

TAKEOVER REPORT of HK Ruokatalo Group Oyj

Tallinn
21 June 2006

On 21 June 2006, HK Ruokatalo Group Oyj, registry code: 238.752, address: Kaivokatu 18, Turku, Finland ("**HK Ruokatalo**"), whose shares represent 95.7382 per cent of the share capital of AS Rakvere Lihakombinaat, registry code: 10156832, address: Roodevälja küla, Sõmeru vald, Lääne-Virumaa, Estonia ("**Rakvere Lihakombinaat**"), is planning to submit an application to the management board of Rakvere Lihakombinaat for takeover of the remaining 4.2618 per cent of the shares of Rakvere Lihakombinaat (the "**Minority Shares**") against fair monetary compensation in accordance with the Commercial Code, Chapter 29¹.

HK Ruokatalo has determined the amount of the fair monetary compensation payable to minority shareholders of Rakvere Lihakombinaat for the takeover of their shares to be **EEK 45.40 (EUR 2.90¹)** per share (the "**Compensation**").

The present takeover report explains and reasons the conditions for the takeover of the Minority Shares and the basis for determination of the amount of the Compensation.

1. CONDITIONS OF THE TAKEOVER OF THE MINORITY SHARES

1.1 Background of the takeover of Minority Shares

As of 21 June 2006, HK Ruokatalo holds 36,114,092 shares of Rakvere Lihakombinaat, representing 95.7382 per cent of the share capital of Rakvere Lihakombinaat. HK Ruokatalo is convinced that the group companies where HK Ruokatalo holds sufficient majority holding in order to carry out squeeze-out should be fully owned by HK Ruokatalo for the purposes of economising on the management costs. As a part of the said strategy, Saturn Nordic Holding AB, a joint venture of HK Ruokatalo and Danish Crown, has earlier this week by way of squeeze-out acquired remaining shares owned by minority shareholders of Sokolów, a Polish meat company.

1.2 Conditions for takeover of the Minority Shares

The takeover of the Minority Shares is governed by the Commercial Code, Chapter 29¹.

A majority shareholder, i.e. a shareholder whose shares represent at least 90 per cent of the share capital of Rakvere Lihakombinaat, can apply for the takeover of the shares held by the remaining minority shareholders against a fair monetary compensation. Takeover of the shares of the minority shareholders will be resolved by the general meeting of the shareholders of Rakvere Lihakombinaat. At least 95 per

¹ All sums presented in this takeover report in Euros are calculated based on the exchange rate of 1 euro to 15,6466 Estonian kroons.

cent of all the votes represented by shares must be in favour of the takeover at the general meeting in order the respective resolution to be adopted.

The amount of the compensation payable to minority shareholders is determined by the majority shareholder. It will be determined on the basis of the value that the shares to be taken over had 10 days before the date of sending the notice of the general meeting of shareholders, that is 12 June 2006.

The majority shareholder has to compile a report explaining and reasoning the conditions for the takeover of the minority shares and the basis for determination of the amount of the compensation payable to the minority shareholders for the takeover of their shares. The takeover report has to be reviewed by an auditor.

After receiving the takeover application from the majority shareholder, the management board has to call the general meeting of shareholders. At least one month before the general meeting of shareholders, the management board has to make the following documents available for examination at Rakvere Lihakombinaat's headquarters:

- (i) the draft resolution of the general meeting deciding upon the takeover;
- (ii) the annual reports and management reports of Rakvere Lihakombinaat for the previous three years;
- (iii) the takeover report; and
- (iv) the auditor's report.

After one month's time from the adoption of the takeover resolution, the management board of Rakvere Lihakombinaat submits an application to the Estonian Central Register of Securities ("ECRS") for the transfer of the Minority Shares to the majority shareholder. Thereafter ECRS informs Rakvere Lihakombinaat about the terms for transferring the Minority Shares to the majority shareholder's securities account and the total amount of compensation to ECRS's account. The majority shareholder transfers the total amount of compensation payable to the minority shareholders to ECRS and ECRS transfers the Minority Shares to the majority shareholder and the compensation to the minority shareholders.

2. DETERMINATION OF THE AMOUNT OF THE COMPENSATION

The Compensation determined by HK Ruokatalo is **EEK 45.40** per each share in Rakvere Lihakombinaat, representing the fair value of the shares as of 12 June 2006. HK Ruokatalo itself considers this sum to be a fair compensation within the meaning of the Commercial Code, Chapter 29¹. HK Ruokatalo has determined the Compensation on the basis of the discounted cash flow method (see section 2.3 below). HK Ruokatalo also compared the Compensation with the price per share calculated on the basis of the following valuation methods.

2.1 Book value

The total number of shares issued by Rakvere Lihakombinaat is 37,721,700, all of which are registered common shares of one class, each with a nominal value of EEK 10.00. According to the 2006 first quarter report of Rakvere Lihakombinaat, the total consolidated shareholders' equity as of 31 March 2006 was EEK 743,601,000. Dividing this with the total number of shares, the book value of a share in Rakvere Lihakombinaat is EEK 19.71 as of the end of the first quarter (three months) of 2006.

The Compensation determined by HK Ruokatalo thus represents a premium of 130,3 per cent to such book value.

2.2 Historical market value

The shares of Rakvere Lihakombinaat are since July 1998 listed on the I-List of the Tallinn Stock Exchange. In the table below, the weighted average price of the share of Rakvere Lihakombinaat with regard to its performance on the Tallinn Stock Exchange is given during different time periods before 12 June 2006, based on daily closing prices. On 12 June 2006, the closing price of the share of Rakvere Lihakombinaat on Tallinn Stock Exchange was EEK 44.44 (EUR 2.84).

The third column of the table illustrates the premium of the Compensation compared to the weighted average share price of a defined time period.

Period	Weighted average share price of the given period EEK (EUR)	Premium to the weighted average share price
1 month (13 May 2006 – 12 June 2006)	44.69 (2.86)	1.4%
6 months (13 December 2005 – 12 June 2006)	41.99 (2.68)	8.6 %
12 months (13 June 2005 – 12 June 2006)	39.25 (2.51)	15.0 %

2.3 Determination of Rakvere Lihakombinaat's value applying discounted cash flow method

HK Ruokatalo also valued Rakvere Lihakombinaat based on the discounted cash flow model. This methodology is commonly used to assess the theoretical value of companies. The discounted cash flow method assesses the “intrinsic value” of the business as a “going concern”. The intrinsic value is a sum of the present value of cash streams and the terminal value using an appropriate cost of capital. It must be noted, that this analysis is obviously very dependent on the growth and earnings characteristics of the company as well as the terminal value assumptions.

The discounted cash flow model yields a value per Rakvere Lihakombinaat share of EEK 45.40.

2.4 Comparison

When comparing the pricing methods described in paragraphs 2.1 – 2.3 above to the Compensation determined by HK Ruokatalo, the Compensation is the highest value described. Thus, pursuant to the squeeze-out regulation in the Commercial Code, HK Ruokatalo considers the Compensation to be fair.

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