 6 962 thousand in net dividends. The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid, and the related total income tax expenses would not exceed the distributable profit as of the end of the financial year.

Note 29 Events after the balance sheet date

In August 2008 the Group issued bonds to the parent company in the total amount of EEK 7 823 thousand and redeemed the bonds prematurely in December 2008.

In December 2008 the Group received a long-term loan from a company controlled by the parent company of the Group in the amount of EEK 19 558 thousand, which is due to be repaid in September 2009.

In December 2008 the shareholders of the Group decided to issue 53 170 new shares and increase the share capital by EEK 16 071 thousand.

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Note 30 Unconsolidated financial statements of parent company

The Parent's unconsolidated main financial statements presentation is required by the Estonian Accounting Law and is not a required part of the consolidated financial statements prepared under International Financial Reporting Standards. These unconsolidated main financial statements do not constitute the Parent's separate financial statements as defined in IAS 27 (Consolidated and Separate Financial Statements).

Note 30.1 Unconsolidated balance sheet of parent company

in thousands of kroons

	30.06.2008	30.06.2007
Cash and bank accounts	4 221	4 904
Receivables and prepayments	20 480	25 748
Total current assets	**24 701**	**30 652**
Long-term financial investments	150 131	151 974
Total non-current assets	**150 131**	**151 974**
TOTAL ASSETS	174 832	182 627
Borrowings	39 100	7 816
Payables and prepayments	865	683
Total current liabilities	**39 965**	**8 499**
Long-term borrowings	0	39 100
Total non-current liabilities	**0**	**39 100**
Total liabilities	**39 965**	**47 599**
Share capital	6 612	6 612
Share premium	127 921	127 921
Mandatory legal reserve	25	0
Retained earnings	470	0
Net profit/loss for the reporting period	-161	495
Total owner's equity	**134 867**	**135 028**
TOTAL LIABILITIES AND OWNER'S EQUITY	174 832	182 627

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Note 30.2 Unconsolidated income statement of parent company

in thousands of kroons

	01.07.2007-30.06.2008	24.10.06-30.06.07
Revenue	2 372	180
Cost of sales	-2 530	-181
Gross profit	-158	-1
Administrative and general expenses	-753	-255
Other expenses	-583	-9
Operating loss	-1 494	-265
Financial income	4 102	2 240
Financial expenses	-2 769	-1 480
Net profit/loss for the financial year	-161	495

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Note 30.3 Unconsolidated cash flow statement of parent company

in thousands of kroons

	01.07.2007-30.06.2008	24.10.2006 - 30.06.2007
Operating loss	-1 494	-265
Change in receivables and prepayments related to operating activities	-915	-377
Change in liabilities related to operating activities	183	218
Total cash flow from operating activities	**-2 226**	**-424**
Net cash flow from purchase of subsidiaries (see Note 9)	-3 567	-1 788
Loans granted	0	-66 670
Repayments of loans granted	14 708	4 100
Interest received	987	127
Other cash flow	0	212
Total cash flow from investing activities	**12 128**	**-64 019**
Loans received, bonds issued	0	46 857
Redemption of debt instruments	-7 820	
Interest paid	-2 765	-840
Other cash flow	0	-117
Issue of shares (Note 20)	0	23 047
Total cash flow from financing activities	**-10 585**	**68 947**
Total cash flow	**-683**	**4 504**
Cash and cash equivalents at the beginning of the period	4 904	400
Change in cash and cash equivalents	-683	4 504
Cash and cash equivalents at the end of the period	**4 221**	**4 904**

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Note 30.4 Unconsolidated statement of changes in equity of parent company

in thousands of kroons

	Share capital	Share premium	Mandatory legal reserve	Retained earnings	Total
As of 24.10.2006	400	0	0	0	400
Share issue	6 212	127 921	0	0	134 134
Net profit for the financial year	0	0	0	495	495
As of 30.06.2007	6 612	127 921	0	495	135 028
Transfer to legal reserve	0	0	139	-139	0
Net loss for the financial year	0	0	0	-161	-161
As of 30.06.2008	6 612	127 921	139	195	134 868

Additional information about the movements in share capital and dividends payable is disclosed in Note 20.

Adjusted parent company's unconsolidated owner's equity as of June 30 is following :

	2008	2007
Parent company's unconsolidated owner's equity	134 868	135 028
Net book value of subsidiaries in the parent company's unconsolidated balance sheet (minus)	-150 131	-112 874
Value of subsidiaries calculated in accordance with equity method accounting (plus)	157 474	0
Total	**142 211**	**22 154**

ADDITIONAL DOCUMENTS

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Saaremere Kala AS

Report on the Financial Statements

We have audited the consolidated financial statements of Saaremere Kala AS and its subsidiaries (hereafter "the Group"), which comprise the balance sheet as of 30 June 2008, the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audited financial statements, which we have identified on the accompanying pages, are enclosed with the current report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Basis for Qualified Opinion

We did not attend the physical count of inventories performed at 30 June 2008 in the Group's subsidiary OÜ Vettel due to missing information. Inventories not observed amounted to 25 711 thousand kroons. We also did not attend the physical count of biological assets performed at 30 June 2008 in the Group's subsidiaries Överumans Fisk Ab and Skärgårdshavets Fish Ab in the total amount of 21 592 thousand kroons as this was performed prior to our appointment as auditors

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of these subsidiaries. There were no alternative procedures that could be performed to confirm the existence of inventory and biological assets in the subsidiaries at that date. Accordingly, we were unable to obtain sufficient audit evidence regarding the quantities of these inventories and biological assets as at 30 June 2008.

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain sufficient evidence regarding the matters described in section "Basis for Qualified Opinion", the financial statements present fairly, in all material respects, the financial position of the Group as of 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw your attention to Note 9 to the consolidated financial statements in which management has disclosed detailed information on impairment test for goodwill acquired in a business combination in order to determine the recoverable amount of goodwill. The recoverable amount of goodwill is dependent on several management assumptions and estimations, the outcome of which can not be currently determined with conclusive certainty. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Without qualifying our opinion we draw your attention to the fact that as of 30 June 2008 there were material outstanding borrowings with a maturity date within up to one year from the balance sheet date. In notes 26 and 29 to the consolidated financial statements the management has disclosed its plans for repayment and refinancing of short-term borrowings as well as respective actions already undertaken subsequent to the balance sheet date.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The financial information of Saaremere Kala AS as a parent company in Note 30 is presented because it is required by the Estonian Accounting Law and is not a required part of the consolidated financial statements prepared under International Financial Reporting Standards. Such financial information has been subject to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is prepared in all material respects in accordance with the requirements of the Estonian generally accepted accounting principles and in relation to the consolidated financial statements taken as whole.

Tallinn, 19 December 2008

ENapa

Ivar Kiigemägi
Ernst & Young Baltic AS

Eneken Napa
Authorised Auditor

PROFIT DISTRIBUTION PROPOSAL

The management board proposes to add the loss for the financial year to the retained earning of previous periods.

Aivo Varem
Chairman of the management board

Pekka Pentti Olavi Lahtinen
Member of the management board

Petri August Oksanen
Member of the management board

19 December 2008

SIGNATURES OF THE MANAGEMENT AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2008

With this we confirm the correctness of the data presented in the Consolidation Group AS Saaremere Kala annual report 2008:

Erik Haavamäe
Chairman of the supervisory board

Kuldar Leis
Member of the supervisory board

Evald Karu
Member of the supervisory board

Aivo Varem
Chairman of the management board

Pekka Pentti Olavi Lahtinen
Member of the management board

Petri August Oksanen
Member of the management board

19 December 2008

Consolidated Annual Report

Saaremere Kala AS

Beginning of financial year:	24 October 2006
End of financial year:	30 June 2007
Registry code:	11310040
Address:	Viru 19 10140, Tallinn Republic of Estonia
Telephone:	+372 5175 440
Fax:	+372 4590 142
E-mail:	aivo@saaremerekala.eu
Main activities:	fish farming, production and sale of fish products

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CONSOLIDATED MANAGEMENT REPORT

AS Saaremere Kala is an international fish processing group which was established at the end of 2006. The group holds fish farm in Finland and Sweden, modern production complexes in Saaremaa and Finland, as well as a sales network in Estonia, Latvia and Finland. The group's most well-known trademarks currently include Gurme and Meriline in Estonia, and Heimon Kala and Saaristomeren Kala in Finland. The group incorporates OÜ Vettel and OÜ GourmetHouse in Estonia, Saaristomeren Kala Oy, Heimon Kala Oy, Polar Fish Oy, Imatran Kala ja Kaviaari Oy in Finland, as well as Överumans Fisk Ab and Skärgårdshavets Fish Ab in Sweden. The company's product portfolio includes fish fillets, cold-smoked and hot-smoked products, freshly salted and salted fish, fish products rolled in egg and bread crumbs, fish eggs and caviar. Fish eggs and caviar are produced in the company's own fish farms which farm rainbow trout, sturgeon, whitefish, pikeperch as well as other trout such as "golden rainbow trout" and alpine brown trout.

Saaremere Kala AS is owned by the international investment fund Amber Trust S.C.A and funds associated with the company as well as the company's management board.

The net turnover of AS Saaremere Kala for the period between 24.10.2006 and 30.06.2007 amounted to 202 million kroons, and net profit to 2.8 million kroons.

Market overview

Finnish market

The main raw material of Finnish fish processing companies is salmon imported from Norway and Denmark (40% of the total market volume) as well as raw material from local fish farms and fishing. Local raw material is provided by fish farms (63%), deep-sea fishing (28%) and fishing on internal waters (9%).

The main focus of the company's fish farms lies in the farming and development of different trout species.

The group company Saaristomeren Kala Oy is mainly involved in fish farming and processing. Fish processing is carried out in Uusikaupunki. Fish farms are located in five different regions. In Sweden, the company holds two fish farms. The fish farms are Saaristomere Kala OY's subsidiaries, and hold fishing permits for a total annual volume of approximately 1,980 tons. (1,230 tons in Sweden and 750 tons in Finland). The company employed an average of 63 people in the financial year.

The other group company Heimon Kala OY is mainly involved in fish processing and marketing. The company's entire output is marketed and supplied to Finnish retail trade organisations. The company operates in Hämeenlinna, Central Finland. The company employed an average of 61 people in the financial year.

Estonian market

The main raw material of Estonian fish processing companies consists of local Baltic Sea fish species, Baltic herring and sprat, as well as fresh water fish such as perch, pike perch and salmon for fillet companies. The canned food output is still targeted to the Eastern market as well as the markets of Central and Eastern Europe, the remainder is sold at the Western market. Finished products are marketed both on the Eastern and Western markets. Finished products are manufactured mostly from imported raw materials.

Aivo Varem

Fish product output

	2004	2005	2006	Average change per year
Fish products (except for canned products), in thousands of tons	65.3	76.4	75	6.3%
fresh and chilled fish, fish fillets, minced fish, in thousands of tons	4.3	4.1	5	6.6%
frozen fish, in thousands of tons	32	40	39,5	9.4%
smoked fish, in thousands of tons	3	3.3	3,1	1.3%
salted, spiced and dried fish, frozen fish and fish rolled in egg and bread crumbs, in thousands of tons	24.3	27.4	16,3	-28.4%
culinary fish products in oil, marinade, custard, in thousands of tons	1.7	1.4	1	-30.7%
Canned fish products, in thousands of tons	14.6	9.7	7,2	-42.6%
Total	79.9	86.1	82,2	1.2%

Source: ESA

Fish and fish product export and import in 2006

Export	Volume, in tons	Sum, in thousands
Chilled/frozen fish and fish fillets	61 860	840 587
Fish products and canned fish products	49 034	546 727
Vettel OÜ	1 295	111 011
Share of Vettel OÜ	1,2%	8,0%
Import		
Chilled/frozen fish and fish fillets	23 788	606 300
Fish products and canned fish products	6 818	204 937
Vettel OÜ	1 489	86 131
Share of Vettel OÜ	4,9%	10,6%

Source: ESA

The total export volume of Vettel OÜ for 18 month period in 2006-2007 amounted to 172 million kroons (2 thousand tons) and the import volume to 135 million kroons (2.4 thousand tons). The share of domestic fish products is still significantly smaller in volume than in Nordic countries. The share of fish in the food expenses of households varies quite a lot in different countries, from 2.5% in Austria to 15.6% in Portugal. The top fish consumers are Portugal (63 kg per capita), Iceland (46 kg per capita), Spain (41 kg per capita), Norway (37 kg per capita). In Estonia, the corresponding indicator was 14 kg (607 EEK per capita). According to the survey ordered by the Estonian Association of Fishery, fish products contributed to 4% of the household expenses in 2005. This equals to the Finnish market growth, allowing us to estimate a similar trend in the next few years, facilitated by increase in household income and consumers in recent years. According to the survey conducted by the Estonian Association of Fishery, consumers are most interested in chilled fish and fish products as well as salted and smoked fish products, especially the red fish (trout, salmon) and fresh water fish.

Highlights of the financial year

In 2006, a new company *Saaremere Kala AS* was established. In January 2007, the company acquired, through share swap transaction, a 100% stake in Vettel OÜ and *Saaristomeren Kala OY*.

The management board of Saaremere Kala AS has three members, including the managing director of Vettel OÜ, managing director of Saaristomeren Kala Oy and managing director of Heimon Kala Oy.

In 2007, the company resolved to increase the company's share capital, with the total share premium amounting to 134 million kroons.

A total of 6 million kroons was invested in non-current assets in the reporting period. The biggest investments included purchase of fish farming equipment and construction of a water supply and water treatment system.

The company posted a net profit of 2.8 million kroons in the financial year.

The group has sufficient unused options for enhancing efficiency of its operations, especially through internal reorganisation, allowing to amplify the strengths of group companies and eliminate their weaknesses. By today, the first stage of production reorganisation has been completed, with the company achieving an increase in sales coverage and production volumes. The group has consequently started the new financial year with a material increase in net profit margin. The acquisition of a new subsidiary — GourmetHouse — in Estonia has significantly improved the group's market position in Estonia.

The group employed an average of 214 people in the financial year. The company's personnel expenses amounted to 36.2 million kroons.

A total of 3.4 million kroons was paid as remuneration and severance compensation to members of the management board and supervisory board in 2006-2007.

Subsidiaries

As of 30.06.2007, AS Saaremere Kala incorporated the following subsidiaries:

Saaristomeren Kala Oy - registered in Finland – share: 100% - fish farming, fish product manufacturing and sales.
Imatran Kala ja Kaviaari Oy - registered in Finland – share: 81% - fish farming and sales.
Polar Fish Oy - registered in Finland – share: 100% - production building management and rental.
Skärgårdshavets Fisk Ab - registered in Sweden – share: 100% - fish farming and sales.
Överumans Fisk Ab - registered in Sweden – share: 100% - fish farming and sales.

Vettel OÜ - registered in Estonia – share: 100% - fish product manufacturing and sales.

Heimon Kala OY - registered in Finland – share: 100% - fish product manufacturing and sales.
Airistolainen OY - registered in Finland – share: 100% - fish product manufacturing.

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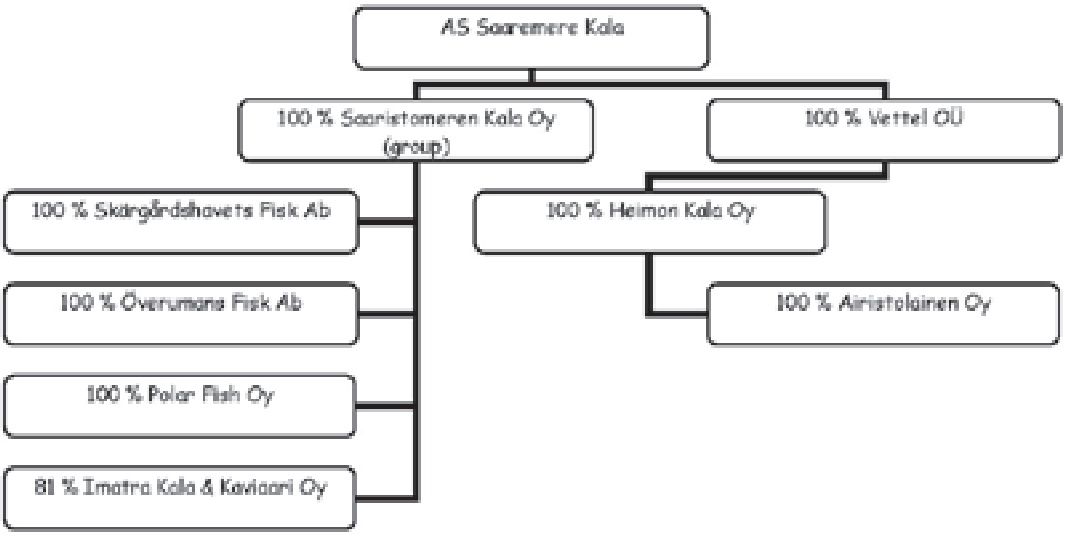

In July 2007, GourmetHouse OÜ was registered in Estonia and incorporated in the group (with a share of 51.43%).

Financial ratios

		2006/2007
Quick ratio	[(current assets – inventories) / (current liabilities – liabilities to owners)]	0.66
Current ratio	[current assets / (current liabilities - liabilities to owners)]	1.74
Return on EBITDA	[(operating profit + depreciation charge) / net turnover]	8.35%
Net profit margin	[net profit / net turnover]	1.38%

Future perspectives

The main objective for the financial year 2007/2008 is to integrate the activities of Vettel OÜ, Heimon Kala OY, Saaristomeren Kala OY and GourmetHouse OÜ in the Saaremere Kala group. Incorporation of different companies under the Saaremere Kala group has allowed to take control of the entire chain of supply, from fish farming to product marketing. The company pursues gradual implementation of the consequent synergies and amplification of the strengths of group companies. The investment plan for 2008 includes production expansion in Saaremaa, Vettel OÜ and fish farming expansion in Sweden. The company forecasts a 500-million-kroon turnover for the financial year.

The company's management proposes to transfer 25 thousand kroons of the profit for the financial year to mandatory reserve, and the remainder to retained earnings. Due to the company's long-term development plans, the company is not planning to pay dividends to owners before 2008.

Aivo Varem
Chairman of the Management Board

Aivo Varem

CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT REPRESENTATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby take responsibility for the preparation of the consolidated financial statements set out on pages 6-39, and confirm that:

1. the accounting principles used in preparing the consolidated financial statements are in compliance with the International Financial Reporting Standards;

2. the consolidated financial statements give a true and fair view of the financial position of the group, as well as the results of its operations and cash flows;

3. the group and the parent company are able to continue as a going concern.

Aivo Varem *Chairman of the Management Board*	Pekka Pentti Olavi Lahtinen *Member of the Management Board*
Antti Juhani Salminen *Member of the Management Board*	Petri August Oksanen *Member of the Management Board*

20 December 2007

Aivo Varem

ADDITIONAL DOCUMENTS

CONSOLIDATED BALANCE SHEET

in thousands of kroons

	30.06.2007	24.10.2006	Note
Cash	16 287	400	2
Short-term financial investments	179	0	3
Receivables	50 928	0	4
Prepayments	4 339	0	4
Non-current assets held for sale	284	0	5
Biological assets	78 874	0	6
Inventories	40 741	0	6
Total current assets	**191 632**	**400**	
Long-term financial investments	1 409	0	7
Investments in joint venture	792	0	9
Deferred tax assets	991	0	10
Property, plant and equipment	122 205	0	11
Intangible assets	92 697	0	12
Total non-current assets	**218 094**	**0**	
TOTAL ASSETS	409 725	400	
Borrowings	56 177	0	14
Payables and prepayments	50 273	0	17
Government grants	3 967	0	18
Total current liabilities	**110 417**	**0**	
Long-term borrowings	120 230	0	14
Deferred tax liability	3 269	0	15
Government grants	28 134	0	18
Total non-current liabilities	**151 633**	**0**	
Total liabilities	**262 050**	**0**	
Share capital	6 612	400	19
Share premium	127 921	0	
Unrealised currency exchange rate differences	-60	0	
Retained earnings	2 781	0	
Total owner's equity	**137 255**	**400**	
TOTAL LIABILITIES AND OWNER'S EQUITY	409 725	400	

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CONSOLIDATED INCOME STATEMENT

in thousands of kroons

	24.10.2006 - 30.06.2007	Note
Revenue	202 040	20
Cost of sales	-168 813	21
Gross profit	**33 227**	
Marketing expenses	-20 735	21
Administrative and general expenses	-13 605	21
Other income	4 637	21
Profit from increase in the value of biological assets	13 228	21
Other expenses	-1 707	21
Operating profit	**15 045**	
Financial income	254	22
Financial expenses	-7 146	22
Profit before income tax	**8 153**	
Income tax	-5 372	23
Net profit for the financial year	**2 781**	

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CONSOLIDATED CASH FLOW STATEMENT

in thousands of kroons

	24.10.2006-30.06.2007	Note
Cash flow from operating activities		
Operating profit	15 045	
Adjustment of operating profit	5 366	
Depreciation and impairment of non-current assets	7 884	11, 12
Profit from disposals of property, plant and equipment	79	21
Government grants	-2 191	21
Write-down on receivables and prepayments	369	21
Foreign exchange losses	-37	21
Change in receivables and prepayments related to operating activities	18 722	
Change in receivables	21 626	
Change in prepayments	-2 904	
Change in inventories	-6 067	
Change in biological assets	-13 228	21
Change in liabilities and prepayments related to operating activities	-66 583	
Income tax paid	-1 693	23
Total cash flow from operating activities	**-48 438**	
Total cash flow from investing activities		
Purchase of property, plant and equipment, and intangible assets	-4 174	11, 12, 13
Sale of property, plant and equipment, and intangible assets	246	
Net cash flow from purchase of subsidiaries	11 763	8
Acquisition of other financial assets	-179	
Sale of other financial assets	1 174	7
Interest received	254	22
Total cash flow from investing activities	**9 084**	
Cash flow from financing activities		
Loans received, bonds issued	120 994	
Repayments of loan received	-39 518	
Change in factoring liability	-2 678	
Government grant received	1 504	18
Repayment of finance lease principal	-1 203	13
Interest paid	-4 187	
Issue of shares	23 046	19
Repurchase of treasury shares of subsidiaries	-42 658	
Total cash flow from financing activities	**55 301**	
Total cash flow	**15 947**	
Cash and cash equivalents at the beginning of the period	400	2
Unrealised currency exchange rate differences	-60	
Change in cash and cash equivalents	15 947	
Cash and cash equivalents at the end of the period	**16 287**	2

The balance of cash and cash equivalents in the cash flow statement agrees to the balance of cash and bank accounts in the balance sheet.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of kroons

	Share capital	Share premium	Unrealised currency exchange rate differences	Retained earnings	Total
As of 24.10.2006	400	0	0	0	400
Share issue	6 212	127 921	0	0	134 133
Change in unrealised currency exchange rate differences	0	0	-60	0	-60
Net profit for the financial year	0	0	0	2 781	2 781
As of 30.06.2007	6 612	127 921	-60	2 781	137 255

Additional information on owner's equity has been disclosed in Note 19

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information and basis of preparation

A. General information

AS Saaremere Kala was established on 24 October 2006. The consolidated financial statements have therefore been prepared for the period 24 October 2006 - 30 June 2007.

The main fields of activity of Saaremere Kala Group include fish farming, processing and sales.

AS Saaremere Kala is a holding company which has been registered and is operating in the Republic of Estonia and whose subsidiaries are involved in fish farming, processing and sales.

Pursuant to the requirements of the Commercial Code of the Republic of Estonia, the annual report prepared by the management board and approved by the supervisory board shall be approved at the general shareholders' meeting. These consolidated financial statements form a part of the annual report to be approved by the shareholders, and basis for profit allocation. The shareholders shall have the right not to approve the annual report prepared by the management board and approved by the supervisory board, and demand preparation of a new annual report.

The consolidated financial statements of AS Saaremere Kala for 2006-2007 include the economic results of the following companies: Vettel OÜ, Heimon Kala Oy, Airistolainen Oy and Saaristomeren Kala Oy Group (consolidated together with its subsidiaries).

B. Basis of preparation

The consolidated financial statements of AS Saaremere Kala (hereinafter also referred to as the "parent company"), and its subsidiaries (hereinafter referred to as the "group") have been prepared on a historical cost basis, unless otherwise stipulated in the accounting principles described below (e.g. certain financial investments and biological assets are recorded at fair value).

Unless otherwise noted, the consolidated financial statements have been prepared in thousands of Estonian kroons.

Pursuant to the Accounting Act of the Republic of Estonia, the parent company's unconsolidated financial statements (i.e. balance sheet, income statement, cash flow statement and statement of changes in equity) are recorded in the notes to the consolidated financial statements. The unconsolidated financial statements of AS Saaremere Kala have been presented in Note 29 - 32 „Parent company's unconsolidated financial statements". The financial statements have been prepared on the basis of the same accounting principles and basis of estimations used in the consolidated financial statements, except for investments in subsidiaries.

Statement of compliance

The consolidated financial statements of AS Saaremere Kala and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Commission.

The main accounting principles and basis of estimations have been laid out below.

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C. Basis of consolidation

The consolidated financial statements comprise the financial indicators of AS Saaremere Kala and its subsidiaries, consolidated on a line-by-line basis. Subsidiaries are consolidated from the date on which significant influence is transferred to the group, and cease to be consolidated from the date on which the significant influence is transferred out of the group.

Subsidiaries are companies controlled by the parent company. Control is presumed to exist if the parent company owns, either directly or indirectly, over 50% of the voting shares or share capital of the subsidiary, or if the parent company controls the subsidiary's financial or operating policies under a contract or agreement, or if the parent company has the right to appoint or remove a majority of the members of the management board or higher management of the subsidiary.

The accounting principles applied by subsidiaries in the preparation of the financial statements are, to a material extent, the same principles as those applied by the parent company. All intra-group transactions, receivables and liabilities, including unrealised profits and losses arising from intercompany transactions, have been fully eliminated. Unrealised losses are not eliminated, if these losses essentially represent a decrease in the value of assets.

New subsidiaries (business combinations) are recognised in the consolidated financial statements based on the purchase method.

The acquisition cost of business combinations, accounted for by using the purchase method, is allocated to the fair values of assets, liabilities and contingent liabilities on the acquisition date. The portion of the acquisition cost which exceeds the fair value of the acquired assets, liabilities and contingent liabilities is recognised as goodwill (see accounting principle "Goodwill"). If the fair value exceeds the cost, the difference will immediately be fully charged to the income of the period (under "Administrative and general expenses" in the income statement).

D. *Changes in the presentation and accounting principles*

The consolidated financial statements are prepared based on the principle of consistency and comparability. This means that the same accounting policies and presentation formats are used by the group on an on-going basis in preparation of financial statements. Changes will be introduced to the accounting principles and presentation formats only if so conditioned by the new or revised IFRS and its interpretations, or if the new accounting principles and/or presentation formats give a more objective overview of the financial position and economic results of the group and the parent company, as well as their cash flows.

New IFRS standards and interpretations

In the opinion of the group's management board, the following new or revised standards and interpretations, which have been passed by the date of preparation of this annual report but have not yet entered into force and been applied by the group, have no effect on the assets and liabilities of the group as of 30 June 2007. The requirements of these standards and interpretations shall be followed from the moment of their entry into force:

- IFRS 7 Financial Instruments: Disclosures. IFRS 7 requires disclosure of information which allows to evaluate the significance of the group's financial instruments and qualitative and quantitative information on the risks arising from financial instruments. The standard shall apply for reporting periods commencing on 1 January 2007 or later; the standard will not be applied before its entry into force;
- IFRS 8 Operating Segments. The standard establishes requirements for reportable information on the company's operating segments and products and services sold, as well as

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geographical areas where the company operates, and its main customers. The standard shall apply for reporting periods commencing on 1 January 2009 and later; the standard will not be applied before its entry into force;

- IAS 1 Presentation of Financial Statements (revised). The revision requires the company to report information which allows to evaluate the company's capital management objectives, principles and processes. The standard shall apply for financial years commencing on 1 January 2007 or later; the standard shall not be applied before its entry into force;
- IFRIC 10 Interim Financial Reporting and Impairment. This interpretation forbids reversal of write-downs arising from impairment of equity instruments or financial assets recognised at goodwill or acquisition cost in the previous period. The interpretation shall apply for reporting periods commencing on 1 November 2006 and later;
- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions This interpretation gives instructions on how to classify transactions as equity or cash transactions and addresses how to account for share-based payment transactions which involve two or more companies of the same group in the separate financial statements of each group company. This interpretation shall apply for reporting periods commencing on 1 March 2007 and later; the interpretation shall not be applied before its entry into force;
- IFRIC 12 Service Concession Arrangements The interpretations addresses how service concession operations should apply existing IFRSs to account for the obligations undertaken and rights received in service concession arrangements. The interpretation shall apply for reporting periods commencing on 1 January 2008 and later; the standard will not be applied before its entry into force;
- IAS 23 Borrowing costs (revised). This standard shall apply for reporting periods commencing on 1 January 2009 and later; the standard will not be applied before its entry into force.

Significant accounting judgements and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards as adopted by the European Union requires the management to make estimates and judgements that affect the reported amounts and accounting policies of assets and liabilities.

Although the estimations and judgements are reviewed by the management consistently and these are based on the previous experiences and the best knowledge on future trends, the actual outcomes may differ from the current estimates. The management has made the following significant estimates and judgements on the following that have effect on the amounts recognised in the consolidated financial statements

- Determining the useful lives of property, plant and equipment
- Determining the useful lives of intangible assets
- Determining the fair value of net assets aquired from business combination
- Performing the goodwill impairment test
- Allowances for receivables and inventories
- Determining the fair value for biological assets
- Estimating the sales opportunity for non-current assets classified as held for sale

E. Investments in joint ventures

A joint venture is an entity where two or more parties (incl parent company) undertake an economic activity that is subject to joint control.

Investments in joint ventures are recognised in the balance sheet under the equity method of accounting. Pursuant to the equity method, the investment is initially accounted for at acquisition cost, and adjusted thereafter on the basis of the changes in the investor's stake in the equity of the investment object, as well as depreciation of the goodwill arising from the acquisition, or recognition of badwill as income, less any impairment in the value of the investment. The group's interest in the economic results of the associated company is recorded under "Net financial items" in the consolidated income statement. If the joint venture has conducted transactions the effect of which is recognised directly under equity, the group will also recognise its share of these transactions directly under owner's equity.

Unrealised profits arising from transactions between joint venture and group companies are eliminated in accordance with the group's interest in the joint venture. Unrealised losses are eliminated as well, unless the loss is generated by decrease in the value of assets. Investment in a joint venture includes the goodwill arising from the acquisition, less any accumulated impairment losses.

If the group's stake in the loss of the joint venture recorded based on the equity method equals to or exceeds the net book value of the joint venture, the net book value of the investment will be written down, and further losses accounted as a reduction of long-term receivables which essentially form a part of the investment in the investment object. There is one exception to this rule – if the group company has guaranteed or obliged to satisfy the obligations of the associated company, both the respective obligation and the loss from the equity method will be recognised in the balance sheet.

F. Foreign currency transactions

The Estonian kroon is the underlying currency of the parent company, and the reporting currency of the consolidated financial statements of the group and the unconsolidated financial statements of the parent company. All other currencies are considered foreign currencies.

Transactions denominated in foreign currency are recorded on the basis of the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. Assets and liabilities denominated in foreign currency have been translated into Estonian kroons on the basis of the currency exchange rates of the Bank of Estonia officially valid on the balance sheet date.

Foreign exchange gains and losses resulting from revaluation are recorded as revenue and expenses in the income statement of the reporting period, whereas foreign exchange gains and losses related to settlements with suppliers and customers are recorded under revenue and expenses, and other foreign exchange gains and losses under net financial items in the income statement.

The underlying currency of foreign subsidiaries is the euro. The balances of the transactions, assets and liabilities of all Swedish-based subsidiaries are translated into euros in the subsidiary's consolidated financial statements. The exchange rate between the Estonian kroon and the euro has been fixed at 1 euro = 15.6466 Estonian kroons.

A currency exchange rate difference arises in the consolidated balance sheet of the Finnish-based subsidiary Saaristomeren Kala from consolidation of Swedish-based subsidiaries. This is due to the difference between the exchange rates for the Swedish kronor and the euro. The subsidiary has therefore translated Swedish kronors into euros on the basis of the following exchange rates:

- assets and liabilities have been translated on the basis of the official exchange rate of the Bank of Finland on the balance sheet date;
- revenue and expenses have been restated on the basis of the annual average exchange rate.

The exchange rate differences arising from revaluations are recognised under "Unrealised exchange rate differences" in owner's equity.

G. Cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents are short-term (with a term of up to three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in market value. Cash and cash equivalents

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include cash in hand and at bank, short-term deposits with an original maturity of three months or less and interest market fund shares.

H. Financial assets

Financial assets are initially recognised at cost, being the fair value of the consideration given. The acquisition cost includes all expenditures directly related to the purchase of the financial asset, including service charges payable to brokers and advisors, non-refundable taxes and other similar expenditures. Financial assets which are measured at fair value with changes in the income statement constitute an exception — the additional expenses incurred in connection with their acquisition are charged to expenses in the income statement.

All regular way purchases and sales of financial assets are recognised on the transaction date. A transaction date is the date that the group commits (e.g. concludes an agreement) to purchase or sell the financial asset. Regular way transactions are purchases and sales transactions that require delivery of the financial asset to be purchased or sold by the seller to the buyer within the time frame generally established by regulation or convention in the marketplace.

Subsequent to initial recognition, financial assets are divided into the below groups. At the end of each financial year, the financial asset is tested and reclassified, if necessary. Financial assets which cannot be reclassified under IFRS constitute an exception. The following principles are applied for financial asset groups:

- financial assets at fair value, through profit and loss - are measured at their fair value;
- investments to be held to maturity are measured at amortised cost;
- receivables are measured at amortised cost;
- available-for-sale financial assets are measured at fair value or acquisition cost, if these assets are equity instruments whose fair value cannot be reliably measured.

<u>Financial assets measured at fair value</u>

Financial assets measured at fair value are restated each balance sheet date. Potential transaction costs on disposal of the assets are not deducted from the fair value. The fair value of listed securities is based on the closing price of the security, as well as the official exchange rate of the Bank of Estonia on the balance sheet date. The fair value of unlisted securities is determined on the basis of the available information and by analysing the securities by using the comparative and/or the discounted cash flow method.

Gains and losses from the changes in fair value are recorded under "Net financial items" in the income statement. Profit and loss from disposal of financial assets measured at fair value, as well as interest and dividends, are recorded under "Net financial items" in the income statement.

<u>Receivables and financial assets intended to be held to maturity</u>

Receivables, which the group has not purchased for resale, including financial assets that are intended to be held-to-maturity are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition, as well as expenses directly related to the transaction, over the year to maturity.

Financial assets measured at amortised cost will be written down, if it is probable that their recoverable amount is lower than their carrying amount. The recoverable amount of a financial asset measured at amortised cost is the net present value of future cash flows from the financial asset, discounted, upon its initial recognition, with the effective interest rate. The write-down of financial assets related to operating activities is charged to expenses in the income statement (under "Administrative and general expenses") while the write-down of financial assets related to investing activities is charged to financial expenses in the income statement.

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Impairment of financial assets will be presented separately for each item, if the item is material. On the basis of historical data, an allowance will be made for doubtful receivables in the amount of 50% of the receivable, if the receivable is due for over 90 days, and in the amount of 100%, if due for over 180 days. The allowance will be established for doubtful receivables earlier, if certain events indicate that the recoverable amount of the receivable has fallen below its carrying amount.

In case of collection of receivables previously written down, or other events indicating that the write-down is no longer justifiable, the previous write-down will be reversed in the income statement as a reduction of the expense item to which the write-down was initially charged.

Interest income from receivables is recorded under "Net financial items" in the income statement.

Financial assets measured at acquisition cost

Financial assets measured at acquisition cost will be written down to their recoverable amount, if the recoverable amount has fallen below the carrying amount. The recoverable amount of financial assets measured at cost consists of the estimated future cash flows from the financial asset, discounted with the average rate of return from similar financial assets on the market. The impairment loss is recognised under financial expenses in the income statement, and shall not be reversed.

Financial assets are derecognised when the group loses the right on the future cash flows from the financial asset. Financial assets are derecognised also if the group undertakes to fully and without any significant delay transfer the cash flows to a third party who has already assumed a majority of the risks and benefits associated with the financial assets.

I. Inventories

Finished products and work-in-progress are recorded at production cost, consisting of the direct and indirect production costs incurred upon bringing the inventories to their present condition and amount. General production costs are charged to inventories and spread out during the cycle on the basis of the standard production volumes of finished goods and work-in-progress.

Other inventories are recorded at acquisition cost, consisting of the purchase price, customs duties, other non-refundable taxes and direct transportation costs related to the purchase, less discounts.

Expenses on inventories and calculation of the net book value of inventories are based on the weighed average cost method.

Inventories are measured in the balance sheet according to the lower of the acquisition cost or net realisable value. Materials and work-in-progress are written down, if the estimated cost of products to be manufactured exceeds the net realisable value of finished products.

The amount of write-down of inventories to their net realisable value is recorded under "Marketing expenses" of the reporting period in the income statement.

J. Biological assets

Biological assets include live fish and fertilised fish eggs which are expected to generate economic benefits in the future. In both initial and subsequent recognition, biological assets are recorded at their fair value, less the estimated sales expenses. On the moment when biological assets are transformed into produce, the produce is recognised at fair value, less the estimated sales expenses. The fair value of biological assets is the market price of the assets.

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Gains and losses arising from the change in the fair value are recognised under "Profit from increase in the fair value of biological assets/Loss from decrease in the fair value of biological assets".

K. **Property, plant and equipment**

PPE are recognised at cost, consisting of the purchase price, non-refundable taxes and other expenditures directly related to the process of taking the non-current asset item into use. The acquisition cost of PPE constructed for own use includes the actual cost of construction.

Following initial recognition, an item of PPE is carried in the balance sheet at its cost, less accumulated depreciation and any accumulated impairment losses.

If the PPE item consists of distinguishable components with different useful lives, these components are separately recorded under assets, and their depreciation rates specified separately thereof in accordance with their useful lives.

Due to the specifics of the PPE item, its useful life may differ from that of a similar group. In this case, the PPE item is viewed as a separate item, with a respective depreciation period.

Expenses incurred on PPE after their recognition (e.g. replacement of a part of the asset item) are added to the book value of the item, provided it meets the following criteria:
(a) the asset item is likely to generate economic benefits for the group in the future; and (b) the acquisition cost can be reliably measured. Replaced parts are written off from the balance sheet. All other costs on maintenance and repairs are charged to expenses when incurred.

Depreciation of PPE is calculated on a straight-line basis. Depreciation rates are determined for each PPE item or PPE group separately, depending on its useful life. The estimated useful life of non-current assets is inventoried in the course of the annual stock-take, and upon accounting for improvements. The remaining useful life of the non-current assets is changed when necessary. Depreciation of a non-current asset item is recognised from the moment the item is operational. Depreciation is derecognised if its final value exceeds the net book value, or until the item is removed from use or reclassified into non-current assets held for sale. Depreciation is derecognised if the asset is fully depreciated.

The depreciation rates, depreciation methods and final values are evaluated on each balance sheet date.

If the recoverable amount of the PPE item (i.e. higher of the fair value less sales expenses or the value in use of the asset item) is lower than its carrying amount, the PPE item will be written down to its recoverable amount. The amount of write-down is charged to the expenses of the period, under "Other expenses".

PPE is derecognised upon transfer of the asset, or if the group can expect no financial benefits from use or disposal of the asset. Any profits and losses arising from derecognition of PPE are charged to "Other income" or "Other expenses" in the income statement of the period when the PPE were derecognised.

PPE items which are likely to be sold within 12 months are reclassified into non-current assets held for sale, and recorded on a separate entry under current assets in the balance sheet. Non-current assets held for sale will no longer be depreciated, and will be recorded at the lower of the net book value or fair value (less sales expenses).

The following annual depreciation rates apply for PPE groups:

• Land	0%
• Buildings and facilities	2-20 %
• Machinery and equipment	8-50 %

- Transport vehicles 10-25 %
- Other equipment; fixtures, fittings and tools 10-50 %

L. Goodwill

Goodwill is initially measured at cost, being the excess of the cost of acquisition over the fair value of the acquired net assets, liabilities and contingent liabilities on the date of acquisition. Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

In order to determine the impairment, any goodwill acquired is allocated to each cash-generating units expected to benefit from the combination's synergies, or groups of such units. Allocation of goodwill between cash-generating units is based on intra-group reporting — goodwill is allocated to the lowest level, where it is monitored by the management within the framework of internal accounting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Any impairment losses are charged to expenses under "Other expenses" in the income statement of the reporting period. Impairment losses will not be reversed, if the recoverable amount of goodwill rises above its carrying amount.

M. Other intangible assets

Intangible assets acquired separately from a business combination will be recognised only if the following conditions are met:

a) the asset item can be tested by the group;
b) generation of future economic benefits from the object is likely;
c) the acquisition cost of the item can be reliably measured.

Intangible assets acquired from a business combination will be recognised separately from goodwill, if the asset items are distinguishable or arise from contractual or other legal rights, and their fair value can be reliably measured on the date of acquisition.

Intangible assets are initially recorded at acquisition cost, consisting of the purchase price and expenses directly related to the acquisition. Following initial recognition, an item of intangible assets is carried in the balance sheet at its cost, less accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either infinite or definite. Amortisation of intangible assets with a definite useful life is calculated on a straight-line basis. The following annual amortisation rates are used:

- Software licenses 33%
- Trademarks 4 %
- Fish farming licenses 2 % or depending on the term of validity

Where amortisation is charged on definite intangible assets, this expense is taken to the income statement through the line item to which the assets belong. The amortisation period and amortisation methods of definite intangible assets are reviewed at the end of each financial year. Changes in estimated useful life or future economic benefits over time are recorded as changes in the amortisation period and amortisation methods (i.e. as changes in accounting estimates).

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If there is any indication that the recoverable amount of definite intangible assets has fallen below its carrying amount, the asset will be tested for impairment and, if necessary, written down to its recoverable amount.

Infinite intangible assets are tested for impairment annually either individually or at the cash generating unit level. These intangible assets are not depreciated. The useful life of infinite intangible assets is reviewed on an annual basis to make sure the useful life has remained infinite. Adjustments, where applicable, are made on a prospective basis.

N. Financial liabilities

Financial liabilities are initially recognised at their acquisition cost, consisting of the fair value of the consideration given. Following initial recognition, financial liabilities are measured at their amortised cost by using the effective interest rate method. Transaction costs are taken into consideration upon calculating the effective interest rate, and charged to expenses over the term of the financial liability.

Interest expenses related to the financial liability are recorded under "Net financial items" in the income statement, except for interest expenses related to the financing of the PPE constructed for own use (see also accounting principle K).

The financial liability will be derecognised when the liability is paid, cancelled or expired.

O. Factoring

Factoring is the sale of receivables. Depending on the type of the factoring contract, the buyer has the right to sell the transferred receivable within the time agreed (factoring with recourse), or there is no right for resale and all the risks and benefits associated with the receivable are transferred from the seller to the buyer (factoring without recourse).

Factoring with recourse is recorded as a financing transaction (i.e. as collateralised borrowing), and the amount is recognised in the balance sheet as a receivable until collection or until expiration of the recourse. Factoring liabilities arising from factoring transactions are recorded similarly with other financial liabilities.

Factoring without recourse is recognised as a sale of receivable. The loss from the sale of receivables is either recognised as a financial expense or as an impairment expense depending on whether the transaction was concluded for the purpose of cash flow management or for hedging the risk of doubtful/uncollectible receivables.

P. Corporate income tax

Parent company and subsidiaries registered in Estonia

Pursuant to the Income Tax Act, Estonian companies are not subjected to pay income tax on the profit. Rather, they are subjected to income tax on the paid dividends. For dividends paid out until December 31, 2006 tax rate 23/77 applied, from January 1, 2007 income tax rate 22/78 from net dividends paid applies. Pursuant to the valid Income Tax Act, the income tax rate will be lowered by 1% a year to 20/80 on the net dividend paid after 1 January 2009. Since income tax is paid on the dividends rather than profit, all temporary differences between the tax bases and carrying values of assets and liabilities cease to exist.

The company's potential income tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet.

The income tax due on dividend distribution is recorded as tax cost in the income statement when dividend is announced.

Subsidiaries registered in foreign countries

Pursuant to the laws on income tax, net profit which has been adjusted by temporary and permanent differences stipulated in the law on income tax is subject to income tax in Finland and Sweden (with the established tax rate is 26% in Finland and 28% in Sweden).

Deferred income tax is recorded based on the liability as at the balance sheet date for all temporary differences between the tax bases and carrying values of assets and liabilities. Deferred income tax is recognised only if the company expects future economic benefits at the expense of which the deferred income tax can be used.

The payable income tax is recorded under current liabilities, and deferred income tax under non-current liabilities.

Q. Mandatory reserve

Pursuant to the Commercial Code of the Republic of Estonia, at least 5% of the net profit must be transferred to the reserve capital each financial year, until the reserve capital amounts to at least 10% of the share capital. The mandatory reserve cannot be paid out as dividends. Still, it can be used for covering the loss, if loss cannot be covered from the available shareholder's equity. Mandatory reserve can also be used for increasing the share capital of the company.

R. Accounting for lease

Lease transactions, where all material risks and benefits from ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating lease.

Assets leased under finance lease are recorded in the lessee's balance sheet at the lower of acquisition cost or the net present value of minimum lease payments. The depreciation period of assets acquired under finance lease is the useful life of the asset or the rental period, whichever is shorter. Assets leased out under finance lease are recorded in the balance sheet as a receivable in the amount of the net investment in the finance lease. Rental payments are divided into financial expenses/income, and rental payable/receivable so that the interest rate would be the same at any given moment.

In case of operating lease, the assets are recorded in the lessor's balance sheet. Operating lease payments are recorded during the lease period as income (by lessor) and expenses (by lessee) based on the straight-line method.

S. Government grants

Government grants allocated for assets

Government grants allocated for assets are recorded by using the gross method, i.e. the assets acquired using government grants are accounted for in the balance sheet at the acquisition cost, and the grant is recorded in the balance sheet under liabilities as deferred income. The acquired assets are depreciated and the deferred income is recognised as income over the useful life of the asset. Income related to government grants is recorded under "Other income" in the income statement.

Government grants allocated for operating expenses

Income from government grants is recorded in the income statement in proportion with the related expenses. The gross method is applied for recording income, i.e. the grant received and the expenses to be compensated for are recorded under different captions of the income statement. Income related to government grants is recorded under "Other income" in the income statement.

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T. Events after the balance sheet date

Material circumstances that have an effect on the valuation of assets and liabilities and become evident between the balance sheet date and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements.

Subsequent events that have not been taken into consideration when valuating the assets and liabilities but have a material effect on the result of the next financial year, are disclosed in the financial statements.

U. Revenue recognition

Revenue is recognised at the fair value of the received/receivable income. Revenue from the sales of goods is recognised when all material risks related to the ownership of the asset have been transferred to the buyer, the amount of revenue and expenses related to the transaction can be reliably measured, and the receipt of the revenue is probable. Revenue from the sales of services is recorded upon rendering of the service.

Interest income and dividend income is recorded when collection of the revenue is probable and the amount of the revenue can be reliably measured. Interest income is recorded based on the efficient interest rate of the asset item. Dividend income is recognised when the owner is granted a legal right to receive dividends.

V. Cash flow statement

The cash flow statement has been prepared based on the indirect method – in order to calculate the cash flow from operating activities, the net profit for the financial year has been adjusted by eliminating the effect of non-monetary transactions, and changes in the balance of current assets and liabilities related to operating activities.

W. Accounting for investments in subsidiaries in the parent company's unconsolidated balance sheet

In the parent company's unconsolidated balance sheet (presented in Note 29), investments in subsidiaries have been accounted for on a historical cost basis. This means that the investment is initially recognised at acquisition cost, consisting of the fair value of the payable amount, adjusted thereafter by the impairment losses arising from the drop in the value of the investment. Additional information on the write-down of investments recorded at acquisition cost is available under accounting principle H.

Dividends paid by subsidiaries and joint ventures are recorded when the parent company's right to receive the dividends (as financial income) is established, except for the portion of dividends payable at the expense of available shareholders' equity generated by the subsidiary, joint venture or associated company before the group acquires the company. The respective portion of the dividends is recorded as a reduction of the investment.

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Note 2 Cash and bank accounts

	30.06.2007	24.10.2006
Cash and bank accounts	16 287	400
Total	**16 287**	**400**

Note 3 Short-term financial investments

	30.06.2007	24.10.2006
Term deposits	179	0
Total	**179**	**0**

Term deposits include 8-month deposit with an annual interest of 3.28% and a term-date on 29.10.2007.

Note 4 Receivables and prepayments

Receivables	30.06.2007	24.10.2006
Accounts receivable	49 520	0
Allowance for doubtful receivables	-56	0
Other short-term receivables	1 464	0
Total	**50 928**	**0**

The following changes occurred in the allowance for doubtful receivables:

	30.06.2007	24.10.2006
Allowance for doubtful receivables at the beginning of the period	0	0
Additional write-down	-56	0
Allowance for doubtful receivables at the end of the period	-56	0

Prepayments	30.06.2007	24.10.2006
Prepaid taxes, incl.	2 468	0
Value added tax	884	0
Income tax	1 507	0
Other taxes	77	0
Prepaid expenses	1 871	0
Total	**4 339**	**0**

During the reporting period, a total of 167 thousand kroons of bad debt, which had previously been written off from the balance sheet by subsidiaries, were collected. During the reporting period, subsidiaries have written off a total of 313 thousand kroons of bad debts is recorded under "other expenses" in the income statement. Doubtful receivables and bad debts are disclosed in Note 22.
Taxes payable have been disclosed in Note 17.

Note 5 Non-current assets held for sale

The equipment used for processing white fish in the net book value of 284 thousand kroons has been re-classified as non-current assets held for sale. The company's management estimates the sale of the non-current assets to be very likely in the financial year 2007-2008.

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Note 6 Inventories and biological assets

	30.06.2007	24.10.2006
Raw materials	24 926	0
Work-in-progress	30	0
Finished goods	15 785	0
Total	**40 741**	**0**

Inventories in the amount of 23 thousand kroons were written down in connection with the expiry of the finished goods. The company has received 266 thousand kroons of insurance indemnities for goods which have deteriorated in transit.
Due to a break-downs of transport vehicle, finished goods in the amount of 1,103 thousand kroons were written down, out of which the transporter's insurer compensated 812 thousand kroons. The insurance indemnity has not been collected as of the balance sheet date, and is recorded under "Receivables" in the balance sheet and "Other income" in the income statement.

The division of write-downs into cost lines has been presented in Note 21.

Biological assets	30.06.2007	24.10.2006
Fry	26 640	0
Undersize fish (Fish < 0.4 kg)	1 685	0
Full-grown fish (Fish > 0.4 kg)	50 549	0
Total	**78 874**	**0**

Biological asset addition related to the acquisition of subsidiaries amounted to 65 646 thousand kroons (see Note 8), Profit for the financial year from biological assets amounted to 13 228 kroons (see Note 21).

In the measurement of biological assets, fingerlings are measured on the basis of the number by pieces, fish is measured on the basis of live fish biomass by kilograms. Fish are valued on the basis of the average market price, less the estimated sales expenses. Fingerlings are valued on the basis of the weighted average market price for which fingerlings have been sold of purchased from suppliers within the last year. Fish are divided into three groups: fingerlings, undersize fish and full-grown fish. Fingerlings and full-grown fish have a real market price, undersize fish have no active market.

Note 7 Long-term financial investments

	Effective interest rate	30.06.2007	24.10.2006
Loans	3.5 %	439	0
Shares		970	0
Total		**1 409**	**0**

Long-term financial investments include loans granted and subsidiaries' long-term investments into shares. The loan has been granted with an annual interest of 3.5% and a repayment due date on 15 December 2013.

Since the fair value of the shares recorded as long-term financial investments cannot be reliably measured, these shares have been recognised at acquisition cost in the balance sheet. During the financial year some of the shares were sold. The acquisition value of the shares sold amounted to 709 thousand kroons from which 465 thousand kroons of profit were earned.

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Note 8 Subsidiaries

The group incorporates the following subsidiaries:

Name of subsidiary	Home country	Share 30.06.2007
Heimon Kala Oy	Finland	100 %
Airistolainen Oy	Finland	100 %
Vettel OÜ	Estonia	100 %
Saaristomeren Kala Oy	Finland	100 %
Polar Fish Oy	Finland	100 %
Skärgårdshavets Fisk Ab	Sweden	100 %
Överumans Fisk Ab	Sweden	100 %
Imatran Kala ja Kaviaari Oy	Finland	81 %

The share in the equity of subsidiaries equals to the voting right.
The subsidiaries' shares have not been listed on any stock exchange.
The group holds a share in the subsidiary Heimon Kala Oy through the subsidiary Vettel OÜ.
The group holds a share in the subsidiary Airistolainen Oy through the subsidiary Heimon Kala Oy.
The group holds a share in subsidiaries Polar Fish Oy, Skärgårdshavets Fisk Ab, Överumans Fisk Ab and Imatran Kala ja Kaviaari Oy through the subsidiary Saaristomeren Kala Oy.

In January 2007, the company acquired a 100% stake in Vettel OÜ, which has been registered in Estonia. The acquisition cost of the investment is 32,225 thousand kroons, consisting of the following components:

- the purchase/sale price of 32,197 thousand kroons was paid as a non-monetary contribution by share swap transaction.
- legal consulting and advisory services as well as non-refundable taxes associated with the transaction amounted to a total of 27 thousand kroons.

The non-monetary contribution was valuated by Audiitorbüroo Toomas Villems OÜ.

The fair value of the net assets acquired, as of 31.12.2006:

	Book value	Re-valued	Fair value
Cash and cash equivalents	1 352	0	1 352
Receivables and inventories	82 395	0	82 395
Property, plant and equipment	78 811	0	78 811
Intangible assets	524	0	524
Other long-term receivables and financial investments	170	0	170
Deferred tax asset	998	0	998
Trademark	14 181	2 655	16 836
Goodwill	12 822	-12 822	0
Borrowings	-89 587	0	-89 587
Second payment post for Heimon Kala shares	-7 907	0	-7 907
Deferred tax liability	0	-690	-690
Prepaid government grants	-24 107	0	-24 107
Other liabilities	-56 391	0	-56 391
Net assets	13 259	-10 857	2 402
Acquisition cost			32 225
Goodwill			29 823

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In the course of purchase analysis "Heimon Kala" trade-mark was revaluated into fair value, which increased the value of the trade mark by 2,655 thousand kroons. To determine the fair value of the trademark the group used a combination of cost method and market-based approach. The increase in fair value of the trademark resulted in recognition of deferred tax liability in the amount of 690 thousand kroons. Goodwill in the amount of 12,822 thousand kroons that was initially recorded in the balance sheet of Vettel OÜ was written-down in the course of purchase analysis.

Net cash flow from the acquisition of the subsidiary	
Paid for services	-27
Cash and cash equivalents of the subsidiary	1 352
Net cash flow	1 325

In January 2007, the group acquired from a third party a 100% stake in Saaristomeren Kala Oy, a company registered in Finland. The acquisition cost of the investment amounted to 80,649 thousand kroons, consisting of the following components:

- the purchase/sale price of 78,890 thousand kroons was paid as a non-monetary contribution by share swap transaction.
- legal consulting and advisory services as well as non-refundable taxes associated with the transaction amounted to a total of 1,760 thousand kroons.

The non-monetary contribution was valuated by Audiitorbüroo Toomas Villems OÜ.

The fair value of the net assets acquired, as of 31.12.2006:

	Book value	Re-valued	Fair value
Cash and cash equivalents	12 199	0	12 199
Receivables and inventories	26 262	0	26 262
Biological assets	56 022	9 624	65 646
Property, plant and equipment	46 981	0	46 981
Intangible assets	25	0	25
Fish farming licenses	0	11 817	11 817
Other long-term receivables and financial investments	2 740	0	2 740
Goodwill	61	-61	0
Borrowings	-8 625	0	-8 625
Liability for re-purchasing treasury shares	-42 658	0	-42 658
Deferred tax liability	-2 827	-6 050	-8 877
Prepaid government grants	-8 856	0	-8 856
Other liabilities	-50 458	0	-50 458
Net assets	30 864	15 330	46 194
Acquisition cost			80 649
Goodwill			34 455

In the course of the purchase analysis, fish stock were revaluated into their fair value in accordance with the requirements of IAS 41, with the company's biological assets thus increasing by 9,624 thousand kroons. Fish farming licenses in the amount of 11,817 thousand kroons were recognized as separate items in purchase analysis. The increase in fair value of the above mentioned items resulted in recognition of deferred tax liability in the amount of 6,050 thousand kroons. In the course of the purchase analysis, the goodwill of Saaristomeren Kala Oy was written down in the amount of 61 thousand kroons.

Net cash flow from the acquisition of the subsidiary	
Paid for services	-1 760
Cash and cash equivalents of the subsidiary	12 199
Net cash flow	10 439

The goodwill in the total amount of 64,278 kroons recognized from the acquisition transactions is related to the profit from synergy arising from the concept of joint management of subsidiaries.

As of 30.06.2007, the group has performed goodwill impairment test to determine the recoverable amounts of goodwill. Impairment test was performed on the basis of the comparative market-based ratios. In case of the market-based approach, the company is compared with similar companies in the same sector which are publicly traded or which have been recently sold and over the transaction price of which there is sufficient information. In current case, the frozen and chilled foodstuff producers in Europe have been benchmarked as the corresponding sector and the price levels and various ratios of these companies are compared. The ratios compared include the price-to sales ratio and the price-to-book ratio. In order to ascertain the fair value, the average ratios for the branch of industry have been applied for the actual economic indicators of subsidiaries. The illiquidity discount rate of subsidiaries has been additionally considered, since none of the subsidiaries are listed or publicly traded on the market. The test ascertained that, in Vettel OÜ (together with Heimon Kala Oy), the coverable amount is 30,517 thousand kroons bigger than the carrying amount of the comparative cash generating unit and, in Saaristomeren Kala Oy, 3,813 thousand kroons bigger than the carrying amount of the comparative cash generating unit.

Note 9 Joint ventures

The subsidiary Saaristomeren Kala Oy holds a 28.41% stake in the joint venture Kiinteistö Oy Vason Myllyranta.

Joint venture	Country	Share	Acquisition cost	Owner's equity
Kiinteistö Oy Vason Myllyranta	Finland	28.41%	792	695

The difference between the acquisition cost and owner's equity is goodwill arising on the acquisition and related to the value of the lease contract concluded over jointly controlled assets.

Note 10 Deferred tax assets

The deferred income tax assets include the subsidiary Heimon Kala Oy's income tax receivable in the amount of 991 thousand kroons, arising from the difference in the non-current asset tax depreciation.

The deferred tas liability has been disclosed in Note 15.

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Note 11 Property, plant and equipment

	Land and buildings	Machinery and equipment	Other property, plant and equipment	Construction -in-progress and prepayments	Total property, plant and equipment
Net book value as of 24.10.2006	**0**	**0**	**0**	**0**	**0**
Additions related to acquisition of the subsidiary (see Note 8)	68 325	49 849	1 275	6 342	125 792
Additions in the period	7	4 289	103	1 596	5 995
Taken into use during the period	0	2 789	1 145	-3 934	0
Classification into non-current assets held for sale	0	-284	0	0	-284
Sales at net book value	0	-1 621	0	0	-1 621
Write-off at net book value	0	-50	-5	0	-55
Currency exchange effects	-161	-397	-91	0	-649
Depreciation charge	-2 668	-4 094	-213	0	-6 974
Acquisition cost 30.06.2007	68 328	55 023	2 518	4 004	129 873
Accumulated depreciation	-2 825	-4 539	-304	0	-7 668
Net book value as of 30.06.2007	**65 503**	**50 483**	**2 214**	**4 004**	**122 205**

The sale of non-current assets include, above others, the office equipment acquired under finance lease which were returned in the course of equipment replacement in the amount of 1,295 thousand kroons.

During the financial year a forklift was destroyed in a fire, with a net book value of 99 thousand kroons. This amount was indemnified by the insurance company.

Non-current assets held for sale have been disclosed in Note 5.

Depreciation by cost lines has been disclosed in Note 21.

The acquisition cost of fully depreciated non-current assets still in use amounted to 268 thousand kroons as of 30.06.2007.

Note 12 Intangible assets

	Trademarks	Software licenses	Licenses, interconnection fees	Company name	Total
Net book value as of 24.10.2006	**0**	**0**	**0**	**0**	**0**
Additions related to acquisition of the subsidiary (see Note 8)	16 836	524	11 842	64 278	93 479
Additions in the period	0	74	0	0	74
Amortisation charge	-421	-145	-290	0	-856
Net book value as of 30.06.2007	**16 415**	**452**	**11 552**	**64 278**	**92 697**
Acquisition cost 30.06.2007	16 836	597	11 842	64 278	93 553
Accumulated amortisation 30.06.2007	-421	-145	-290	0	-856

Licenses, interconnection fees include the water protection license in the amount of 25 thousand kroons, an item with an indefinite useful life.

Depreciation by cost lines has been disclosed in Note 21.

Additional information on goodwill has been disclosed in Note 8.

Note 13 Finance lease and operating lease

Finance lease - the group as the lessee

	30.06.2007	
	Minimum lease payments	Present value of minimum lease payments
Payable within less than 1 year	2 556	2 307
Payable within 1-5 years	3 152	2 860
Total minimum lease payments	**5 708**	
Future interest expenses	-541	
Total present value of minimum lease payments	**5 167**	

	24.10.2006 - 30.06.2007
Lease payments paid in the period	1 202
Interest paid in the period	181
Interest rate gap	5.0 - 13.0 %

Assets acquired under finance lease terms:

	Machinery and equipment	Total
Acquisition cost 30.06.2007	21 721	21 721
Net book value as of 30.06.2007	14 733	14 733

The acquisition of subsidiaries added assets leased under finance lease with an acquisition cost of 23,157 thousand kroons and a net book value of 15,591 thousand kroons. In the reporting period, the company acquired assets under finance lease terms with an acquisition cost of 1,895 thousand kroons, and returned 1,296 thousand kroons worth of assets leased under finance lease terms.

Operating lease - the group as the lessee

The group leases passenger cars, freezer and container under operating lease terms.

	Equipment	Passenger cars	Total
Lease expenses for 2007	69	365	434
Estimated lease expenses for 2007-2008	69	748	817

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Note 14 Short-term and long-term borrowings

Short-term borrowings	Effective interest rate	Repayment due date	30.06.2007
Finance lease liabilities (see Note 13)			2 307
Factoring with a limit of 2,000 thousand EUR			24 794
Borrowings, incl.			29 076
Overdraft, incl.			3 841
with a limit of 168 thousand EUR	5,6 %	Without a term	1 369
with a limit of 168 thousand EUR	6,7 %	Without a term	2 472
Bonds, incl.			20 117
Bonds with a coupon rate of 9%	10,5 %	07.09.2007	12 300
Bonds with a coupon rate of 10%	10,0 %	10.07.2007	7 817
Pension insurance loan: 25 thousand EUR	6,0 %	01.07.2030	17
Investment loans, incl.			5 102
100 thousand EUR	6-month EURIBOR + 1,8 %	15.10.2008	313
168 thousand EUR	6-month EURIBOR + 1,2 %	15.12.2008	376
72 thousand EUR	6-month EURIBOR + 1,9 %	30.06.2014	133
135 thousand EUR	3-month EURIBOR + 1,0 %	15.07.2009	304
171 thousand EUR	12-month EURIBOR + 0,5 %	15.09.2010	571
134 thousand EUR	3-month EURIBOR + 0,5 %	30.09.2007	200
402 thousand EUR	12-month EURIBOR + 0,5 %	10.12.2014	699
100 thousand EUR	6-month EURIBOR + 1,8 %	09.03.2010	313
303 thousand EUR	OP prime +1,5 %	31.08.2007	470
315 thousand EUR	OP prime +1,5 %	30.11.2007	985
354 thousand EUR	6-month EURIBOR + 0,8 %	31.05.2012	739
Total			**56 177**

The overdraft agreement with a limit of 2,895 thousand kroons (185 thousand EUR) was extended after the balance sheet date on the same conditions to 30.09.2008.

OP prime is the Finnish Osuuspankki base interest - 4.250% as of 30.06.2007.

The investment loans taken in the amount of 315 thousand EUR and 354 thousand EUR were prematurely repaid in September 2007.

Bonds

In January 2007, the company issued 782 bonds through SEB Eesti Ühispank, thus generating 7,820 thousand kroons of additional funds. The nominal value of the bonds is 10 thousand kroons, and the annual interest rate is 10%. The bonds were redeemed on their maturity on 10.07.2007.

The group has issued bonds with a coupon rate of 9 % and nominal value of 10 thousand kroons in the total amount of 12,300 thousand kroons and a redemption date of 07.09.2007. The bonds were redeemed prematurely on 10.07.2007.

Assets pledged as collateral to borrowings have been disclosed in Note 16.

Long-term borrowings	Effective interest rate	Repayment due date	30.06.2007
Finance lease liabilities (see Note 13)			2 860
Borrowings, incl.			117 370
Pension insurance loan: 25 thousand EUR	6,0 %	01.07.2030	221
Investment loans, incl.			117 149
100 thousand EUR	6-month EURIBOR + 1,8 %	15.10.2008	156
168 thousand EUR	6-month EURIBOR + 1,2 %	15.12.2008	188
72 thousand EUR	6-month EURIBOR + 1,9 %	30.06.2014	795
135 thousand EUR	3-month EURIBOR + 1,0 %	15.07.2009	257
171 thousand EUR	12-month EURIBOR + 0,5 %	15.09.2010	1 245
402 thousand EUR	12-month EURIBOR + 0,5 %	10.12.2014	4 545
100 thousand EUR	6-month EURIBOR + 1,8 %	09.03.2010	626
354 thousand EUR	6-month EURIBOR + 0,8 %	31.05.2012	2 956
3 000 thousand EUR	6-month EURIBOR + 1,5 %	01.02.2010	46 940
1 500 thousand EUR	6-month EURIBOR + 1,5 %	01.02.2010	20 341
39 100 thousand EEK	6-month EURIBOR + 2,5 %	16.02.2009	39 100
Total			**120 230**

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Note 15 Deferred tax liability

Deferred tax liability in the amount of 13,689 thousand kroons includes the subsidiary Saaristomeren Kala Oy's income tax liability in the amount of 3,269 thousand kroons, resulted from the difference between the accounting-base and tax-base for depreciation of non-current assets. In addition, the deferred tax liability includes 10,420 thousand kroons resulting from the following transactions:

Deferred tax liability resulting from assets recognised and revalued to fair value in the course of business comination	6 741
Deferred tax liability resulting from origination and latter revaluation of assets	3 774
Reversal of deferred tax liability in the period	-95
Total	**10 420**

Information on deferred tax assets have been disclosed in Note 10.

Note 16 Loan collateral and pledged assets

Collateral to the loans of OÜ Vettel include a mortgage on the "Kärsa" registered immovable in the amount of 50 million kroons and a commercial pledge on the company's movable property in the amount of 10 million kroons. The net book value of the Kärsa registered immovable amounted to 24.4 million kroons as of 30.06.2007.

The term deposit indicated in Note 3 has been pledged in collateral to the bank guarantee in the amount of 179 thousand kroons.

Collateral to the loans of Heimon Kala Oy include a mortgage established in the amount of 14,069 thousand kroons and a commercial pledge on the company's immovable property in the amount of 19,953 thousand kroons.

Collateral to the loans of Saaristomeren Kala Oy include a mortgage established in the amount of 36,401 thousand kroons and a commercial pledge on the company's immovable property in the amount of 19,406 thousand kroons.

Note 17 Payables and prepayments

	30.06.2007
Accounts payable	23 564
Taxes payable, including	9 386
Value added tax	6 748
Personal income tax and income tax payable on fringe benefits	1 334
Social insurance payments	732
Unemployment insurance	8
Mandatory funded pension	560
Corporate income tax	4
Payables to employees	10 333
Interest payable	3 948
Other accrued expenses	3 043
Total payables	**50 273**

Prepaid taxes have been disclosed in Note 4.

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Note 18 Government grants

	24.10.06 – 30.06.07
Deferred income related to government grants at the beginning of the period	0
Additions from acquisition of the subsidiary (see Note 8)	32 963
Government grants received in the period	1 505
Currency exchange effect	-176
Government grants charged to income in the period (see Note 21)	-2 191
Deferred income related to government grants at the end of the period, incl.	**32 101**
To be charged to income within 1 year	3 967
To be charged to income within 2-15 years	28 134

Information on off-balance sheet receivables associated with government grants has been disclosed in Note 27.

Note 19 Share capital

As of 30.06.2007, the parent company's share capital in the total amount of 6,612 thousand kroons was divided into 661,218 shares, with the nominal value per share amounting to 10 kroons. The minimum share capital of AS Saaremere Kala allowed by the company's articles of association is 2.5 million kroons and the maximum share capital 10 million kroons.

On 05.12.2006 the sole shareholder resolved to increase the parent company's share capital and share premium by a total of 23,047 thousand kroons.
With the general shareholders' meeting of 18.01.2007, the parent company's share capital and share premium was increased by a total of 111,087 thousand kroons. As of the balance sheet date, all monetary and non-monetary contributions have been made, and the changes in the company's share capital entered in the Estonian Central Register of Securities.
The non-monetary contribution was valuated by Audiitorbüroo Toomas Villems OÜ.

Transaction	Type	Sum
Shareholders of Saaremere Kala AS	Monetary	23 047
Shareholders of Vettel OÜ	Non-monetary	32 197
Shareholders of Saaristomeren Kala Oy	Non-monetary	78 890
Total		134 134

Note 20 Revenue

By fields of activity	24.10.06 – 30.06.07
Sale of fish, fish fillets and fish products	193 128
Sale of live fish	5 209
Services and other sales	3 703
Total	202 040

By geographical areas	24.10.06 – 30.06.07
Finland	189 747
Estonia	2 337
Other countries	9 956
Incl. Europe	9 020
Incl. other	936
Total	202 040

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Note 21 Expenses and other income

Cost of sales	24.10.06 - 30.06.07
Raw material, semi-finished goods	-116 852
Personnel expenses	-29 758
Depreciation (see Note 11)	-5 367
Amortisation (see Note 12)	-290
Nitrogen	-82
Transportation expenses	-588
Electricity	-3 451
Write-down of goods in stock (see Note 6)	-1 126
Other expenses	-11 298
Total	-168 813

Marketing expenses	24.10.06 - 30.06.07
Transportation expenses	-9 361
Personnel expenses	-1 365
Advertising and sales organisation	-7 404
Depreciation (see Note 11)	-1 271
Amortisation (see Note 12)	-566
Other expenses	-769
Total	-20 735

Administrative and general expenses	24.10.06 - 30.06.07
Advisory expenses	-2 078
Personnel expenses	-5 044
Depreciation (see Note 11)	-336
Other expenses	-6 147
Total	-13 605

Other income	24.10.06 - 30.06.07
Revenue from government grants (see Note 18)	2 191
Profit from sales of financial investments	465
Insurance indemnities (see Note 6, 11)	1 176
Other income	805
Total	4 637

Profit/loss from biological assets	Fingerlings	Undersize fish	Full-grown fish	24.10.06 - 30.06.07
Growth and re-calssification	15 219	-4 327	7 545	18 437
Sales	-3 779	0	-1 429	-5 209
Total	11 440	-4 327	6 116	13 228

During the financial year there has been no significant fair value change in any of the biological asset group.

Other expenses	24.10.06 - 30.06.07
Doubtful receivables and bad debts (see Note 4)	-369
Loss from sales of non-current assets	-79
Foreign exchange losses	-37
Other expenses	-1 222
Total	-1 707

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Note 22 Net financial items

Financial income	24.10.06 - 30.06.07
Interest income	226
Other financial income	28
Total	254

Financial expenses	24.10.06 - 30.06.07
Interest expense	-6 319
Other financial expenses	-827
Total	-7 146

Note 23 Income tax

Income tax	24.10.06 - 30.06.07
Income tax on profit (Saaristomeren Kala Oy)	-1 693
Deferred income tax, incl. (see Note 15)	-3 679
Origination of temporary tax differences	-3 774
Reversal of temporary tax differences	95
Total	-5 372

Note 24 Earnings per share

	2007
Number of shares (in thousands)	661
Net EPS for owner's of the parent company (in thousands of kroons)	2 781
Earnings per share (in kroons)	4,21

Since the group has no contingently issuable common shares, diluted EPS equals to basic EPS.

Note 25 Financial risks

The group's activities involve several risks — currency risk, credit risk and interest rate risk:

Currency risk	The currency risk is incurred when the business transactions, assets and liabilities are fixed in a currency which is not the company's underlying currency. At the same time, the group tries to avoid major open currency positions. The main currencies used are EEK and EUR. The company is most exposed to changes in the Swedish kronor and Japanese yen exchange rates. The group has not used any financial instruments to hedge itself against future currency risks arising from business transactions, assets and liabilities. The group has no significant currency risks.
Credit risk	Credit risk exposes the potential loss that the group may bear as a result of its business partners not fulfilling their commitments. To hedge the credit risk, the group continually monitors the payment discipline of its customers. The group has no significant credit risks.
Interest risk	The group applies both fixed interest rates and interest rates tied with the EURIBOR. Detailed information on interest bearing liabilities is available in Note 14. No instruments have been used for protection against the interest risk.

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Note 26 Related party transactions

Parties who control the other party or have significant influence over the business decisions of the other party are deemed related parties by the group. Related parties include:

- The parent company (Amber Trust SCA)
- Entities controlled by the parent company
- The *Management* Board and Supervisory Board of the public limited company, other management employees and private individuals with major holdings in the public limited company, except in cases where these individuals do not have significant influence over the business decisions of the company; In addition, related parties include close relatives of and companies controlled by the above individuals.

Purchases		24.10.2006-30.06.2007
Companies related to a management and supervisory board members	Services	957

Sales		24.10.2006-30.06.2007
Companies related to a management and supervisory board members	Other revenue	2

Receivables		30.06.2007
Companies related to a management and supervisory board members	Accounts receivable	9

Payables		30.06.2007
Companies related to a management and supervisory board members	Accounts payable	122
Management and supervisory board members	Other accrued expenses	45
Company controlled by the parent company	Bonds with 10%	7 817
Parent company	Interest payable	578

Management remuneration

A total of 3,389 thousand kroons was paid to members of the management board and supervisory board of group companies and other management employees in the financial year (wages, bonuses, other benefits). No pension benefits have been granted to the management board and supervisory board members by the company.

Severance compensation

The management board and supervisory board members have not been granted the right to receive severance compensation.

ADDITIONAL DOCUMENTS

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Note 27 Off-balance-sheet assets and liabilities

Structural aid of the Estonian Agricultural Registers and Information Board (ARIB)

In 2004, 7,823 thousand kroons was granted to OÜ Vettel as structural aid within the framework of the agriculture, fishery and rural development programme. As of the balance sheet date, the corresponding off-balance-sheet receivable amounts to 6,742 thousand kroons. The receivable will fall due on 31 May 2008.

405 thousand kroons was granted to Heimon Kala OY within the framework of the fish processor and fish wholesaler supporting program. This amount constitutes an off-balance sheet receivable as of the balance sheet date. The receivable will fall due on 15 April 2008.

Income tax on dividends

As of June 30, 2007, the group's retained earnings amount to 2,781 thousand kroons. The maximum possible income tax liability related to the payment of the group's retained earnings as dividends is 612 thousand kroons. The group can thus pay 2,169 thousand kroons in net dividends. The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid, and the related total income tax expenses would not exceed the distributable profit as of the end of the financial year.

Note 28 Events after the balance sheet date

Bonds

In July 2007, the company issued 4,000 bonds through Hansabank, generating 34,899 thousand kroons of additional funds. The nominal value of the bonds is 10 thousand kroons, and the annual interest rate is 11%. The bonds have a primary redemption date o 09.04.2009.

The bonds specified in Note 14 were redeemed in July 2007.

Premature loan repayment

The investment loan of 315 thousand EUR (985 thousand kroons payable as of 30.06.2007) was prematurely repaid in September 2007.

The investment loan of 354 thousand EUR (3,695 thousand kroons payable as of 30.06.2007, with 739 thousand kroons recorded under current liabilities and 2,956 thousand kroons under non-current liabilities) was also prematurely repaid in September 2007.

Additional information on loans has been disclosed in Note 14.

Acquisition of subsidiaries

In July 2007, the parent company acquired a new subsidiary — 51.43% of the share capital of GourmetHouse OÜ — for a price of 3,539 thousand kroons. Goodwill in the amount of 2,396 thousand kroons was recognized from the transaction.

Mergers of subsidiaries

On 31.10.2007, the merger of Airistolainen OY and Heimon Kala OY was completed.

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Note 29 Parent company's unconsolidated balance sheet

	30.06.2007	24.10.2006
Cash and bank accounts	4 904	400
Receivables and prepayments	25 748	0
Total current assets	**30 652**	**400**
Long-term financial investments	151 974	0
Total non-current assets	**151 974**	**0**
TOTAL ASSETS	182 627	400
Borrowings	7 816	0
Payables and prepayments	682	0
Total current liabilities	**8 498**	**0**
Long-term borrowings	39 100	0
Total long-term payables	**39 100**	**0**
Total liabilities	**47 598**	**0**
Share capital	6 612	400
Share premium	127 921	0
Retained earnings	495	0
Total owner's equity	**135 028**	**400**
TOTAL LIABILITIES AND OWNER'S EQUITY	182 626	400

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Note 28 Parent company's unconsolidated income statement

	24.10.2006-30.06.2007
Revenue	180
Cost of sales	-181
Gross profit	**-1**
Administrative and general expenses	-255
Other expenses	-9
Operating loss	**-265**
Financial income	2 240
Financial expenses	-1 480
Net profit for the financial year	**495**

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Note 30 Parent company's unconsolidated cash flow statement

	24.10.2006 - 30.06.2007
Operating loss	-265
Change in receivables and prepayments related to operating activities	-377
Change in liabilities related to operating activities	218
Total cash flow from operating activities	**-424**
Net cash flow from purchase of subsidiaries (Note 8)	-1 788
Loans granted	-66 670
Repayments of loans granted	4 100
Interest received	127
Other cash flow	212
Total cash flow from investing activities	**-64 019**
Loans received, bonds issued	46 857
Interest paid	-840
Other cash flow	-117
Issue of shares (Note 19)	23 047
Total cash flow from financing activities	**68 947**
Total cash flow	4 504
Cash and cash equivalents at the beginning of the period	400
Change in cash and cash equivalents	4 504
Cash and cash equivalents at the end of the period	**4 904**

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Note 31 Parent company's unconsolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
As of 24.10.2006	400	0	0	400
Share issue	6 212	127 921	0	**134 133**
Net profit for the financial year	0	0	495	**495**
As of 30.06.2007	**6 612**	**127 921**	**495**	**135 028**

Additional information on changes related to shares and dividends has been disclosed in Note 19.

The parent company's restated unconsolidated owner's equity as of 30 June 2007:

	2007
Parent company's unconsolidated owner's equity	135 028
Net book value of subsidiaries in the parent company's unconsolidated balance sheet (minus)	-112 874
Value of subsidiaries under the equity method of accounting (plus)	115 101
Total	**137 255**

ADDITIONAL DOCUMENTS

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Saaremere Kala

Report on the Financial Statements

We have audited the consolidated financial statements of AS Saaremere Kala and its subsidiaries (hereafter "the Group"), which comprise the balance sheet as of June 30, 2007, the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audited consolidated financial statements, which we have identified on the accompanying pages, are enclosed with the current report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Basis for Qualified Opinion

We have not audited the financial statements of the subsidiary Saaristomeren Kala Oy for the acquisition date December 31, 2006, as that date was prior to our appointment as auditors for the subsidiary. We were unable to satisfy ourselves as to the balances of the subsidiary at that date by other audit procedures. The balances of the subsidiary as of December 31, 2006 influence the results and cash flows of the Group for the year ended June 30, 2007.

Qualified Opinion

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain sufficient evidence considering the matter described in section "Basis for Qualified Opinion", the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of June 30, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion we draw your attention to the Note 8 to the consolidated financial statements in which the Group has disclosed detailed information on impairment test for goodwill acquired in a business combination in order to determine the recoverable amount of goodwill. The recoverable amount of goodwill is dependent on several assumptions and estimation, the outcome of which can not be currently determined with conclusive certainty. The accompanying accounts do not include any adjustments that might result from the outcome of this uncertainty.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The financial information of AS Saaremere Kala as a parent company in Notes 29-32 is presented because it is required by the Estonian Accounting Law and is not a required part of the consolidated financial statements prepared under International Financial Reporting Standards. Such financial information has been subject to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is prepared in all material respects in accordance with the requirements of the Estonian generally accepted accounting principles and in relation to the consolidated financial statements taken as whole.

Tallinn, December 20, 2007

Hanno Lindpere
Ernst & Young Baltic AS

Marko Siinmaa
Authorised Auditor

PROFIT ALLOCATION PROPOSAL

The management board proposes to the general meeting of the shareholders of Saaremere Kala AS to transfer the profit to retained earnings.
The management board proposes to transfer 25 thousand kroons of the profit to mandatory reserve.

Aivo Varem Chairman of the Management Board	Pekka Pentti Olavi Lahtinen Member of the Management Board
Antti Juhani Salminen Member of the Management Board	Petri August Oksanen Member of the Management Board

20 December 2007

Aivo Varem

SIGNATURES OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD TO THE ANNUAL REPORT 2007

We hereby confirm the correctness of the data presented in the Consolidated Annual Report 2007 of AS Saaremere Kala.

Erik Haavamäe
Chairman of the Supervisory Board

Kuldar Leis
Member of the Supervisory Board

Vesa Leino

Evald Karu
Member of the Supervisory Board

Vesa Leino
Member of the Supervisory Board

Aivo Varem
Chairman of the Management Board

Pekka Pentti Olavi Lahtinen
Member of the Management Board

Antti Juhani Salminen
Member of the Management Board

Petri August Oksanen
Member of the Management Board

20 December 2007

Aivo Varem