AS PREMIA FOODS

2010 Consolidated Annual Report
(translation from Estonian original)

in thousands of Estonian kroons and Euros

Business name:	**AS PREMIA FOODS**
Reg. code	11560713
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E-mail:	premia@premia.ee
Web-page:	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 2010 – 31 December 2010
Auditor:	Rimess OÜ

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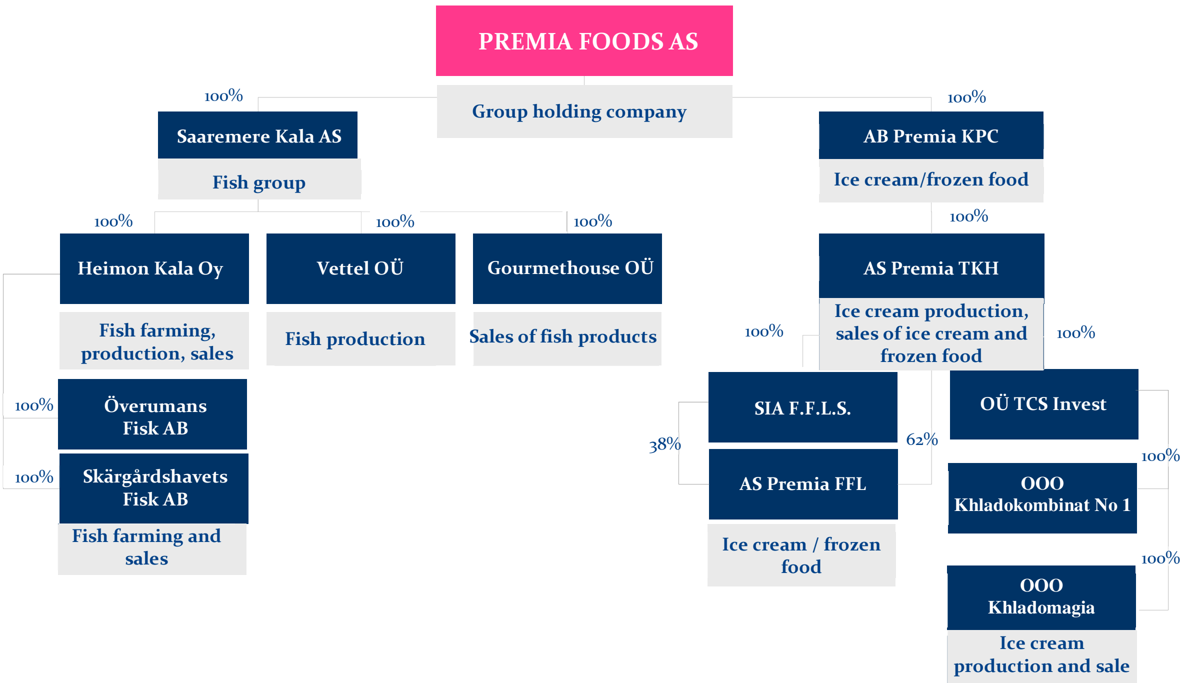
INTRODUCTION TO THE COMPANY

AS Premia Foods is a food production company, which operates in six markets and is listed in the main list of NASDAQ OMX Tallinn Stock Exchange as of 5 May 2010.

The company has been developed into a leading player in all its target markets – as at today the company operates in the Baltic states but also in Russia, Finland and Sweden. The company is mostly known for its highly valued and appreciated brands in the ice cream market, chilled fish products and frozen goods markets.

The flagship brands of AS Premia Foods are Premia, Heimon Gourmet, Väike Tom, Eriti Rammus, Sakharny Rozhok, Etalon, Baltiiskoje, Klasika, Maahärra, Viking, Natali, Bueno!, etc.



In addition Group has a 20% holding in AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology).

Structure of the Premia Foods Group

in thousands of Estonian kroons and Euros

INFORMATION TO SHAREHOLDERS

Financial calendar for 2011

All the reports of Premia Foods are published in Estonian and in English on the company's web-page www.premiafoods.eu and via the information system of NASDAQ OMX Tallinn Stock Exchange. The reports may be delivered personally via e-mail. Relevant request may be sent to the e-mail address premia@premia.ee.

In 2011, the financial results of Premia Foods will be published as follows:

Audited annual report for 2010	16th week
Unaudited interim report for the first quarter	21st week
Turn-over for the second quarter and 6 months	28th week
Unaudited interim report for the second quarter and 6 months	34th week
Turn-over for the third quarter and 9 months	41st week
Unaudited interim report for the third quarter and 9 months	47th week

Dividend policy

On 9 March 2011, Premia Foods made an announcement on dividend policy – in accordance with the approval of the Supervisory Board, the Management Board of the company will make a proposal to the ordinary General Meeting of shareholders to distribute 30% of the net profit of Premia Foods in 2010 as dividends for 2010. Liquidity ratios and debt-to-equity ratio of Premia Foods are solid and the company has enough financial power to engage additional funds for investments or expansion of operations. The proposal to distribute dividends as referred to above is a sign of Premia Foods' intention to develop a sustainable dividend policy.

General Meeting of shareholders

The ordinary General Meeting of shareholders will be held in May 2011 in Tallinn. The agenda of the General Meeting of shareholders will be made public on the web-page of the company www.premiafoods.eu, in one daily newspaper and via the information system of NASDAQ OMX Tallinn Stock Exchange not later than 3 weeks before the meeting.

MISSION

We wish that our vast portfolio of products would bring joy to people and that people could rely on the quality of our products. We want Premia to be a benchmark of care, innovation and quality.

VISION

Premia Foods is the leading player engaged in production and sales of frozen and chilled food products in the Baltics, Scandinavia and North-West Russia region.

STRATEGIC OBJECTIVES

- To be among two leading brands in all business segments.
- To hold yearly EBITDA margin at the level of at least 7%.
- To distribute up to 30% of the yearly net profit as dividends.

STRENGHTS

- Objective-driven organisational development.
- Leading brands in each business segment.
- Broad geographical range and diversified product portfolio ensure sustainable development.
- Solid financial status of the company.

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

2010 was a successful and eventful year for Premia Foods. We greeted the year with the acknowledgement that our company will shortly be a listed company, which will change our position in relations with public and make the company's professional functioning and operations even more transparent. Premia Foods has been listed on the NASDAQ OMX Tallinn Stock Exchange as of 5 May 2010, whereas the initial public offering of the shares was a great success and even more so considering the high turbulence enveloping the world economy at the time of the offering but also the financial crisis enchaining all our target markets.

The yearly 12.5% growth in turn-over and 89% growth in profit were the numbers for which our team having reached altogether 797 members made its best efforts and therefore I would like to express my greatest gratitude to all the people working for Premia who were despite to the on-going difficult economic situation working hard and doing everything possible to ensure continuing development of the company.

The greatest input to the growth came from the **ice cream business segment**, which was supported by the hot summer and the acquisition of Khladokombinat No. 1, the second leading ice cream producer in the St. Petersburg's market, occurred in May 2010. The rapid growth of the prices of raw material, which came about in the second half of the year has had an impact on the profitability as it was not possible to convert the risen raw material prices to the prices of end products right away. Therefore the rise of the prices in the ice cream business segment fell into year end of 2010 and the beginning of 2011. The most popular products in the ice cream market were the cream ice creams under the brand Eriti Rammus and that additionally to the Estonian market also in Latvia and Lithuania where the same ice cream is sold under Klasika brand. The cream ice cream in a cone gained approximately 6% of the Estonian ice cream market during its first four months, being over history the most successful brand and ice cream launch in the Estonian ice cream market. It gives me great pleasure to conclude that Premia's ice creams are highly appreciated, which is evident also from the fact that in 2010 Premia maintained its strong leader position in the Baltic's ice cream market.

The **fish business segment**, which generates the greatest part of Premia's turn-over had to face the rise of raw fish prices and also the fire accident in our previous Uusikaupunki production unit. Bearing that in mind, it is even more satisfactory that by the year end the turn-over result of 2009 was exceeded and that the EBITDA of that business segment was twice as high as in 2009, whereas the launch of the innovative ISO-Grilli product launch in the Finnish market, which was sold for more than one million euro during three months, may be considered a great success. Considering the conservative nature of the consumer behaviour regarding fish products in Finland it may be concluded that the approach of developing our own brands through products with high additional value has been the right choice. The fire accident provided us with an opportunity to reorganise the whole fish production unit as a result of which the efficiency of production is going up we expect to gain savings from rental fees in the amount of 3.1 million kroons per year.

The **frozen goods**, the main target market of which is the Baltics, was the most influenced by the financial crisis and Premia's determined objective was to maintain profitability of that business segment, re-arrange the product portfolios to correspond to the consumer preferences during the crisis period but also following periods and continue with the aggressive development of all our own brands. Our efforts were justified – the profit margin was maintained if compared to 2009 and as from the third quarter the frozen goods business segment indicates growth tendency in both turn-over and profitability.

Today Premia's financial position is better than ever. The restructuring of the loan portfolio finalised in August resulted in materially lower loan burden and very solid debt to equity ratio. Premia's financial risk is low and the liquidity of the company has approved significantly if compared to 2009.

The most important events of 2010 for us were the following:

- Successful initial public offering (IPO) and the listing of the shares of AS Premia Foods on the NASDAQ OMX Tallinn Stock Exchange. Altogether 14,500,000 shares of AS Premia Foods were sold in the course of the IPO. As a result of the public issue of shares altogether 203 million kroons (12.97 million euro) was received before deducting the costs of the issue. After deducting the costs of the issue, AS Premia Foods received 191 million kroons (12.21 million euro). Trading with the shares of AS Premia Foods on the NASDAQ OMX Tallinn Stock Exchange began on 5 May 2010.
- The acquisition of OOO Khladokombinat No. 1 was finalised. OOO Khladokombinat No. 1 holds approximately 20% market share in the St. Petersburg's ice cream market being the second leading ice cream producer. The financial results of OOO Khladokombinat No. 1 are consolidated on AS Premia Foods level as from May 2010.

- 20% shareholding was acquired in AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (TFTAK) established on 7 April 2010. The acquisition price was 206 thousand kroons (13.2 thousand euro). AS TFTAK (and previously MTÜ TFTAK) is the partner of Premia Foods in researching and developing new technologies and products.
- The acquisition of the Latvian subsidiary AS Premia FFL was finalised, where Premia Tallinna Külmhonne AS paid 6.4 million kroons (0.4 million euro) for the 5% minority shareholding. The financial results of AS Premia FFL have been fully consolidated as from acquisition. The unpaid part for the minority shareholding was previously reported as a liability on the balance sheet line “Debts and prepayments”.
- The acquisition of the minority shareholding in the Estonian subsidiary OÜ GourmetHouse was finalised, as a result of which 100% of all the shares in OÜ GourmetHouse are held by the subsidiary of AS Premia Foods AS Saaremere Kala.
- There was a fire accident in the fish production unit of Heimon Kala Oy in Uusikaupunki (Heimon Kala Oy being the subsidiary of AS Premia Foods). The damage suffered due to the fire accident was compensated by insurance company Fennia in the amount of 2.9 million euro (45.4 million kroons).
- The company’s loan portfolio was restructured as the result of which the loan burden and interest costs of the company decreased significantly.
- The Supervisory Board of Premia Foods resolved in 20 December 2010 the issue of options to the members of the management and key employees of Premia Foods and its subsidiaries. The Supervisory Board of Premia Foods authorised the Management Board of Premia Foods to execute the option agreement on the terms and conditions approved by the Supervisory Board.

Premia Foods, being an innovative and dynamic organisation, continues its objective-driven development also in 2011.

Our perspective of 2011 is positive – the impacts of the financial crisis are boiling down; however, there are different levels of such boil-down in different countries. Nevertheless, the overall tendency is positive.

In 2011, it is our aim to achieve 11% growth in turn-over and 25% growth of profit. There is potential to achieve our aim in all business segments and in 2011 the main focus will be placed on the product development and increase of production efficiency; however, always following the strategic objectives of Premia Foods.

The Management Board of Premia Foods makes a proposal to the ordinary General Meeting of shareholders to resolve distribution of 30% of the net profit of 2010 as dividends and development of sustainable dividend policy has also been one of our objectives for the shareholders to be able to rely on dividends being paid out also in the future.

The strategic objective of Premia is to be within the two leading brands in all its areas of activity where we are operating. Only by setting our targets in this manner it is possible to achieve sustainable and profitable growth.

Kuldar Leis
Chairman of the Management Board
AS Premia Foods

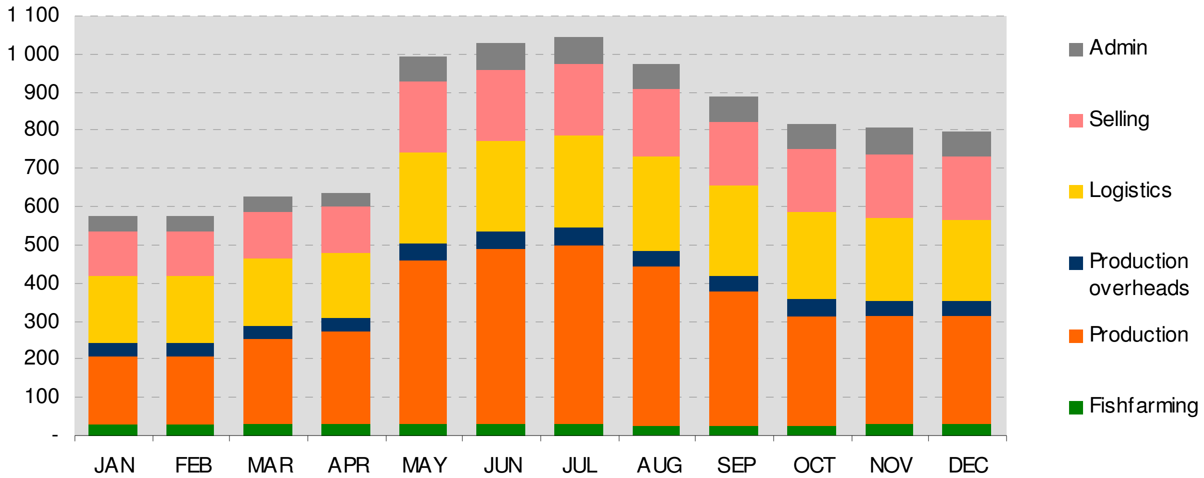
TEAM

The average number of employees of Premia Foods was 813 in 2010 (in 2009 the same number was 636), having grown by year by 177 people. The increase of the number of employees is mainly the result of the acquisition of OOO Khladokombinat No. 1 finalised in May, whereas most of our new employees are production workers in the ice cream factory in St. Petersburg.

As at 31 December 2010, Premia Foods hired 797 people, whereas the same number of OOO Khladokombinat No. 1 was 234. As at 31 December 2009, the group had 581 employees. The comparable number of employees, i.e. without Russia, decreased by 3.1%, i.e. 18 people.

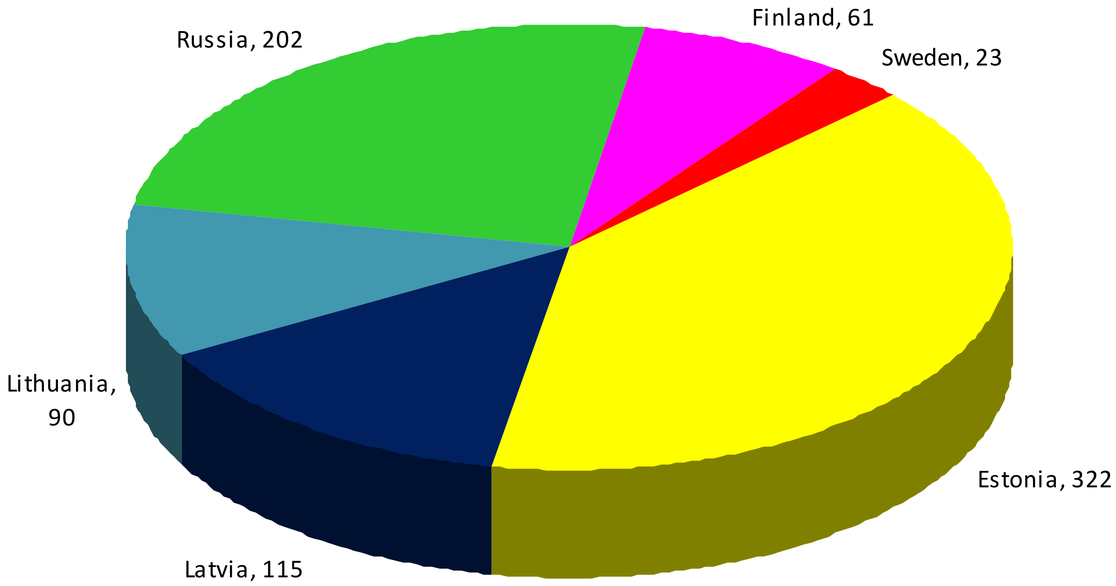
The total amount of wages in 2010, counting in the labour taxes, was 176.1 million kroons (11.26 million euro) and although there was 13% growth in labour cost in absolute numbers while compared to 2009, the average yearly labour cost per person was 216.7 thousand kroons (13.8 thousand euro) in 2010, having fallen by 11.6% per year. In 2009 the total amount of wages was 155.9 million kroons (9.96 million euro). While in 2009 due to the financial crisis there were cut-offs in wages in all units of Premia, in 2010 there were no material changes to the wages conditions.

The division of staff of Premia by the areas of activity is the following:



As evident from the chart above, the number of employees during the summer period is more than 1,000 people, which is so due to the seasonality of the ice cream production operations resulting in the need of seasonal workers during the summer period. Additionally, in 2010 the acquisition of OOO Khladokombinat No. 1 in May had an impact on the number of summer employees. Due to the referred acquisition in Russia, also the number of sales and logistics personnel went up.

The division of staff of Premia by countries in 2010 is the following:



The people working for Premia and the team spirit are a few of the most important assets of Premia and motivating people and driving them to achieve the set personal goals is an important part of everyday work.

Due to the above, 20 December 2010 turned out to be an important date in the history of Premia when the Supervisory Board of the company approved the **stock option plan** as a result of which it was resolved to execute option agreements with the members of the Management Board and the Supervisory Board of Premia Foods and the members of management and key employees of the subsidiaries in order to issue options with the average weighed price of the Premia Foods calculated on the basis of share transactions made on the NASDAQ OMX Tallinn Stock Exchange as at 17 December 2010, which was 0.93 euro (i.e. the average weighed share price as at the trading day preceding to the date of approving the terms and conditions of the options).

Based on the list of people compiled by the Management Board and approved by the Supervisory Board, there are currently 22 people entitled to participate in the stock option plan.

The final number of shares, which may be subscribed for by each member of management and key employee, depends on achievement of the objectives of Premia Foods and individual goals related to each employee's area of responsibility and input into the activities of Premia Foods.

The shares of Premia Foods acquired in the frames of the stock option plan entitle to receive dividend for the financial year when the shares were acquired provided that the list of persons entitled to participate in the distribution of profit has not been fixed before the acquisition of the shares.

The motivation package of the management of Premia Foods and the management of the subsidiaries included in addition to the monthly wages a yearly **bonus program**, which is tied to complying with the EBITDA-plan of the respective country. The mechanism of the bonus program is identical for all the members of management of all the subsidiaries and the reimbursements of bonuses are decided after approval of the audited annual report. Furthermore, the payment terms of dismissal compensations set forth in the employment agreements of the management of Premia Foods and all the subsidiaries are also identical.

In 2010, the members of the Supervisory Board of Premia Foods were remunerated in the total amount of 189 thousand kroons (12 thousand euro) (in 2009, the same numbers were 83 thousand kroons, i.e. 5 thousand euro). The increase of the reimbursements has occurred due to the fact that the amount of reimbursements for 2010 includes the fees paid to the auditing committee. Further, the amount in 2010 is higher also due to 2 members of the Supervisory Board being elected on 5 May 2009 and one members of the Supervisory Board on 17 August 2009, which means that the reimbursements made to these three members of the Supervisory Board reflect only a part of the year 2009.

As at today, the Supervisory Board of the company comprises of 6 members and additional information on each member of the Supervisory Board may be obtained from the web-page of Premia Foods www.premiafoods.eu and from this report under the Section "Corporate governance report".

SOCIAL RESPONSIBILITY

Premia as one of the major enterprises in Estonia is willing to bear its part of social responsibility and for doing that has chosen the following areas of activity, which we support for drawing additional attention to such areas of activity and raise the conciseness of general public of the consequences of their own activities and general environment.

1. Sportive lifestyle

By today, Premia has been the main sponsor of the ice arena bearing Premia's name – **Premia Ice Arena** – for 10 years already. Ice arena, which is mainly built with the purpose of popularising figure skating and playing hockey among children and youth, has been a milestone for these fields of sport of promoting sportive lifestyle among the children already from early age and provide them with an additional opportunity of self-realisation.

For 4 years already Premia has supported well-known handball team **Põlva Serviti** being one of the major sponsors of the team. The popularity of handball as field of sport has been constantly growing and the circle of supporters thereof is expanding continuingly, especially in the Southern-Estonia. The referred growth of popularity has enabled one of the most important players of Põlva Serviti Mait Patrail to join the Switzerland's handball league. Supporting successful and developing team is part of Premia's wish to promote sportive lifestyle and indicate that professional levels may be achieved irrespectively of the field of sport or the location of the sport's club, wish and willingness to overcome oneself is what matters.

2. Culture

Every nation values its roots, inheritance and surrounding culture. In order for the local culture to be able to develop, it is important to interact with the world, look into lifestyles of other countries and discover what is valued and what are dominant trends. Premia considers valuable to contribute into broadening of the mind of us all and therefore support was provided into numerous culture projects.

Viljandi Folk is a music festival held each summer. The festival has gained significant popularity over the years and the main goal of the festival is to introduce through folk music local cultures and inheritance of our close neighbours but also farer countries. The music played at the festival and atmosphere thereof is something that indicates that countries and nations do not have actual boundaries. We are one family who through ancient and modern music and being together wishes to show communion and Premia's opportunity to support such an idea is a privilege and compliment.

Cinema culture is also providing us with insight into the lives of world nations, different approaches of different authors to the happenings of life and often points out hot spots in this part of the world and over-seas. In 2010, Premia chose to support subprojects of the **Black Nights Film Festival (PÖFF)** Justfilm and Animated Dreams and the project **Rooftop Cinema**. Premia preferred namely these projects due to the fact that with the help of them it is possible to broaden the cinema experience and general mind of all age groups – grown-ups, youth and children – with cinematheque films being appreciated alternatives of Hollywood cash magnets. Co-operation with both – PÖFF and Rooftop Cinema – continues in 2011.

Ice cream culture as such is constantly developing and receives sharp attention of all friends of ice cream as from the first spring days. New ice creams and the already well-known assortment of the ice creams of OOO Khladokombinat No. 1 was introduced by Premia in the course of the International Ice Cream Day held in St. Peterburg in the beginning of June 2010. Co-operation with this event continues also in 2011.

3. Our environment

Human activities have left their marks to the nature and entire planet, there are multiple extinct bird and animal species, many are entered into the list of endangered species each year. Premia wishes to draw attention to species whose survival is important and by doing that emphasise the need to have a responsible attitude in respect of nature in all over the world.

Premia has been a godparent to **snow leopard** (*Uncia uncia*) of Tallinn Zoo over 7 years. Snow leopards are unique felids that live far in Middle-Asia and in the mountains of the Himalayas and play an important role in the local ecosystem. As at today the snow leopards are endangered species due to their valued fur and Premia wishes to draw attention to that endangered species by being a godparent to it and stand up for its survival. By doing that we can also help to keep up the ecosystem of the snow leopards' habitant places.

Marine museum and **dolphinarium** located in Klaipeda city in Lithuania has also been supported by Premia for 7 years already. Being familiar with sea's flora and fauna is important to children but also to grown-ups and dolphins being among the most intelligent sea creatures turn up the volume of that message.

in thousands of Estonian kroons and Euros

MANAGEMENT REPORT

The turn-over Premia Foods for the 12 months of 2010 was 1.2 billion kroons (77.3 million euro), EBITDA was 110.9 million kroons (7.1 million euro) and net profit 20.4 million kroons (1.3 million euro).

Compared to 2009, the turn-over of the company grew by 12.5%, EBITDA by 14% and net profit 89%.
The average yearly EBITDA margin was 9.2% and net margin 1.7%. Equity ratio was as at the yearend 60% and liquidity margin 1.89. Compared to 2009, there has been significant improvement in respect of all the above-mentioned ratios.

The following table indicates all material key ratios of the group.

KEY RATIOS

Profit & Loss	**2010 EEK mln**	2009 EEK mln	2008 EEK mln	**2010 EUR mln**	2009 EUR mln	2008 EUR mln
Sales	**1 209.1**	1 075.0	na	**77.3**	68.7	na
Gross profit	**292.1**	278.2	na	**18.7**	17.8	na
EBITDA	**110.9**	97.0	na	**7.1**	6.2	na
EBIT	**48.0**	39.4	na	**3.1**	2.5	na
Net profit	**20.4**	10.8	na	**1.3**	0.7	na

Balance Sheet	**31.12.10 EEK mln**	31.12.09 EEK mln	31.12.08 EEK mln	**31.12.10 EUR mln**	31.12.09 EUR mln	31.12.08 EUR mln
Net debt	**175.4**	289.7	308.5	**11.2**	18.5	19.7
Equity	**647.3**	434.1	425.9	**41.4**	27.7	27.2
Assets	**1 078.7**	983.1	1 028.3	**68.9**	62.8	65.7

Ratios	*formula*	**2010**	2009	2008
Gross margin	Gross profit / Net sales	**24.2%**	25.9%	na
EBITDA margin	EBITDA / Net sales	**9.2%**	9.0%	na
EBIT margin	EBIT / Net sales	**4.0%**	3.7%	na
Net margin	Net earnings / Net sales	**1.7%**	1.0%	na
Operating expense ratio	Operating expenses / Net sales	**24.8%**	25.5%	na
Liquidity ratio	Current Assets / Current Liabilities	**1.87**	1.15	1.06
Equity ratio	Equity / Total Assets	**60%**	44%	41%
Gearing ratio	Net Debt / (Equity + Net Debt)	**21%**	40%	42%
ROE	Net earnings / Average Equity	**4%**	3%	na
ROA	Net earnings / Average Assets	**2%**	1%	na

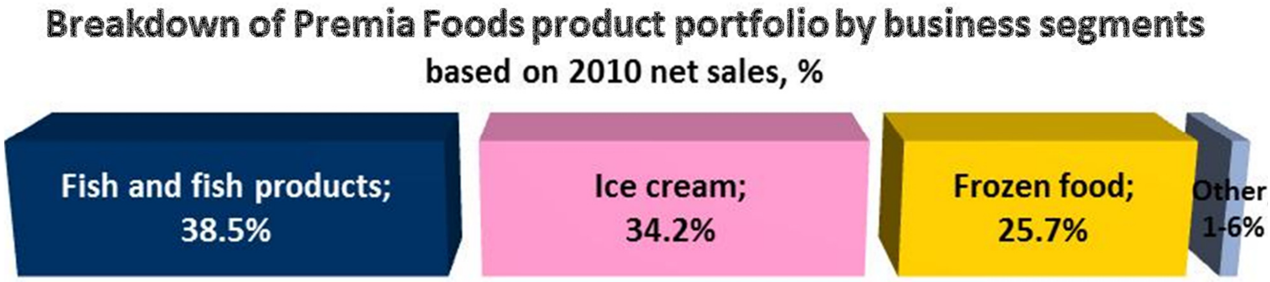
EBITDA = earnings before interest, tax, depreciation and amortisation
Net debt = Interest-bearing debt less cash and cash equivalents
na – data not available

The management of the company considers the results for 2010 to exceed their expectations.

All the forecasts of management in respect of turn-over and profitability set in the beginning of 2010 were exceeded. 2010 was a complicated year for the food industry as such, the influences of the economic crisis on the one hand and rapidly growing prices of raw materials on the other made the market situation stressful. Despite to the before mentioned circumstances better growing ratios were achieved than those estimated, which is the result of remarkable efforts by the whole team of the company.

34.2% of the product portfolio of Premia Foods forms ice cream, 38.5% fish and fish products and 25.7% frozen products, hence the portfolio is well-balanced. The company is active in six markets and Premia Foods continues in leading positions in all its target markets and product segments.

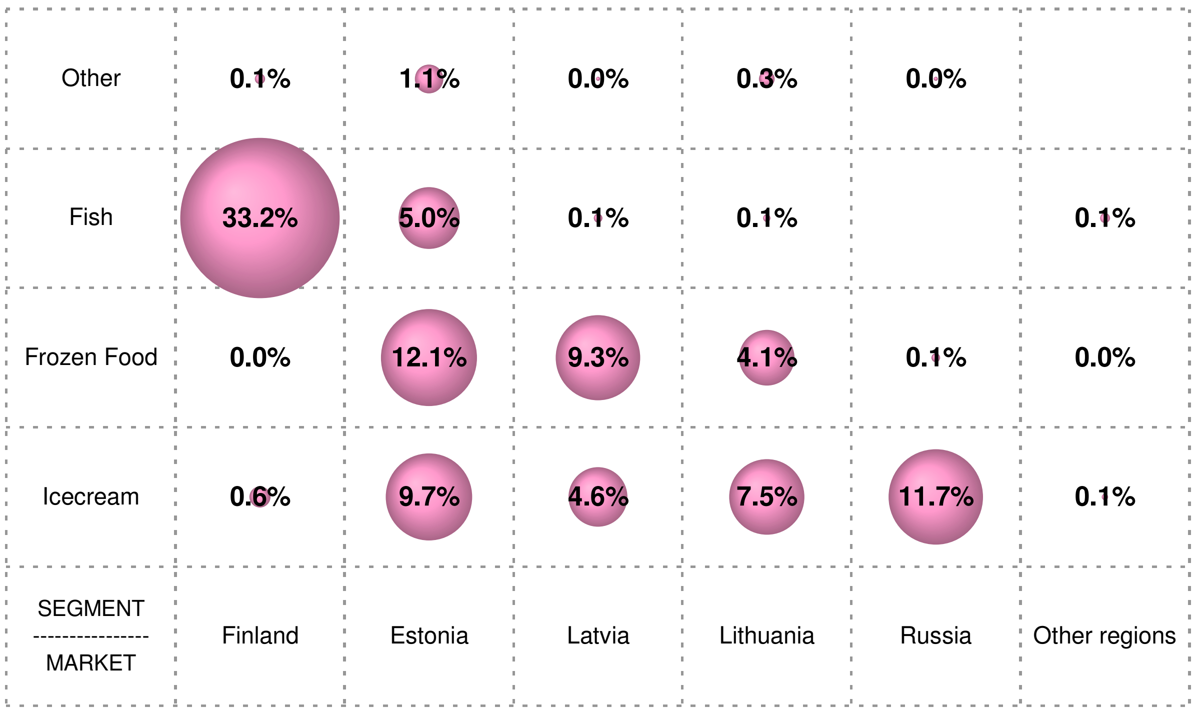
BUSINESS SEGMENT ANALYSIS



As may be seen from the chart above, the product portfolio of Premia Foods is well-balanced and all three business segments generate approximately equal proportions of the total turn-over of the company. The greatest proportion is assumed by the fish and fish products business segment, the main target market of which is Finland, the second place is held by ice cream and ice cream is followed by the frozen goods business segment. The main target markets of the two previously mentioned business segments are the Baltic states and the city St. Petersburg and surrounded areas.

The **correlations of the business segments and geographical markets** of Premia Foods have been illustrated in the following chart where the proportions of the total turn-over per target markets and business segments have been indicated. Therefrom it is for example evident that 33.2% of the total turn-over of Premia Foods is generated from fish and fish products in the Finnish market, 21.8% from ice cream sold in the Baltics, 25.5% from frozen goods sold in the Baltics and 11.7% from ice cream sold in Russia.

SEGMENT SHARE FROM TOTAL SALES (2010)



in thousands of Estonian kroons and Euros

While analysing the key figures of business segment one should bear in mind that:

- In the second half of 2010 the world-wide rapid growth of the prices of raw materials had an impact on the profitability of ice cream segment as such in all target markets. The increase of prices for the end-consumers took place only in the first quarter of 2011 with the objective to even out the negative impact of growth of the prices of raw materials but it may be assumed that the growth of the prices of raw materials continues in the near future.
- Sales activities of ice cream and frozen goods and logistics are fully integrated and therefore also general and sales costs are divided between these product groups proportionally to their turn-over. Due to the above, proportionally larger part of costs is attributed to frozen products during winter period (1st and 4th quarter) when the sales volumes of ice cream are decreased.

The main figures by business segments of Premia Foods:

			SEGMENT ANALYSIS	
	2010	2009	**2010**	2009
	EEK mln	EEK mln	**EUR mln**	EUR mln
Sales				
Ice cream	413.6	251.8	26.4	16.1
Frozen food	310.3	350.8	19.8	22.4
Fish and fish products	465.6	458.2	29.8	29.3
Other	19.6	14.2	1.3	0.9
Total	**1 209.1**	**1 075.0**	**77.3**	**68.7**
Gross profit				
Ice cream	155.9	107.2	10.0	6.9
Frozen food	69.6	75.6	4.5	4.8
Fish and fish products	61.0	91.7	3.9	5.9
Gross margin				
Ice cream	38%	43%	38%	43%
Frozen food	22%	22%	22%	22%
Fish and fish products	13%	20%	13%	20%
EBITDA				
Ice cream	53.3	41.4	3.4	2.6
Frozen food	-8.9	-4.3	-0.6	-0.3
Fish and fish products	64.6	32.1	4.1	2.1
EBIT				
Ice cream	29.3	23.6	1.9	1.5
Frozen food	-21.5	-18.0	-1.4	-1.1
Fish and fish products	47.3	15.8	3.0	1.0

Ice cream business segment

The turn-over from the ice cream business segment grew by 64% per year and in 2010 Premia earned the greatest part of its gross profit from ice cream.
The company earned from ice cream 48.7 million kroons (3.1 million euro) more gross profit during the 12 months period and the EBITDA of the business segment grew by 12.1 million kroons (0.8 million euro).

Such a good result has been achieved mainly due to the consolidation of sales results of OOO Khladokombinat No. 1 in St. Petersburg as from May 2010 but also aggressive activities with popular new products and sales campaigns in all Baltic states. The ice cream business segment turn-over of Khladokombinat No. 1 during the period from May to December was 142.0 million kroons (9.1 million euro) and gross profit 40.8 million kroons (2.6 million euro).

The year 2010 was a success for Premia also in the fields of marketing campaigns and product development.
The cone cream ice cream **Eriti Rammus** launched in April 2010 gained with mere 4 months period market share of approximately 6% of **Estonian ice cream market** and exceeded its closest competitor Premia's stick ice cream named Väike Tom by more than 2 times. It is an extraordinary occasion in the Estonian ice cream history and all forecasts set to this ice cream and brand as a whole were overrun. It must be emphasised that Eriti Rammus was launched practically without advertising and the news regarding the new and delicious ice cream spread by word of mouth. Product development costs were around 45,000 kroons, i.e. 3,000 euro.
Other marketing campaigns were also successful and all in all Premia maintained in the market leading position holding 40% monetary market share.

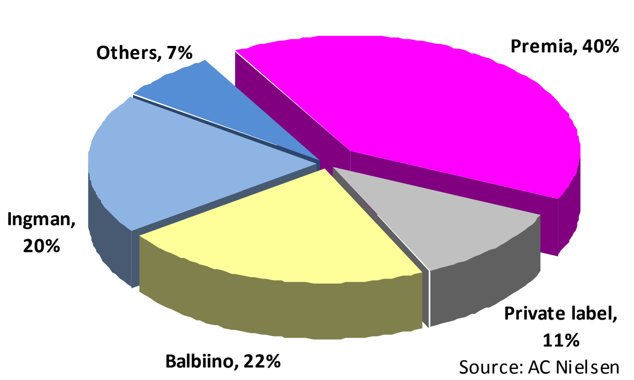
Similar cone ice cream was introduced also in **Lithuania** under the local leading brand of Premia Klasika, which enchants cream ice creams in the upper end of the price range. The product was well-received also in Lithuania and contributed to Premia becoming the market leader in Lithuania during summer period with the 21.1% market share. Considering the high level of price sensitivity and material amount of private label products characterising the Lithuanian ice cream market, the success of Klasika brand is impressive and indicated that quality ice cream is appreciated even when the market is dominated by preference towards cheaper product.

In **Latvia**, both product development and marketing campaigns were focused to the expansion of the product portfolio and improvement of distribution quality. In Latvia, Premia holds strong second market position with its 14% market share and taking into account the difficult financial position in the Latvian economy and remarkable unemployment rate the people are forced to prefer local and cheaper products, Premia's product portfolio has managed to provide sufficient choice and well-balanced price-quality relationship.

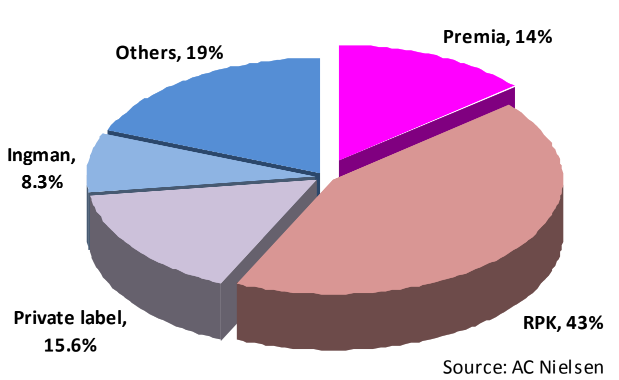
Premia's leading brands in the area of **St. Petersburg** are Sakharny rozhok, Etalon and Baltiiskoje. Those three brands generate approximately 80% of Premia's local ice cream turn-over, whereas our Sakharny rozhok of Khladokombinat No. 1, of which over 5 million pieces are produced on a yearly basis, is the best preferred ice cream in St. Petersburg. For comparison purposes – in 2010 Premia produced approximately 2 million pieces of the cone ice cream Eriti Rammus for Estonian market. In 2010, the structure of the product portfolio of St. Petersburg market was changed, in the course of which the assortment was decreased and Baltiiskoje brand was repositioned. In the frames of the above-referred restructuring, the brand Etalon, which is one of the leading brands in St. Petersburg in the more expensive price range, was expanded. Khladokombinat No. 1 holds strong second position in the St. Petersburg ice cream market having approximate market share of 22%

The charts below characterise the division of the ice cream markets in the Baltics and St. Petersburg.

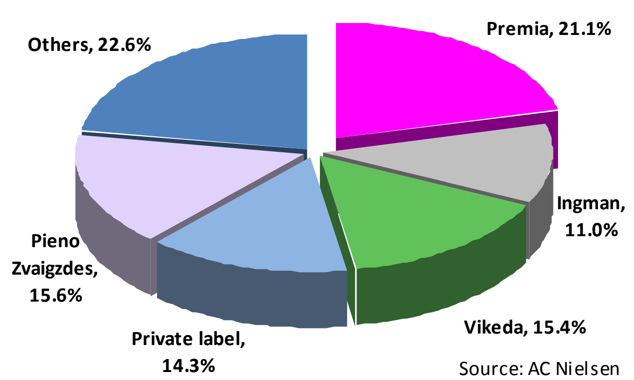
ESTONIAN ICE CREAM MARKET
value share in Jun - Jul 2010



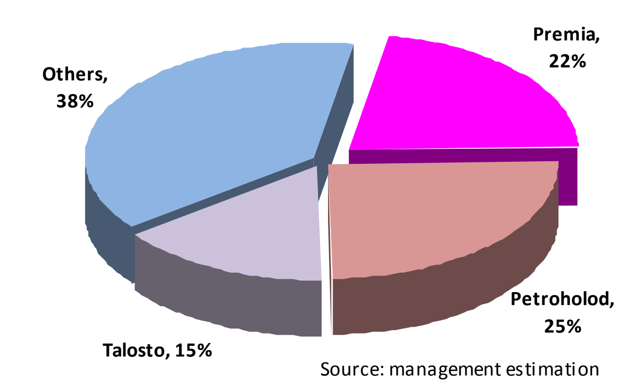
LATVIAN ICE CREAM MARKET
value share in Jun - Jul 2010



LITHUANIAN ICE CREAM MARKET
value share in Jun - Jul 2010



ST PETERSBURG's ICE CREAM MARKET
value share in Jun - Jul 2010



In 2010, Premia continued as the market leader in the Baltics, whereas it must be emphasised that the main competitors in the referred region are the retail chains' own products, i.e. private labels. The latter may, as a general rule, be characterised by offer of cheaper products, which results in pressure on the general price range. While the raw material prices are going up, this tendency constitutes a great challenge for Premia and requires additional efforts to production efficiency but also strengthening of existing leader brands.

Fish and fish products business segment

The greatest contribution into the EBITDA and revenue came from the fish and fish products business segment, whereas the EBITDA of the fish and fish products grew compared to 2009 altogether as much as 2 times and revenue 3 times, whereas exactly these figures provide a fair evaluation to the results as these numbers include the loss of revenue covered by the insurance compensation.

The fish and fish products generate the greatest proportion to the turn-over on a yearly basis formulating 38.5% of the turn-over and the company holds with its brand Heimon Gourmet in its main target market, **Finland,** the strong second position with its 25% market share in packed chilled fish products. In the Finnish market, packed products formulate approximately one third of the entire retail market, whereas the competition is tough as there are many local producers. Due to that, the business sector as a whole is fragmented but the first signs of consolidation may be spotted.

Unchallenged competitive advantage of Premia in the fish and fish products business segment is **vertical integration** – we exercise supervision over the value chain as from the fish farming (Premia's subsidiaries in Finland and Sweden) until the end-product (fish production in Estonia and in a lesser volume in Finland).

Owning fish farms is profitable for many reasons:

- Ensuring supply of raw fish. Premia is farming altogether 40% of its need of raw fish, whereas in the subsidiaries in Finland and Sweden mainly rainbow trout and white fish is farmed. The company grew altogether approximately 1.9 million kg of fish during last year, the remaining part of the fish, mainly salmon, is purchased from Norway and Denmark. In a lesser volume, the company purchases also pangasius as the growing preferred fish by the Finnish consumers. Due to the fact that the fish sector is highly dependent on the availability and price of raw fish owning fish farms is of a critical essence for Premia as it provides control over these aspects.
- Quality of raw fish. The high standards applied by Premia in its fish farms enable us to monitor the quality of the self-farmed fish on a regular basis and therefore offer high-quality end-product. Approximately 80% of the price of fish products is determined by the price of raw fish and low-quality raw fish means higher production costs, therefore ensuring the high quality of raw fish is one of the key factors in succeeding.

The year 2010 has been remarkably more complicated than usual for the fish and fish products business segment due to extraordinary circumstances (rapidly grown price of raw fish and the fire accident in Uusikaupunki).
As a result of the restructuring of the production of fish products, the production units are now located in Vettel, Saaremaa, and Hämeenlinna but until the end of December, the company still bore the general costs of the previous production unit located in Uusikaupunki, the 13.1% gross margin achieved as the yearly average gross margin may be considered good result.

The most significant achievement of 2010 in the field of marketing is the product line ISO Grilli launched in the Finnish market in May. Under the same trademark, Premia's Finnish subsidiary Heimon Kala sold modern and user friendly grill products. Despite to the general popularity of chilled fish products in Finland, similar products have not been launched in the market and ISO Grilli sold these products for over million euro during the three summer months, which indicates that the product development focusing on creating a higher additional value has been well-justified.

Heimon
suoraan pinnan alta.

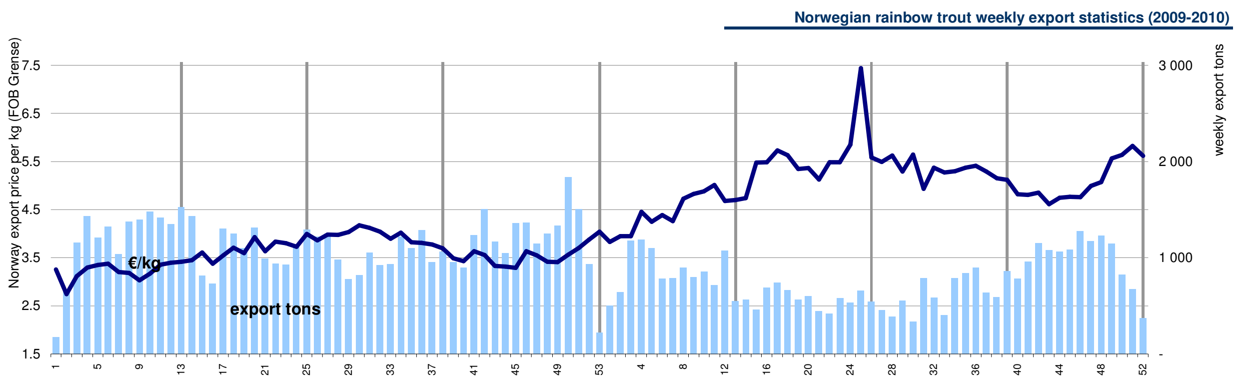
In the Baltics, the year 2010 was also filled with news.
In the spring, new brand Viking was launched, the first products of which were chilled and packed trout and salmon products and it goes without saying - the raw trout originated from Premia's fish farms in Scandinavia. The brand was extended to the frozen goods sector in the autumn and preservative-free fish sticks and burgers were launched to the market. Despite to the limited time of being on the market, Viking products have gained great amount of popularity and the rapid development of the brand continues in 2011.

The Baltic fish market is also fragmented, the proportion of the packed chilled products in the general fish consumption is approximately 10% but the tendency is clearly growing. The subsidiary of Premia GourmetHouse is mainly active in the Estonian market engaging in the sales of raw red fish to different retail chains, whereas the trout originates from the fish farms owned by Premia.

6% of the total turn-over of Premia Foods is generated from the sales of fish and fish products in Estonia. The preferred fish breeds are similarly to Finland salmon and trout but in a lesser volume pangasius and other fish breeds from Asia. Due to the fact that the prices of raw fish went up in 2010, it appears that the demand in the Baltics has fallen but the general trend of promoting the balanced food consumption and the necessity to prefer fish in the mass media contributes without a doubt to the growth of preferring fish among general public.

The EBITDA and revenue of fish and fish products is influenced by the **revaluation of live-stock, i.e. live fish**. As a general rule, the late-fall slaughtering period results in decrease of prices occurred due to over-supply. The summer of 2010 being warmer than average, slowed down the additional growth of the livestock of fish breeders and oversupply arising from the latter.
Due to the fact that the company breeds mainly rainbow trout in its fish breeding facilities in Finland and Sweden (84% of the total volume breaded by the company is rainbow trout), the valuation of fish stock is based on the statistics of export of Norwegian rainbow trout. The IFRS revaluation in the fish and fish products business segment resulted in the positive impact of 16.0 million kroons (1.0 million euro), which is 11.1 million kroons (0.7 million euro) more than in 2009.

The following chart summarizes the export prices and volumes of the Norwegian gutted rainbow trout during last two years.



Source: www.akvafakta.no

Frozen goods business segment

From the **frozen goods** the company earned gross profit comparable to 2009, i.e. 69.6 million kroons (4.5 million euro) (in 2009 75.6 million kroons, i.e. 4.8 million euro). The main target market of the frozen goods business segment is the Baltics and the frozen goods sold here generates 25.5% of the total turn-over of Premia Foods.
The main objectives set for the frozen goods segment were restructuring of the product portfolio and sustaining profitability as the consumer behaviour over the crisis period had changed and resulted in a significant price pressure to the frozen goods.

The restructuring of the product portfolio meant switching orientation to cheaper products in respect of Premia's own brands but also the brands intermediated by Premia due to the fact that ready-made goods (such as pizza), frozen fries and partially also the more expensive vegetable mixes were assigning its positions in the portfolio and growing trend characterised the sales of dumplings, meat balls and other prefabricated goods. Therefore it was necessary to make changes in the circle of frozen goods suppliers aiming such switch to better balanced price-quality relationship but there was also a need to find new suppliers in order to expand the existing assortment. As from the beginning of 2010, Premia Foods is the official distributor of one of the greatest frozen goods producer and seller Hortex in the Estonian and Latvian markets. This provided us with an opportunity to order multiple products sold under our own brands from the Hortex production unit maintaining high quality standards and through that more improve the price-quality relationship of the vegetables offered by us even more.

The main product categories of Premia in the frozen goods segment are the following:

- Dumplings and other prefabricated goods
- Vegetables and French fries
- Meet and meet products
- Ready-made goods (pizzas, etc.)

All the above-referred product categories are sold by Premia in all retail chains but also in HoReCa sector. In the opinion of the management, Premia is among the market leaders in all above-mentioned categories in the Baltics.

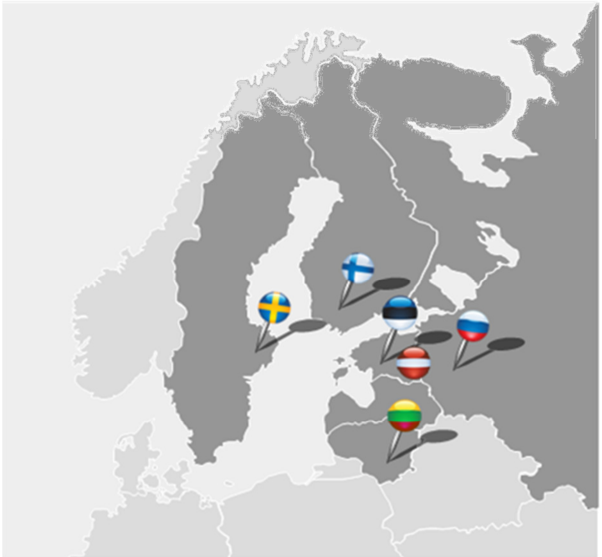
As a yearly average, Premia achieved 22% gross margin, which means that the profitability was maintained in the same level as in 2009. Due to that the objectives may be deemed to have accomplished, even more so as in the third quarter of 2010 the frozen goods business segment indicated growth signs and as at the yearend a level comparable to 2009 has been achieved.

Remarkable input to the growth of volumes and maintaining the profitability has been provided by Premia's own trademarks Maahärra, Bueno! and Natali. Maahärra is well-known and preferred trademark in the Estonian market almost for 10 years now, at the same time Bueno! has been present in the market for mere one and half years if calculated from the yearend and the company sells the trademark in all Baltic states in remarkable volumes. Natali is a trademark sold in the Lithuanian market, it has long history is well-known and popular there. From all products sold under all the brands, the most popular ones in 2010 were prefabricated goods and simpler vegetable mixes.

in thousands of Estonian kroons and Euros

BUSINESS SEGMENT ANALYSIS BY MARKETS

The target markets of Premia Foods have been indicated in the following map:



The greatest part of the total turn-over of Premia Foods is generated from the **Finnish market**, whereas in 2010 the company earned altogether 410.7 million kroons (26.2 million euro) of turn-over, which is 21.2 million kroons (1.4 million euro) more than in 2009. The turn-over growth came mainly from launch of the new products with high additional value and active participation in the Christmas campaigns but also from successful efforts in HoReCa sector.

Estonian market is continuing to hold the second important position in the target markets of Premia Foods and the achieved turn-over of 337.6 million kroons (21.6 million euro) provides a reason for satisfaction. The company continues as an ice cream market leader holding 40% value market share. The most successful new product the cone ice cream Eriti Rammus assumed the unchallenged leader position and by the yearend the company had sold 2 million pieces of that ice cream, which means approximately 6% value market share. The company continues among market leaders also in the frozen goods market, whereas the leading brands are Maahärra and Viking.

GEOGRAPHICAL MARKETS

Sales	**2010 EEK mln**	2009 EEK mln	**2010 EUR mln**	2009 EUR mln
Finland	410.7	389.5	26.2	24.9
Estonia	337.6	356.1	21.6	22.8
Latvia	169.9	184.4	10.9	11.8
Lithuania	144.9	136.4	9.3	8.7
Russia	143.5	0.0	9.2	0.0
Other	2.5	8.5	0.2	0.5

There are positive signals also in **Latvia** as the turn-overs of the 3rd and 4th quarter exceeded the results of the respective periods in 2009. The turn-over of 169.9 million kroons (10.9 million euro) earned in Latvia, places Latvia to the third position in Premia Foods' target markets. The Latvian economy was in a difficult position in 2010 and the efforts made there with the aim of holding and approving the local positions have been successful.

Lithuanian market has exceeded the turn-over results of 2009 in each quarter of 2010. The growth of turn-over of 6.3%, i.e. 8.5 million kroons (0.5 million euro) if compared to previous periods is the result of preserving efforts made there. By its structure, the Lithuanian market is the most difficult one in the Baltic states but the year 2010 indicated that the previous choices related to personnel and assortment have been fully justified.

The product portfolio of Khladokombinat No. 1 in **St. Petersburg** is almost 100% ice cream and the main goal of 2010 after the acquisition of the necessary production equipment in May was to focus on the restructuring of the existing portfolio, in the course of which the production of ineffective products was terminated and the main focus was placed on the development of the main brands. The Russian operations are being consolidated into the total turn-over of Premia Foods as from May 2010 and the turn-over of 143.5 million kroons (9.2 million euro) achieved within 8 months means 22%-25% market share and strong second position in the St. Petersburg's market. The above provided complies with the management's expectations in respect of this year.

FINANCIAL POSITION

The consolidated total assets of Premia Foods were as at 31.12.2010 1.1 billion kroons (68.9 million euro). In the end of the year 2009, the balance sheet total of Premia Foods was 983.1 million kroons (62.8 million euro). During 12 months, the balance sheet total grew by 9.7%.

While analysing the balance sheet total, the following should be borne in mind:

- In May 2010, the initial public offer of the shares of Premia Foods and subsequent listing of the shares on the NASDAQ OMX Tallinn Stock Exchange;
- In August 2010, the restructuring of loan portfolio;
- Acquisition of subsidiaries OOO Khladokombinat No. 1 and OOO Khladomagija in Russia;
- The restructuring done due to the fire accident in fish production facility;
- Seasonal nature of ice cream and fish business segment.

One of the goals of Premia Foods in 2010 was to improve the financial situation of the company, which was well-achieved due to the successful IPO and the following restructuring of loan portfolio.

The level of financial risk is assessed by the financial leverage ratio and net debt EBITDA ratio.

The volume of financial leverage, i.e. net debt decreased from 40% to 21%. Average loan interest decreased by 280 basic points as a result of the restructuring and the volume of short-term liabilities in the total capitalization of the company came from 46% down to 20%. If as at 31.12.10 the net debt EBITDA ratio was 1.6, then year ago the respective figure was 3.0. Adding the 60% volume of equity in the balance sheet total, without hesitation it may be concluded that **the company's financial position as at today reflects low financial risk**.

As at the balance sheet date of the year end, the net working capital of the company was 201.0 million kroons (12.8 million euro), having grown by 149.4 million kroons (9.6 million euro) during 12 months. The improvement of short-term solvency is reflected also in the materially improved liquidity margin, which as at 31.12.2010 was 1.87 (31.12.2009: 1.15).

BALANCE SHEET ANALYSIS

The company's current assets grew 12.1%, i.e. 46.5 million kroons (3.0 million euro) per year reaching 432.0 million kroons (27.6 million euro). The proportion of Russia in the current assets was as at 31.12.10 44.7 million kroons (2.9 million euro).

The balance of cash and bank accounts was 11.3 million kroons (0.7 million euro). As at 31.12.10 the company has undrawn overdraft facility limit in the amount of 42.2 million kroons (2.7 million euro).

Accounts receivables and prepayments increased compared to the year end of 2009 by 16.4%, i.e. 21.9 million kroons (1.4 million euro), reaching up to 156.0 million kroons (10.0 million euro). 84% of the accounts receivables and prepayments were trade receivables. The proportion of Russia in the accounts receivables and prepayments was 21.3 million kroons (1.4 million euro). The increase of the receivables has in addition to the including Russian business activities been influenced by the successful Christmas sale of fish and fish products in the Finnish market.

61% of the current assets was stock, half of which in turn was livestock of fish. The stock increased compared to 31.12.2009 by 29.0%, i.e. 59.4 million kroons (3.8 million euro) being 264.6 million kroons (16.9 million euro). The proportion of 33.4 million kroons (2.1 million euro) of the stock increase came from the growth of livestock of fish, i.e. biological stock. The increase of stock balance of OOO Khladokombinat No. 1 acquired during the financial year was as at 31.12.2010 22.2 million kroons (1.4 million euro).

The accounts payable increased compared to the year end of 2009 by 13.6%, i.e. 17.9 million kroons (1.1 million euro) raising up to 149.6 million kroons (9.6 million euro).

Total liabilities decreased by 21.4%, i.e. 117.5 million kroons (7.5 million euro) down to 431.4 million kroons (27.6 million euro). Therefrom 186.7 million kroons (11.9 million euro) are short-term and long-term loans, having decreased by 40%, i.e. 122.6 million kroons (7.8 million euro) during 12 months.

The equity of Premia Foods was as at 31.12.2010 647.3 million kroons (41.4 million euro) having increased by 49.1%, i.e. 213.2 million kroons (13.6 million euro).

INVESTMENTS

Capital expenditures into Premia Foods' **tangible and intangible assets** formed 30.9 million kroons (2.0 million euro) during the accounting period. The investments included extraordinary investments related to the fire accident of the fish production unit and relocation of production activities in the amount of 10.2 million kroons (0.7 million euro).

in thousands of Estonian kroons and Euros

The investments made during the accounting period have been granted target financing from the EU structure funds in the amount of 2.2 million kroons (0.1 million euro).

The greatest part of the investments of 2010 was related to the construction of waste water cleaning facilities in the fish breeding facilities in Finland and Sweden. The total volume of investments was 9.7 million kroons (0.6 million euro) of which 1.2 million kroons (0.1 million euro) is the financing from the EU structure funds. As from now after the restructuring of the production process, it is possible for the company to gut the fish right at the fish breeding facilities and therefore ensure higher quality of raw fish and more cost-effective supply chain.

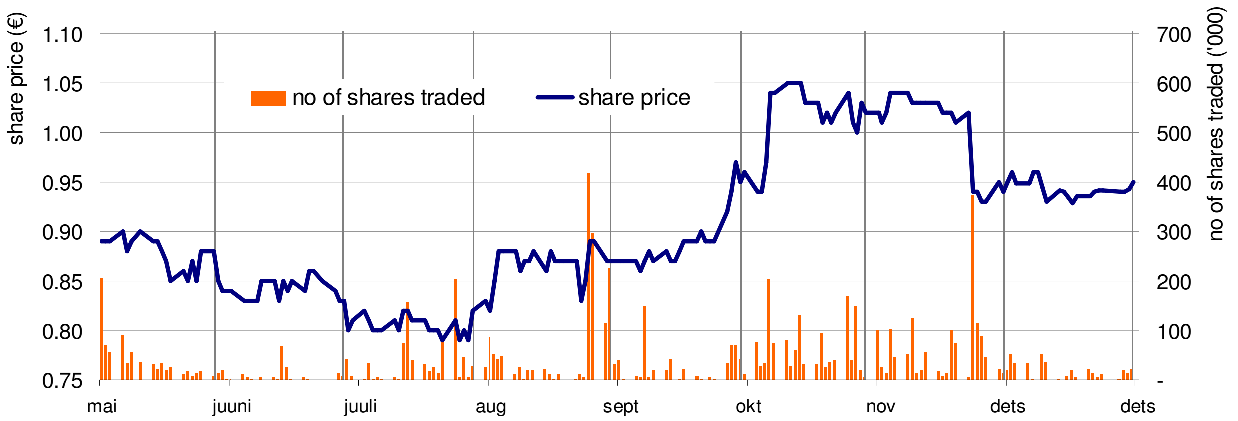
The volume of **financial investments** during the period at hand has reached 54.3 million kroons (3.5 million euro) of which 46.5 million kroons (3.0 million euro) was positive goodwill gained from the acquisition of 100% shareholding in OOO Khladokombinat No. 1. The total amount of additional equity gained with the acquisition of Russian subsidiaries was 25.3 million kroons (1.6 million euro).

PREMIA FOODS SHARE

Premia Foods is listed in the main list of NASDAQ OMX Tallinn Stock Exchange as from 5 May 2010, the company has issued 38.7 million ordinary shares with the nominal value of 10 kroons each.

ISIN	EE3100101031
Symbol of share	PRF1T
Market	BALTIC MAIN LIST
Nominal value	10.00 EEK
Issued shares	38,682,860
Listed shares	38,682,860
Listing date	05.05.2010

The dynamics of the price of share of Premia Foods AS (EUR) and the volume of transactions (no of shares traded) during the period from 5 May 2010 up to 31 December 2010.

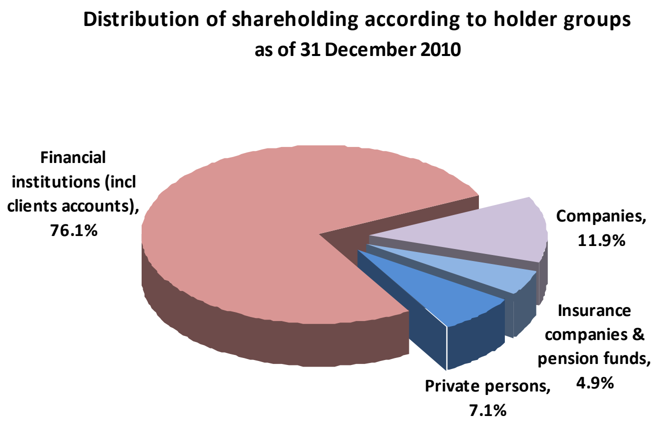


1 EUR = 15,6466 EEK

Shareholder structure

Major shareholders of Premia Foods as at 31.12.2010:

ING Luxembourg S.A. (nominee account) ----------62.34%
OÜ Rododendron --------------------------------------- 3.36%
Firebird Republics Fund Ltd. --------------------------- 3.09%
Ambient Sound Investments OÜ --------------------- 2.59%
LHV Pensionifond L-------------------------------------- 2.58%
Skandinaviska Enskilda Banken Ab Clients ---------- 1.98%
Firebird Avrora Fund, Ltd. ----------------------------- 1.68%
OÜ Footsteps Management ----------------------------- 1.26%
LHV Pensionifond XL ----------------------------------- 1.00%
AS LHV Pank (nominee account) --------------------- 1.00%
OÜ Freespirit -- 1.00%
Skandinaviska Enskilda Banken Finnish Clients ---- 0.97%



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

2010	EEK	EUR
Average number of shares at the trading period (in thousands)[1]	38,664	38,664
Opening price	14.55	0.93
Highest share price	16.90	1.08
Lowest share price	12.20	0.78
Closing price, at year end	14.86	0.95
Number of shares traded (in thousands)	7 048	7 048
Turnover (in millions)	101.80	6.51
Market capitalisation (in millions)	574.99	36.75
Dividend per share [2]	0.16	0.01
Price-to-EBITDA [3]	5.2	5.2
PE (Price earnings) [4]	28.5	28.5
P/BV (Price-to-book value) [5]	0.89	0.89

[1] average number of shares between May 5th and Dec 31, 2010; number of shares has been decreased by treasury stock
[2] dividends according to profit allocation proposal
[3] Market cap at year end / EBITDA
[4] Market cap at year end / Net earnings
[5] Market cap at year end / Equity at year end

FUTURE PROSPECTIVES

The Management Board forecasts the consolidated turnover of 2011 to be 85 million euro, which compared to 2010 means a **10% increase in turn-over**; and a **net profit to be 1.6 million euro, which means a 25% increase in net profit** if compared to 2010.

The contemplated amount of investments for 2011 is 21.7 million kroons (1,390 thousand euro).

According to the management of the company, increase of turn-over and profit is expected in all business segments and the increase of sales volumes together with the increase of production efficiency in fish and ice-cream business segment will bring along increase of profit.

In the ice-cream business segment, the management expects growth in all target markets, thereby for the purpose of expanding and improving the efficiency of production activities, the company has executed a lease agreement with an ice-cream producer OOO „Leda“ and as a result of which the production activities of Khladokombinat will be relocated from the existing lease premises in the centre of St Petersburg to logistically well-suitable premises of the ice-cream factory situated 160 km from St Petersburg in the city of Kirishi.
Costs occurred in the course of the relocation in 2011 amount to 280,000 euro but at the same time the relocating the activities of Khladokombinat to new rental premises results in savings amounting approximately up to 100,000 euro in 2011 and as from 2012 approximately up to 500,000 euro per year.

Aggressive approach in the **frozen goods' business segment** continue and in addition to the existing markets the company enters into that business segment also in St Petersburg and Finland by development of company's own trademarks, which will be achieved through diversification of assortment. Increase of volumes in the frozen goods business segment will enable to even out the effect of seasonality of the ice-cream segment.

In the **fish business segment** growth is expected after the reorganisation of production carried out last year and because of active product development carried out for trademark Heimon Gourmet in the Finnish market and by launching the trademark Viking in the Baltics' frozen fish products business segment this year.

Subject to the approval of the Supervisory Board, the Management Board of Premia Foods makes the annual General Meeting a proposal to resolve distribution of profit in the amount corresponding to 30% of the 2010 net profit of Premia Foods to be paid as the dividends of 2010.

The Corporate Governance Report

Introduction

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 2010, two General Meetings of AS Premia Foods were held.

- The first General Meeting of AS Premia Foods was held on 15 March 2010. 2,418,286 votes represented by shares took part of the meeting, representing altogether 100% of all the shares issued. The General Meeting resolved to (i) amend the Articles of Association; (ii) conduct a bonus issue and increase the share capital without making contributions into the share capital using the Company's own equity.
- The second General Meeting of AS Premia Foods was held on 21 April 2010. 24,182,860 votes represented by shares took part of the meeting, representing altogether 100% of all the issued shares. The general meeting resolved the conditional increase of the share capital of the Company in order to conduct the initial public offering of the shares of AS Premia Foods followed by the listing of all the shares of AS Premia Foods in the main list of the NASDAQ OMX Tallinn Stock Exchange.
- The General Meetings as described above were duly and timely convened. Notices convening the General Meetings 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. It must be emphasised that as at the time of holding the above-described General Meetings, the Rules of the NASDAQ OMX Tallinn Stock Exchange were not applicable in respect of the company and therefore no public announcements were made regarding the General Meetings.

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 receive information on issues placed into the competence of the General Meetings.

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

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 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 the fact that the company had at the time of the General Meetings altogether 9 shareholders who were all active in the operations of AS Premia Foods; 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 unreasonably 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 seven members elected by the general meeting for the term of five years.

Members of the Supervisory Board elect a Chairman among themselves. Chairman of the Supervisory Board is responsible for organizing the work of Supervisory Board and has a casting vote in case of tied vote.

Supervisory Board of AS Premia Foods

Currently, the supervisory board of AS Premia Foods is composed of the following members: Mr. Indrek Kasela (since incorporation), Mr. Lauri Kustaa Äimä (since incorporation), Mr. Erik Haavamäe (since incorporation), 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: for 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.

In 2010, only the independent members of the Supervisory Board Mr. Aavo Kokk and Mr. Jaakko Karo were remunerated for their work in the Supervisory Board. In 2010, the gross amount of remuneration paid to the members of the Supervisory Board was 120 thousand kroons (8 thousand euro). In addition the members of the Supervisory Board 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 2010, the supervisory board held altogether 11 meetings. The tight frequency of the meetings arose due to the initial public offering and listing of the shares of AS Premia Foods where the Supervisory Board was providing constant assistance and support for the Management Board of AS Premia Foods. 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 of and the information exchange between the management board and the supervisory board meets 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 Board of AS Premia Foods consists of one to four members elected for the term of three years.

in thousands of Estonian kroons and Euros

Management Board of AS Premia Foods

Currently the members of the Management Board of AS Premia Foods Mr. Kuldar Leis (since incorporation, Chairman of the Management Board), Ms. Katre Kõvask (elected on 9 June 2009) and Mr. Silver Kaur (elected on 9 June 2009) conduct the everyday business activities of AS Premia Foods.

On 5 March 2010 the Supervisory Board of AS Premia Foods elected Mr. Andri Avila as a member of the Management Board. Mr Andri Avila was recalled from the Management Board in accordance with the resolution of the Supervisory Board, dated 20 September 2010.

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 (Section 2.2.7 of CGR). AS Premia Foods is on the opinion that such disclosure may impair the rights and interests of the members of the Management Board and the company itself. In 2010, the gross amount of remuneration paid to the members of the Management Board was 2 793 thousand kroons (159 thousand euro). Additional information regarding the remuneration of the members of the managing bodies is indicated in the annual report of the company

As at 31.12.2010, the members of management and supervisory board and persons/companies related to them hold the shares in the company as indicated below:

Shareholder	**31.12.2010 No of shares**	**%**
Chairman of the management board – Kuldar Leis	1 302 166	3,37%
Member of the management board – Katre Kõvask	489 828	1,27%
Member of the management board – Silver Kaur	387 522	1,00%
Chairman of the supervisory board – Indrek Kasela	23 073	0,06%
Member of the supervisory board – Lauri Kustaa Äimä	55 000	0,14%
Member of the supervisory board – Vesa Jaakko Karo	90 000	0,23%
Member of the supervisory board – Erik Haavamäe	180 242	0,47%
Member of the supervisory board – Harvey Sawikin	no shares	
Member of the supervisory board – Aavo Kokk	no shares	
Total number of shares belonging to supervisory and management board	**2 359 758**	**6,10%**

Kuldar Leis (born 1968) graduated from the University of Tartu in 1993, specializing in credit and finance. He also holds a diploma in dairy technology.. Kuldar Leis 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 OU TCS Invest, and as a member of supervisory board of Saaremere Kala AS, Vettel OU and AS "Premia FFL". He is currently a member of supervisory board of AS Linda Nektar (a company specializing on 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 OU.

Katre Kõvask (born 1975) graduated from University of Tartu in 1998, having specialized in marketing and foreign trade and 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 and the management board of OÜ Footsteps Management.

Silver Kaur (born 1973) graduated as a fisheries' consultant from Estonian Maritime Academy in 1997 and 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 and belongs to the management boards of RüsiGrupp OÜ and Freespirit OU.

Indrek Kasela (born 1971) holds LL.M (master of laws) degree from New York University (1996), BA degree in law from the University of Tartu (1994) and certificate in EU Law from the University of Uppsala and serves as a member of supervisory board of several group entities, such as AS Premia Tallinna Külmhoone, Saaremere Kala AS, Vettel OÜ and OÜ TCS Invest. He serves as supervisory board member of 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) holds a masters degree in Economics from the University of Helsinki and has been a member of the Supervisory Board of the Company since its foundation and of AS Premia Tallinna Külmhoone since 2005. Lauri Kustaa Äimä is the managing director and founding shareholder of Kaima Capital Oy. He serves as a management or supervisory Board member of AS Tallink Group, Salva Kindlustuse AS, 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) holds a cum laude diploma in economics from Tallinn Technical University and has been a member of the supervisory board of the company since its foundation. In addition, he serves as a member of the management board of Heimon Kala Oy and AB Premia KPC, 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. He is a member of the supervisory board of AS Toode, OAO Pharmsynthez and AS Kevelt, and a member of the management board of AS EPhaG and OÜ Kamakamaka. Currently he is also acting as the CFO of Premia Foods.

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

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

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

Audit Committee

According to the amendments to the Auditing Activities Act that entered into force as at 1 July 2010, AS Premia Foods is under obligation to have an Auditing Committee. The Auditing Committee is an advising body to Supervisory Board in respect of accounting, auditing, risk management, internal auditing, general supervision, budgeting and legal compliance with the activities of the Supervisory Board.

The Supervisory Board of AS Premia Foods resolved to elect Mr. Aavo Kokk as the Chairman of the Auditing Committee and Ms. Mairi Paiste as the member of the Auditing Committee. In 2010, the gross amount of remuneration paid to the members of the Audit Committee was 22 thousand kroons (1.4 thousand euro).

Disclosure of Information

AS Premia Foods follows the CGR rules on publication of information and treats all the shareholders equally. Information is published on web page of the NASDAQ OMX Tallinn Stock Exchange and the web page of AS Premia Foods (www.premiafoods.eu) which is clear in structure and where published information is easy to find. The information is published both in Estonian and English language. AS Premia Foods has published the financial calendar (Section 5.2 of CGR) as well as all other information which must be accessible to the shareholders on its web page (Section 5.3. of CGR).

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 to the Management Report

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

The Management Report in the pages 3-29 is the integral part of the consolidated annual report of AS Premia Foods.

Chairman of the Management Board	Kuldar Leis	....	April 15, 2011
Member of the Management Board	Silver Kaur	....	April 15, 2011
Member of the Management Board	Katre Kõvask	....	April 15, 2011

in thousands of Estonian kroons and Euros

Consolidated Financial Statements

Consolidated Statement of Financial Position

As at 31 December	31.12.2010 EEK '000	31.12.2009 EEK '000	31.12.2010 EUR '000	31.12.2009 EUR '000	Note
Cash and cash equivalents	11,298	19,618	722	1,254	(Note 4)
Receivables and prepayments	155,992	134,070	9,970	8,569	(Note 5)
Inventories	264,594	205,164	16,911	13,112	(Note 6)
Fixed assets held for sale	156	26,721	10	1,708	(Note 7)
Total current assets	**432,040**	**385,573**	**27,613**	**24,643**	
Deferred income tax asset	7,814	5,541	499	354	(Note 9)
Long-term financial investments	1,453	1,507	93	96	(Note 10)
Investment property	32,600	32,600	2,084	2,084	(Note 11)
Tangible fixed assets	236,069	241,980	15,087	15,465	(Note 12)
Intangible assets	368,761	315,850	23,568	20,186	(Note 13)
Total fixed assets	**646,697**	**597,478**	**41,331**	**38,185**	
TOTAL ASSETS	**1,078,737**	**983,051**	**68,944**	**62,828**	
Loans and borrowings	38,248	159,556	2,444	10,198	(Note 16)
Factoring payable	43,206	42,754	2,762	2,732	(Note 2)
Payables	149,561	131,686	9,559	8,416	(Note 17)
Total current liabilities	**231,015**	**333,996**	**14,765**	**21,346**	
Loans and borrowings	148,419	149,731	9,486	9,569	(Note 16)
Long-term payable to shareholders	0	17,226	0	1,101	(Note 30)
Deferred tax liabilities	25,695	21,900	1,642	1,400	(Note 28)
Target financing	26,272	26,085	1,679	1,667	(Note 18)
Total noncurrent liabilities	**200,386**	**214,942**	**12,807**	**13,737**	
Total liabilities	**431,401**	**548,938**	**27,572**	**35,083**	
Share capital	386,829	24,183	24,723	1,546	
Share premium	227,085	398,688	14,513	25,481	
Treasury shares	-,472	-3,986	-,30	-255	
Currency translation reserve	5,249	1,415	335	90	
Retained earnings	28,645	10,003	1,831	639	
Equity attributable to the equity holders of the Company	**647,336**	**430,303**	**41,372**	**27,501**	
Non-controlling interest	0	3,810	0	244	
Total equity	**647,336**	**434,113**	**41,372**	**27,745**	(Note 19)
TOTAL EQUITY AND LIABILITIES	**1,078,737**	**983,051**	**68,944**	**62,828**	

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in thousands of Estonian kroons and Euros

Consolidated Statement of Comprehensive Income

For the year ended 31 December	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000	Note
Continuing operations					
Sales	1,209,136	1,074,973	77,278	68,703	(Note 21)
Cost of goods sold	- 917,018	- 796,739	- 58,608	- 50,921	(Note 22)
Gross profit	**292,118**	**278,234**	**18,670**	**17,782**	
Selling and distribution expenses	- 236,870	- 212,736	- 15,139	- 13,597	(Note 23)
Administrative expenses	- 62,491	- 61,855	- 3,994	- 3,953	(Note 24)
Other income	44,009	40,278	2,813	2,574	(Note 26)
Other expense	- 4,735	- 9,411	- 303	- 601	(Note 26)
Fair value adjustment on biological assets	15,996	4,862	1,022	311	(Note 26)
Operating profit	**48,027**	**39,372**	**3,069**	**2,516**	
Financial income	1,486	920	95	59	(Note 27)
Financial expense	- 23,047	- 30,124	- 1,473	- 1,925	(Note 27)
Net financial items	**- 21,561**	**- 29,204**	**- 1,378**	**- 1,866**	
Profit before income tax	**26,466**	**10,168**	**1,691**	**650**	
Income tax	- 6,088	641	- 389	41	(Note 28)
Profit from continuing operations	**20,378**	**10,809**	**1,302**	**691**	
Profit for the period	**20,378**	**10,809**	**1,302**	**691**	
Other comprehensive income					
Foreign currency translation differences	3,834	1,415	245	90	
Other comprehensive income	**3,834**	**1,415**	**245**	**90**	
Total comprehensive income	**24,212**	**12,224**	**1,547**	**781**	
Profit attributable to:					
Owners of the Company	20,156	10,003	1,288	639	(Note 29)
Non-controlling interest	222	806	14	52	
Profit for the period	**20,378**	**10,809**	**1,302**	**691**	
Total comprehensive income attributable to:					
Owners of the Company	23,990	11,418	1,533	729	
Non-controlling interest	222	806	14	52	
Total comprehensive income	**24,212**	**12,224**	**1,547**	**781**	
Earnings per share					
Basic earnings per share (EEK/EUR)	0.76	8.19	0.05	0.52	(Note 29)
Diluted earnings per share (EEK/EUR)	0.76	8.19	0.05	0.52	(Note 29)

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in thousands of Estonian kroons and Euros

Consolidated Cash Flow Statement

For the year ended 31 December	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000	Note
Cash flow from operations					
Operating profit	**48,027**	**39,372**	**3,069**	**2,516**	
Adjustments:					
Depreciation on fixed assets	62,868	57,675	4,018	3,686	(Note 25)
Loss from sale of fixed assets	-973	911	-62	58	
Revaluation of investment properties	0	-29,940	0	-1,913	(Note 26)
Other non-cash items	-21,453	-1,377	-1,370	-87	
Negative goodwill	-332	0	-21	0	(Note 8)
Change in receivables related to operating activities	10,624	13,554	679	866	
Change in inventories and fixed assets held for sale	-28,961	2,189	-1,851	140	
Change in liabilities and prepayments	-32,964	-46,763	-2,107	-2,989	
Target financing of operating expenses	601	0	38	0	(Note 18)
Prepaid income tax	-2,160	985	-138	63	
Total cash flow from operations	**35,277**	**36,606**	**2,255**	**2,340**	
Cash flow from investments					
Sale of tangible and intangible fixed assets	3,220	954	206	61	
Purchase of tangible and intangible fixed assets	-31,361	-10,632	-2,004	-680	(Note 12, 13)
Sale and purchase of other financial investments	260	0	17	0	
Net cash flow from acquisition of subsidiaries	-46,751	-35	-2,988	-2	(Note 8)
Acquisition of subsidiaries' minority interest	-7,476	0	-478	0	(Note 8)
Acquisition of associates	-206	0	-13	0	
Loans granted	-40	-4,011	-3	-256	
Repayment of loans granted	149	6,852	10	438	
Interest received	142	1,869	9	119	
Other financial income	22	39	1	3	
Total cash flow from investments	**-82,048**	**-4,964**	**-5,243**	**-317**	
Cash flow from financing					
Change in overdraft	-35,800	423	-2,288	27	(Note 16)
Repayment of loans	-222,820	-108,931	-14,241	-6,962	
Loans raised	131,932	103,813	8,432	6,635	
Change in factored receivables	452	11,825	29	756	
Target financing received	5,046	1,486	322	95	
Capital lease repayments	-13,575	-14,304	-868	-914	(Note 14)
Share issue	191,043	0	12,210	0	(Note 19)
Interest paid	-15,129	-20,926	-967	-1,337	
Other financial expenses	-2,499	-1,946	-160	-125	
Total cash flow from financing	**38,650**	**-28,560**	**2,469**	**-1,825**	
TOTAL CASH FLOW:	**-8,121**	**3,082**	**-520**	**198**	
Change in cash and cash equivalents					
Cash and cash equivalents at beginning of year	**19,618**	**19,693**	**1,254**	**1,259**	
Change in cash and cash equivalents	-8,121	3,082	-520	198	
Gains/losses on conversion of foreign currencies	-199	-3,157	-12	-,203	
Cash and cash equivalents at the end of the year	**11,298**	**19,618**	**722**	**1,254**	

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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	1,415	10,003	**11,418**	806	**12,224**
Balance at 31.12.2009	**24,183**	**398,688**	**0**	**-3,986**	**1,415**	**10,003**	**430,303**	**3,810**	**434,113**
Bonus issue	217,646	-217,646	0	0	0	0	**0**	0	**0**
IPO	145,000	46,043	0	0	0	0	**191,043**	0	**191,043**
Non-controlling interest in the change	0	0	0	0	0	0	**0**	-4,032	**-4,032**
Sale of treasury stock	0	0	0	3,514	0	-1,514	**2,000**	0	**2,000**
Profit for the period	0	0	0	0	3,834	20,156	**23,990**	222	**24,212**
Balance at 31.12.2010	**386,829**	**227,085**	**0**	**-472**	**5,249**	**28,645**	**647,336**	**0**	**647,336**

See Note 19 for further information about owners' equity.

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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	90	639	**729**	52	**781**
Balance at 31.12.2009	**1,546**	**25,481**	**0**	**-255**	**90**	**639**	**27,501**	**244**	**27,745**
Bonus issue	13,910	-13,910	0	0	0	0	**0**	0	**0**
IPO	9,267	2,942	0	0	0	0	**12,210**	0	**12,210**
Non-controlling interest in the change	0	0	0	0	0	0	**0**	-258	**-258**
Sale of treasury stock	0	0	0	225	0	-97	**128**	0	**128**
Profit for the period	0	0	0	0	245	1,288	**1,533**	14	**1,547**
Balance at 31.12.2010	**24,723**	**14,513**	**0**	**-30**	**335**	**1,831**	**41,372**	**0**	**41,372**

See Note 19 for further information about owners' equity.

Note 1 General Information and Material Accounting Policies

General information

AS Premia Foods (hereinafter the Parent Company) is registered at 23.12.2008 in the Republic of Estonia (reg. code 11560713, registered address Betooni 4, Tallinn). Premia Foods Group is operating in the Baltic States, Russia, Finland and Sweden.

The main activities of the Group are the production and wholesale of fish and fish products, production and wholesale of ice cream, and wholesale of frozen food products. The activities of the Group are described in detail in Note 20 "Segment reporting"

The consolidated financial statements as at 31.12.2010 contain AS Premia Foods and its subsidiaries (hereinafter jointly the Group) consolidated assets, liabilities, equity, profit and loss and cash flow.

The consolidated financial statements contain AS Premia Foods and its subsidiaries Saaremere Kala AS in Estonia and AB Premia KPC in Lithuania and companies belonging into the group – OÜ Vettel, OÜ GourmetHouse, AS Premia Tallinna Külmhoone, OÜ TCS Invest in Estonia, Heimon Kala Oy in Finland, Överumans Fisk Ab and Skärgårdshavets Fisk Ab in Sweden, SIA F.F.L.S. and AS Premia FFL in Latvia and OOO Khladokombinat No 1 and OOO Khladomagija in Russia (hereinafter the Subsidiaries). Shareholdings in the Group Subsidiaries have been presented in Note 8. The Group has a holding in a related entity Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology; CCFFT).

The largest shareholder of AS Premia Foods with a 38.3% 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.

AS Premia Foods is listed on the NASDAQ OMX Tallinn Stock Exchange since 5 May 2010.

Confirmation of compliance

The consolidated financial statements of AS Premia Foods for 2010 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 management board of AS Premia Foods approved 2010 consolidated financial statements at 15 April 2011. 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 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. The same accounting principles that were used to prepare the consolidated financial statements for the financial year that ended on 31 December 2009 were used to prepare consolidated financial statements of 2010.

These consolidated financial statements have been prepared for the period of 1 January 2010 to 31 December 2010. The functional currency of AS Premia Foods is Estonian kroon (EEK). All numerical indicators have been rounded to thousand, if not indicated otherwise. These financial statements are presented in thousands of EEK and in thousands of Euros, unless indicated otherwise. In the report, thousand Estonian kroons is indicated as an abbreviation EEK´000 and thousand euro as EUR ´000. As Estonian kroon is pegged to the euro at a rate of EUR 1 = EEK 15.6466 such a way of presentation does not cause differences arising from the differences in exchange rates. The companies of the group use as the accounting currency the currency of the economic environment.

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Changes in Presentation

Financial reports have been prepared on the basis of going concern and using comparison methods, changes in methodology and their influence are explained in corresponding notes. If the presentation of entries or the methodology of classification has been changed, then also corresponding indicators from previous period have been re-classified.

On 1 January 2010, IAS 27 Consolidated and Separate Financial Statements became compulsory for the Group. In the changed standard the term of "minority holding" has been replaced with a term "non-controlling interest".

Consolidation

The consolidated annual report contain the financial indicators of AS Premia Foods and its subsidiaries, 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 Flow

Cash and cash equivalents in the financial position and cash flow statements include the balances of cash at hand, bank accounts and short-term bank deposits (with maturities of three months or less). Overdraft has been recognised in the financial position statement in the balance of short-term loan liabilities. Cash and cash equivalents have been recognised in their fair value.

While accounting the cash flow of revenue, indirect method has been used. According to the indirect method, the accounting period revenue is adjusted with the impact of non-monetary economic transactions, changes in the balances of assets and liabilities related to business operations and revenue and costs of financing operations. The financing operations have been recognised by using direct method, i.e. according to actual receipt and payment of cash.

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 2010. 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 (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.

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in thousands of Estonian kroons and Euros

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.

Assets considered to be fixed assets are assets with the exploration term over one year and the purchase value as from 9,400 kroons (600 euro). Assets with the purchase value below 4,700 kroons (300 euro) are deemed to be expenditures as at acquisition.

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 ... 20 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.

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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.

Associates

Associates are entitites in which Group has significant influence but not control. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of another entity. In the consolidated financial statements, investments in associates are carried using the equity method; under this method, the initial investment is adjusted with the profit/loss received from the entity and the dividends collected. Unrealised gains on transactions between the investor and its associates are eliminated to the extent of the Company's interest in the investment. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the Group's share of losses in an associate equals or exceeds the book value of the associate, the investment is reduced to zero and further losses are recognised as off-balance-sheet items. When the Group has incurred obligations or made payments on behalf of the associates, the respective liability is recorded in the balance sheet, and loss under the equity method is recognised. Where necessary, the accounting policies of associates have been changed to correspond to the accounting policies of the Group.

Transactions with Minority Shareholdings

In transactions with minority shareholdings, the same principles are applied as in transactions with third parties external to the group. In case of an increase of participation in a subsidiary through the acquisition of shares from a minority shareholder, the difference between the acquisition price paid or to be paid and the accounting value of the acquired minority shareholding (the net assets of the subsidiary) is recognised as positive goodwill or is transferred to income as negative goodwill (i.e. if the acquired net assets are larger than the amount paid for the shareholding). In case of a sale of a subsidiary or an affiliate, the difference between the sale price of the subsidiary or affiliate and the group's share of the assets, liabilities and goodwill of the subsidiary or affiliate is recognised in the income statement as profit or loss.

Intangible Assets

Intangible 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	20 … 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 and contingent liabilities

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.

Other liabilities, the realisation of which improbable or related expenditure of which is not possible to assess with sufficient reliability but which may on certain terms turn out to be liabilities in the future, have been disclosed as contingent liabilities in the notes of the report.

Share capital

Ordinary shares are deemed to be equity. The expenditure related directly the issue of ordinary shares is recognised as decrease of equity. Expenditure related to re-purchase of shares recognised in equity, including related costs, are recognised as decrease of equity. Re-purchased shares are recognised as own shares, i.e. treasury shares. Upon sale of treasury shares the received amount is recognised as increase of equity and retained earnings are adjusted with profit or loss received or suffered in the course of such transfer.

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.

Income tax

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.

Income tax in 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%), Russia (the tax rate is 20%), Finland (the tax rate is 26%) and Sweden (the tax rate is 26.3%). There have been no changes in tax rates in Latvia, Finland and Sweden compared to year 2009.

The standard income tax rate in Lithuania was 20% in 2010. 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.

Subsequent Events

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 expenses during the period when the costs were incurred.

Standards, amendments to the standards and interpretations that became effective during the reporting year of the Group, which started on 1 January 2010

- IAS 27 "Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).
- The revised standard requires 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 allows 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.

The following amendments and interpretations to existing standards became mandatory for the Group from 1 January 2010 but are not relevant to the Group's operations.

- "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).
- 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).

New standards, amendments and interpretations to standards that are not yet effective but may have an effect on Group's financial reporting

- 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.
- "Improvements to International Financial Reporting Standards", issued in May 2010 (effective dates vary standard by standard, most improvements are effective for annual periods beginning on or after 1 January 2011; the improvements have not yet been adopted by the EU).

  The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation

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occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 1 was amended to clarify that the components of the statement of changes in equity include profit or loss, other comprehensive income, total comprehensive income and transactions with owners and that an analysis of other comprehensive income by item may be presented in the notes; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The Group does not expect the amendments to have any material effect on its financial statements.

- "Disclosures—Transfers of Financial Assets" – amendments to IFRS 7, effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU.
- The amendment requires additional disclosures about risks arising from transferred assets. For such financial assets that have been transferred to third parties but continue to be carried in the balance sheet of the entity, their nature, carrying amount and description of risks and rewards shall be disclosed by their class. It is also mandatory to disclose information enabling the user of the financial statements to understand the amount of possible related liabilities and their relationship with respective financial assets. When the transferred financial assets have been taken off the balance sheet but the entity continues to be exposed to certain risks and rewards related to them, additional information shall be disclosed in order to comprehend the effect of these risks. The Group is evaluating the effect of the amended standard to the disclosures made in the financial statements.

The Group is currently evaluating the impact of the amended standards to its consolidated financial statements.

New standards, amendments to standards and interpretations that are not yet effective and that the Group does not expect to have a material impact on the Group's financial reporting

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010);
- "Prepayments of a Minimum Funding Requirement" – amendment to IFRIC 14, effective for annual periods beginning on or after 1 January 2011
- " 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
- "Classification of Rights Issues" - amendment to IAS 32, issued in October 2009, effective for annual periods beginning on or after 1 February 2010
- "Deferred Tax: Recovery of Underlying Assets" – amendment to IAS 12 (effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU).

  The amendment provides an exception to the principle that the measurement of deferred tax liabilities and deferred tax assets should reflect the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.
- "Severe hyperinflation and removal of fixed dates for first-time adopters" – Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2011; not yet adopted by the EU). The amendments provide an exemption for the first-time adopters of IFRS from the restoration of the transactions occurred before the transition to IFRS and guidance to the companies that after exiting severe hyperinflation will resume preparation of IFRS financial statements or start to prepare IFRS financial statements for the first time.

Note 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 2010 were associated with the credit provided to customers. The total credit risk as of 31 December 2010 was 130,920 thousand EEK (8,367 thousand euro). Credit as of 31 December 2009 was 124,562 thousand EEK (7,961 thousand euro).

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, RUB, LTL, LVL, SEK and EUR. The company is most open to the exchange rate fluctuations of RUB, 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 2,278 thousand EEK (146 thousand Euro)

Below is a summary of the Group's open interest risk position as of 31.12.10 and 31.12.09:

31.12.10, in thousands of EEK	**less than 1 year**	**more than 1 year**	**Total**
Fixed interest rate			
Interest-bearing receivables	141	155	296
Net position	**- 141**	**- 155**	**- 296**
Floating interest rate			
Factoring liability	43,206	0	43,206
Interest-bearing liabilities (see Note 16)	38,248	148,419	186,667
Net position	**81,454**	**148,419**	**229,873**

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**

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31.12.10, in thousands of Euros	less than 1 year	more than 1 year	Total
Fixed interest rate			
Interest-bearing receivables	9	10	19
Net position	**- 9**	**- 10**	**- 19**
Floating interest rate			
Factoring liability	2,762	0	2,762
Interest-bearing liabilities (see Note 16)	2,444	9,486	11,930
Net position	**5,206**	**9,486**	**14,692**

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**

Liquidity Risk

A provision for impairment of trade receivables is established when the payments are overdue more than 90 days. 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:

31.12.10, in thousands of EEK	less than 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
Debt obligations	10,883	32,254	157,823	0	200,960
Factoring	43,206	0	0	0	43,206
Accounts payable and other liabilities	141,142	8,419	0	0	149,561
Total liabilities	**195,231**	**40,673**	**157,823**	**0**	**393,727**

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**

31.12.10, in thousands of Euros	less than 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
Debt obligations	696	2,061	10,087	0	12,844
Factoring	2,762	0	0	0	2,762
Accounts payable and other liabilities	9,021	538	0	0	9,559
Total liabilities	**12,479**	**2,599**	**10,087**	**0**	**25,165**

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**

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.

	31.12.2010 EEK '000	31.12.2009 EEK '000	31.12.2010 EUR '000	31.12.2009 EUR '000
Total borrowings	186,667	309,287	11,930	19,767
Less: Cash and cash equivalents	11,298	19,618	722	1,254
Net debt	**175,369**	**289,669**	**11,208**	**18,513**
Total equity	647,336	434,113	41,372	27,745
Total capital (net debt + total equity)	822,705	723,782	52,580	46,258
Gearing ratio	**21%**	**40%**	**21%**	**40%**

Operational risks

The main operational risks of the Group are the rapid increase of raw material prices, too extensive dependence on the seasonality of ice cream sales and increase of the proportion of private labels in the target markets.

The impact of the increase of raw material prices is temporary by its nature as the rapidly increased raw material prices can be converted into end-products; dependent on the target market though. Such a tendency was evident in the second half of 2010 when the increases of prices of the raw materials of ice cream and raw fish were managed to convert into end-products only in the end of 2010. The time of delay and different duration thereof arises from the specifics of retail market, which is similar in respect of all market players.

Sale of ice cream is seasonal and in order to exclude too extensive dependency on that business segment, the Group has within years increased the proportion of frozen goods portfolio in the main ice cream target markets. The high-season of frozen goods is contrary to the one of ice cream, i.e. greater volumes are sold during autumn-winter periods. The risks are managed by the full integration of the logistics and sales operations of ice cream and frozen goods.

The third risk factor is rapidly growing proportion of private labels in the all the target markets, which has an impact on the average level of prices and therefrom also the potential profitability.

In order to manage the referred risk factor, the Group is engaged in everyday work on strengthening its leading brands and ensuring their positions. The increase of the value and market position of its own brands is one of the main objectives of Premia Foods. All the efforts of the marketing and product development are driven by that objective. At the same time, all the relevant markets are constantly analysed in order to find new opportunities for launching brands and products, which are in full compliance with the expectations of the relevant market. Further, all product portfolios are constantly monitored in order to ensure balance therein and profitable growth, which is also one of the main objectives of the Group.

In addition to the above, the Group companies participate at the contests held for choosing suitable producer for the private label products, which grants an access to information and provides an opportunity to even out the fixed costs of production by producing the private label products; however, provided that the terms and conditions of such producing are acceptable.

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Note 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 is 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 31.12.2010 for goodwill which arose upon acquisition of the following cash generating units or companies: AB Premia KPC (Lithuania) and Saaremere Kala AS (Estonia). In 2010, the goodwill was not written down as a result of such impairment tests.

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.

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.

Note 4 Cash and Cash Equivalents

	31.12.2010 EEK'000	31.12.2009 EEK '000	31.12.2010 EUR '000	31.12.2009 EUR '000
Cash	328	387	21	25
Bank accounts	10,970	19,231	701	1,229
Total cash and cash equivalents	**11,298**	**19,618**	**722**	**1,254**

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Note 5 Receivables and Prepayments

	31.12.2010 EEK '000	31.12.2009 EEK'000	31.12.2010 EUR '000	31.12.2009 EUR '000
Customer receivables [1]	131,964	126,276	8,434	8,071
Allowance for doubtful receivables [2]	-1,044	-1,714	-,67	-110
Other receivables	4,323	1,483	277	95
Prepaid expenses	5,681	2,095	363	134
Prepaid taxes	7,038	5,299	450	339
Other prepayments	8,030	631	513	40
Total receivables and prepayments	**155,992**	**134,070**	**9,970**	**8,569**

[1] The limitation period of customer receivables:	31.12.2010 EEK '000	31.12.2009 EEK '000	31.12.2010 EUR '000	31.12.2009 EUR '000
term not due	121,600	112,261	7,772	7,175
0-90 days	8,466	7,837	541	501
more than 90 days	1,898	6,178	121	395
Total	**131,964**	**126,276**	**8,434**	**8,071**

[2] Changes in allowance for doubtful receivables:	2010 EEK '000	2009 EEK'000	2010 EUR '000	2009 EUR '000
Doubtful accounts at the beginning of the period	-1,714	-1,553	-110	-99
Accounts deemed as doubtful received in the reporting period	79	128	5	8
Accounts deemed doubtful during the reporting period	-540	-2,014	-35	-129
Accounts written off the balance sheet during the reporting period	1,131	1,678	73	107
Change in value arising from exchange rates	0	47	0	3
Doubtful accounts at the end of the period	**-1,044**	**-1,714**	**-67**	**-110**

The commercial pledge established as collateral to loans also covers accounts receivable (see Note 16).

Note 6 Inventories and Biological Assets

Inventories, excl biological assets	31.12.2010 EEK '000	31.12.2009 EEK '000	31.12.2010 EUR '000	31.12.2009 EUR '000
Raw materials	42,706	32,524	2,729	2,079
Work in progress	1,663	3,239	106	207
Finished goods	39,735	26,701	2,540	1,707
Goods for resale	49,327	43,625	3,153	2,788
Prepayments for stock	344	1,635	22	104
Total inventories, excluding biological assets	**133,775**	**107,724**	**8,550**	**6,885**

The value inventories written off in 2010 was 5,569 thousand kroons (356 thousand euro). The most valuable one-off was the fire accident in the Uusikaupunki production unit in the amount of 4,209 thousand kroons (269 thousand euro). The value of damaged goods was compensated by insurance. The cost of damaged goods caused by the fire has been accounted with the insurance compensation.

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The value of inventories written off and written down during 2009 amounted to 2,624 thousand kroons (168 thousand euro). Single largest write-off in amount of 501 thousand kroons (32 thousand euro) was caused by the break-up of the freezing equipment. Loss of contaminated goods was covered by the insurance. In total 923 thousand kroons (59 thousand euro) 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	**31.12.2010** EEK '000	**31.12.2009** EEK '000	**31.12.2010** EUR'000	**31.12.2009** EUR '000
Fries	14,220	21,290	909	1,360
Juveniles	25,360	8,718	1,621	557
Fish suitable for harvesting	91,239	67,432	5,831	4,310
Total biological assets	**130,819**	**97,440**	**8,361**	**6,227**

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*) 84.3% of the total biomass (2009: 90.0%), whitefish (*Coregonus lavaretus*) 10.4% (2009: 6.4%) and arctic char (*Salvelinus alpinus*) 5.4% (2009: 3.6%).

Inventory	**31.12.2010** EEK '000	**31.12.2009** EEK '000	**31.12.2010** EUR'000	**31.12.2009** EUR '000
Inventories, excluding biological assets	133 775	107 724	8 550	6 885
Biological assets	130 819	97 440	8 361	6 227
Total inventories	**264 594**	**205 164**	**16 911**	**13 112**

The commercial pledge established as collateral to loans covers also stock (see Note 16).

Note 7 Fixed Assets Held for Sale

Fixed assets held for sale as of 31.12.10 comprise of the fish processing equipment at their residual book value of 156 thousand kroons (10 thousand euro). The management estimates that sale of said fixed assets within next 12 months is very likely. In 2010, in connection with the lack of market demand, one piece of equipment was written off in the amount of 14 thousand kroons (1 thousand euro).

In connection with the acquisition of OOO Khladokombinat on 7 May 2010, the Russian trademarks were re-classified from fixed assets held for sale to intangible assets.

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 kroons (1,708 thousand euro). During 2009 write-downs in amount of 353 thousand kroons (23 thousand euro) have been made. Respective write downs have been recorded under "Other expense".

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Note 8 Subsidiaries

Name of the company	Country of location	Holding (%) 31.12.10	Holding (%) 31.12.09	Activities	Owner
Saaremere Kala AS	Estonia	100%	100%	Holding	Premia Foods AS
Vettel OÜ	Estonia	100%	100%	Fish processing	Saaremere Kala AS
GourmetHouse OÜ	Estonia	100%	51,4%	Sale of fish and fish products	Saaremere Kala AS
Premia Tallinna Külmhoone AS	Estonia	100%	100%	Ice cream production, sale of ice cream and frozen food	AB Premia KPC
OÜ TCS Invest	Estonia	100%	100%	Holding	AS Premia Tallinna Külmhoone
AB Premia KPC	Lithuania	100%	100%	Sale of ice cream and frozen food	Premia Foods AS
Heimon Kala OY	Finland	100%	100%	Fishfarming, processing and sale of fish and fish products	Saaremere Kala AS
Överumans Fisk Ab	Sweden	100%	100%	Fishfarming and sale	Saaremere Kala AS
Skärgårdshavets Fisk Ab	Sweden	100%	100%	Fishfarming and sale	Saaremere Kala AS
SIA F.F.L.S.	Latvia	100%	100%	Holding	AS Premia Tallinna Külmhoone
AS Premia FFL	Latvia	100%	95%	Sale of ice cream and frozen food	AS Premia Tallinna Külmhoone, SIA F.F.L.S.
OOO Khladokombinat No 1	Russia	100%	0%	Ice cream production, sale of ice cream and frozen food	AS Premia Tallinna Külmhoone
OOO Khladomagija	Russia	100%	0%	IP Holding	AS Premia Tallinna Külmhoone

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 7 May 2010, the purchasing process of OOO Khladokombinat No. 1 and OOO Khladomagija was finalized. Both companies have been consolidated into AS Premia Foods group since May 2010.

Influence of purchasing OOO Hladokombinat No 1 and OOO Hladomagija in the Group:

EEK '000	OOO Khladokombinat No 1		OOO Khladomagija		Total
	Residual value in the balance sheet	Fair value	Residual value in the balance sheet	Fair value	
Cash	844	844	3	3	847
Receivables	33,116	33,116	31	31	33,147
Inventories	14,421	14,421	0	0	14,421
Deferred income tax assets	1,964	1,964	0	0	1,964
Tangible fixed assets	25,132	25,132	0	0	25,132
Intangible fixed assets	17	17	174	174	191
Current liabilities	30,922	30,922	204	204	31,126
Non-current liabilities	31,968	31,968	0	0	31,968
Net assets	**12,604**	**12,604**	**4**	**4**	**12,608**
Share acquired		100%		100%	
Net assets acquired		12,604		4	12,608
Goodwill		46,494		0	46,494
Purchase price		**59,098**		**4**	**59,102**
Acquired cash and bank accounts		844		3	847
Paid in money at acquiring		-47,598		0	-47,598
Net cash flow at acquiring		**-46,754**		**3**	**-46,751**

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EUR '000	OOO Khladokombinat No 1		OOO Khladomagija		Total
	Residual value in the balance sheet	Fair value	Residual value in the balance sheet	Fair value	
Cash	54	54	0	0	54
Receivables	2,116	2,116	2	2	2,118
Inventories	922	922	0	0	922
Deferred income tax assets	125	125	0	0	125
Tangible fixed assets	1,606	1,606	0	0	1,606
Intangible fixed assets	1	1	11	11	12
Current liabilities	1,976	1,976	13	13	1,989
Non-current liabilities	2,043	2,043	0	0	2,043
Net assets	**805**	**805**	**0**	**0**	**805**
Share acquired		100%		100%	
Net assets acquired		805		0	805
Goodwill		2,972		0	2,972
Purchase price		**3,777**		**0**	**3,777**
Acquired cash and bank accounts		54		0	54
Paid in money at acquiring		-3.042		0	-3,042
Net cash flow at acquiring		**-2,988**		**0**	**-2,988**

Purchase price of subsidiary company OOO Khladokombinat No. 1 also contains transaction costs directly connected with the acquisition, in the amount of 11,500 thousand kroons (735 thousand euro).

On 26 February 2010, Saaremere Kala AS acquired 24.286% of non-controlling interest in its subsidiary OÜ GourmetHouse. Acquisition of the remaining share of 24.286% of the entire share capital was finalized on 14 May 2010, as a result of which 100% of the shares of OÜ GourmetHouse are held by the subsidiary of AS Premia Foods – Saaremere Kala AS.

For AS Premia Foods, the transactions resulted in negative goodwill in the amount of 332 thousand kroons (21 thousand euro). The total acquisition cost for the shares constituting 48.572% was 3,700 thousand kroons (236 thousand euro), of which 1,700 thousand kroons (109 thousand euro) was payable in cash and 2,000 thousand kroons (128 thousand euro) as a non-monetary contribution in a form of the company's treasury shares. The value of the treasury shares was determined as the IPO price on the NASDAQ OMX Tallinn Stock Exchange. The ownership of the treasury shares of AS Premia Foods was transferred on 17 May 2010. Additional information concerning the transaction of transfer of own shares is presented in Note 19.

During the reporting period, total of 1,100 thousand kroons (70 thousand euro) has been paid for non-controlling interest in OÜ GourmetHouse in cash. The unpaid part of 600 thousand kroons (38 thousand euro) is recorded on the balance sheet under "Payables".

On 14 May 2010, the acquisition Latvian subsidiary AS Premia FFL was finalized, where Premia Tallinna Külmhoone AS paid for 5% minority shareholding 6,376 thousand kroons (408 thousand euro). AS Premia FFL has been consolidated to the extent of 100% since its' acquisition in 2007. The transaction constituted compliance with the buyout obligation of the shares agreed previously. Relevant liability is recorded on the balance sheet under "Payables". See also Note 17

On 8 February 2011, AS Premia Foods as the acquiring company and OÜ TCS Invest as the company being merged executed a notarised merger agreement. According to the merger agreement, the acquiring company compensates to the sole shareholder of the company being merged Premia Tallinna Külmhoone AS the sole share of the company being merged in cash in the amount of 1,040 thousand kroons (66 thousand euro). Additional information is presented in note 32.

As of 31 December 2010 the company conducted an impairment test of goodwill using market-based valuation multiples. 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 and fish products and fish farms 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 as well as for AB Premia KPC Group was higher than the book value of the tested cash-generating entity.

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Note 9 Deferred Tax Assets

The income tax claim of Heimon Kala Oy in the amount of 7,814 thousand kroons (499 thousand euro) has resulted from the difference in the tax depreciation of fixed assets and losses from previous periods. As of 31.12.09 the income tax claim of Heimon Kala Oy was 5,541 thousand kroons (354 thousand euro).

Note 10 Long Term Financial Investments

	31.12.2010 EEK '000	31.12.2009 EEK '000	31.12.2010 EUR'000	31.12.2009 EUR '000
Loans (interest rate 3.5% per annum)	141	404	9	26
Shares and participations at cost	954	745	61	47
Shares and participations at market value	358	358	23	23
Total long term financial investments	**1,453**	**1,507**	**93**	**96**

Other long-term investments include the investments by Saaremere Kala AS into shares and holdings, which are not listed on the stock exchange and a claim from loan granted to Selkämeren Jää Oy. During the accounting period 22 thousand kroons (1.4 thousand euro) was earned as share dividend and interest revenue and respective numbers for the previous accounting period were 39 thousand kroons (2.5 thousand euro).

On 8 April 2010, AS Premia Foods acquired a 20% holding in AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology (CCFFT)). CCFFT (previously CCFFT MTÜ) is the partner of AS Premia Foods in developing new technologies and products. As of 31.12.10 the investment into associate in amount of 206 thousand kroons (13 thousand euros) has been reflected under "Shares and participations at cost".

Note 11 Investment Property

	31.12.2010 EEK '000	31.12.2009 EEK '000	31.12.2010 EUR'000	31.12.2009 EUR '000
Residual value at the beginning of the period	32,600	2,660	2,084	171
Revaluation	0	29,940	0	1,913
Residual value at the end of the period	**32,600**	**32,600**	**2,084**	**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 kroons (2,084 thousand euro).

The costs associated with the management of investment properties amount to approximately 8 thousand kroons (0.5 thousand euro) per year and consist of the cost of construction supervision. Management costs in 2009 were approximately 344 thousand kroons (22 thousand euro). Investment property did not generate any rental income during the period.

Note 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	**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
Unrealised currency effect	304	491	69	527	1,391
Depreciation (Note 25)	-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**
Acquired during the period	4,032	19,263	3,807	2,416	29,518
Additions from the acquisitions of companies	0	25,023	109	0	25,132
Residual value of assets sold and written off	-1,734	-4,449	-5	0	-6,188
Reclassification	0	9,968	-1,214	-8,754	0
Reclassification as current assets (residual value)	0	-11	0	0	-11
Unrealised currency effect	1,073	-3,895	12	673	-2,137
Depreciation (Note 25)	-8,350	-41,397	-2,478	0	-52,225
Residual value as of 31.12.2010	**87,542**	**138,344**	**6,989**	**3,194**	**236,069**
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
Acquisition cost as of 31.12.2010	130,319	368,210	22,239	3,194	523,962
Accumulated depreciation as of 31.12.2010	-42,777	-229,866	-15,250	0	-287,893

As at 31.12.2010, the acquisition cost of fully depreciated fixed assets still in use is 79,372 thousand kroons (31.12.2009: 74,022 thousand kroons).

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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	**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
Unrealised currency effect	20	31	4	34	89
Depreciation (Note 25)	-539	-2,260	-272	0	-3,071
Residual value as of 31.12.2009	**5,913**	**8,554**	**432**	**566**	**15,465**
Acquired during the period	258	1,232	242	154	1,886
Additions from the acquisitions of companies	0	1,599	7	0	1,606
Residual value of assets sold and written off	-111	-284	-0	0	-395
Reclassification	0	637	-78	-559	0
Reclassification as current assets (residual value)	0	-1	0	0	-1
Unrealised currency effect	69	-249	1	43	-136
Depreciation (Note 25)	-534	-2,646	-158	0	-3,338
Residual value as of 31.12.2010	**5,595**	**8,842**	**446**	**204**	**15,087**
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
Acquisition cost as of 31.12.2010	8,329	23,533	1,421	204	33,487
Accumulated depreciation as of 31.12.2010	-2,734	-14,691	-975	0	-18,400

As at 31.12.2010, the acquisition cost of fully depreciated fixed assets still in use is 5,073 thousand euro (31.12.2009: 4,731 thousand euro).

See Note 14 for information about fixed assets acquired under finance lease.

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Note 13 Intangible Assets

in thousands of EEK	Goodwill	Client contracts	Trade-marks	Licences, subscription fees	Other intangible assets	Pre-Payments	**Total**
Residual value as of 31.12.2008	**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
Unrealised currency effect	0	-32	0	0	0	9	-23
Depreciation (Note 25)	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**
Additions from the acquisitions of companies	0	0	191	0	0	0	191
Acquired during the period	46,494	0	11	0	1,155	256	47,916
Assets sold and written off	0	0	0	0	-28	-333	-361
Re-classified from fixed assets to be sold	0	0	15,851	0	0	0	15,851
Unrealised currency effect	0	-34	-7	0	-2	0	-43
Depreciation (Note 25)	0	-7,200	-1,370	-642	-1,431	0	-10,643
Residual value as of 31.12.2010	**312,024**	**12,800**	**28,986**	**9,814**	**3,914**	**1,223**	**368,761**
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
Acquisition cost as of 31.12.2010	312,024	36,000	32,881	12,243	10,033	1,223	404,404
Accum. depreciation as of 31.12.2010	0	-23,200	-3,895	-2,429	-6,119	0	-35,643

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in thousands of Euros	Goodwill	Client contracts	Trade-marks	Licences, subscription fees	Other intangible assets	Pre-Payments	**Total**
Residual value as of 31.12.2008	**16,971**	**1,736**	**968**	**682**	**144**	**93**	**20,594**
Acquired during the period	0	0	0	26	193	-10	209
Unrealised currency effect	0	-2	0	0	0	0	-2
Depreciation (Note 25)	0	-454	-54	-40	-67	0	-615
Residual value as of 31.12.2009	**16,971**	**1,280**	**914**	**668**	**270**	**83**	**20,186**
Additions from the acquisitions of companies	0	0	12	0	0	0	12
Acquired during the period	2,971	0	1	0	74	16	3,062
Assets sold and written off	0	0	0	0	-2	-21	-23
Re-classified from fixed assets to be sold	0	0	1,013	0	0	0	1,013
Unrealised currency effect	0	-2	-0	0	-0	0	-2
Depreciation (Note 25)	0	-460	-88	-41	-91	0	-680
Residual value as of 31.12.2010	**19,942**	**818**	**1,852**	**627**	**251**	**78**	**23,568**
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	1,076	782	638	83	21,819
Accum. depreciation as of 31.12.2009	0	-873	-161	-114	-368	0	-1,633
Acquisition cost as of 31.12.2010	19,942	2,301	2,102	782	641	78	25,846
Accum. depreciation as of 31.12.2010	0	-1,483	-250	-155	-390	0	-2,278

Further information regarding goodwill is disclosed in Note 8.

Note 14 Fixed Assets Acquired under Finance Lease

in thousands of EEK	**Machinery, equipment**	**Fixtures, fittings and tools**	**Total**
Acquisition cost as of 31.12.2010	59,471	3,381	62,852
Accumulated depreciation as of 31.12.2010	-32 527	-2,180	-34,707
Residual value as of 31.12.2010	**26,944**	**1,201**	**28,145**
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**

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in thousands of Euros	Machinery, equipment	Fixtures, fittings and tools	Total
Acquisition cost as of 31.12.2010	3,800	216	4,016
Accumulated depreciation as of 31.12.2010	-2 079	-139	-2,218,
Residual value as of 31.12.2010	**1,721**	**77**	**1,798**
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**

	2010 EEK '000	**2009** EEK '000	**2010** EUR'000	**2009** EUR '000
Principal payments in the financial year	13,575	14,304	868	914
Interest expenses in the financial year	484	1,229	31	79
Average interest rate	3.0%	3.6%	3.0%	3.6%
Finance lease liabilities at 31 December, incl.	**16,326**	**27,095**	**1,043**	**1,732**
up to 1 year	10,786	11,967	689	765
within 1-5 years	5,540	15,128	354	967
Minimum lease payments of finance lease liabilities:				
up to 1 year	11,127	12,728	711	814
within 1-5 years	5,590	15,512	357	991
Total	**16,717**	**28,240**	**1,068**	**1,805**
Future interest expense on finance leases	-391	-1,145	-25	-73
Present value of finance lease liabilities	**16,326**	**27,095**	**1,043**	**1,732**

See also Note 16.

Note 15 Operating Lease

The group leases vehicles, warehouses, production facilities, water areas, office premises, software and equipment. In 2010 the Group made operating lease payments in the total amount of 52,713 thousand kroons (3,369 thousand euro).

Operating lease payments	Land and buildings	Machinery, equipment	Vehicles	Software	Total
Operating lease payments in 2010 (in thousand EEK)	48,246	1,706	2,665	96	52,713
Operating lease payments in 2009 (in thousand EEK)	14,498	541	2,556	0	17,595
Operating lease payments in 2010 (in thousand EUR)	3,084	109	170	6	3,369
Operating lease payments in 2009 (in thousand EUR)	927	35	163	0	1,125

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Premia Tallinna Külmhoone 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.

In 2010, in connection with the acquisition of OOO Khladokombinat No. 1, additional rental costs for the production building of ice cream, warehouse and office were assumed in the amount of 24,466 thousand kroons (1,564 thousand euro).

Operating lease payments to be made in subsequent periods amount to 161,512 thousand kroons (10,322 thousand euro), of which 46,052 thousand kroons (2,943 thousand euro) is payable within next 12 months and within the next 1 to 5 years 115,460 thousand kroons (7,379 thousand euro).

Note 16 Borrowings

Short Term Borrowings	Effective interest rate	Date of maturity	31.12.10 EEK'000	31.12.09 EEK'000	31.12.10 EUR'000	31.12.09 EUR'000
Finance lease liabilities (see Note 14)			**10,786**	**11,967**	**689**	**765**
Overdraft, incl.			**0**	**35,800**	**0**	**2,288**
limit 2,700 thousand Euros	6 m Euribor+1.4%	19.08.2011	0	0	0	0
limit 1,917 thousand Euros	SEB base interest+2.2%	terminated	0	24,534	0	1,568
Limit 740 thousand Euros	3 m Euribor+4.5%	terminated	0	11,266	0	720
Pension insurance loan, incl.			**0**	**4,694**	**0**	**300**
650 thousand Euros	5.35%	terminated	0	2,034	0	130
850 thousand Euros	5.35%	terminated	0	2,660	0	170
Investment loans, incl.			**27,462**	**53,942**	**1,755**	**3,448**
8,675 thousand Euros	6 m Euribor+2.0%	19.08.2015	19,390	0	1,239	0
700 thousand Euros	6 m Euribor+2.0%	19.08.2015	1,565	0	100	0
4,500 thousand Euros	6 m Euribor+0.75%	25.10.2014	6,507	6,436	416	411
3,000 thousand Euros	6 m Euribor+2.5%	terminated	0	9,218	0	589
1,500 thousand Euros	6 m Euribor+2.5%	terminated	0	23,470	0	1,500
3,725 thousand Euros	3 m Euribor+8.4%	terminated	0	6,722	0	433
2,301 thousand Euros	6 m Euribor+3.7%	terminated	0	4,360	0	279
1,278 thousand Euros	6 m Euribor+1.5%	terminated	0	1,956	0	125
1,124 thousand Euros	6 m Euribor+1.9%	terminated	0	1,730	0	111
Working capital loan	**SEB base interest+1.5%**	terminated	**0**	**2,184**	**0**	**140**
Related party loans, incl.			**0**	**50,969**	**0**	**3,258**
Majority shareholder loan	12.67%	terminated	0	19,676	0	1,258
Majority shareholder loan	8.87%	terminated	0	31,293	0	2,000
Total (Note 2)			**38,248**	**159,556**	**2,444**	**10,198**

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Long Term Borrowings	Effective interest rate	Date of maturity	31.12.10 EEK'000	31.12.09 EEK'000	31.12.10 EUR'000	31.12.09 EUR'000
Finance lease liabilities (see Note 14)			**5,540**	**15,128**	**354**	**967**
Pension insurance loan, incl.			**0**	**15,256**	**0**	**975**
650 thousand Euros	5.35%	terminated	0	6,611	0	422
850 thousand Euros	5.35%	terminated	0	8,645	0	553
Investment loans, incl.			**142,879**	**119,347**	**9,132**	**7,627**
8,675 thousand Euros	6 m Euribor+2.0%	19.08.2015	88,577	0	5,661	0
700 thousand Euros	6 m Euribor+2.0%	19.08.2015	9,127	0	584	0
4,500 thousand Euros	6 m Euribor+0.75%	25.10.2014	45,174	51,681	2,887	3,303
3,725 thousand Euros	3 m Euribor+8.4%	terminated	0	48,226	0	3,082
2,301 thousand Euros	6 m Euribor+3.7%	terminated	0	6,541	0	418
1,278 thousand Euros	6 m Euribor+1.5%	terminated	0	3,114	0	199
1,124 thousand Euros	6 m Euribor+1.9%	terminated	0	9,785	0	625
Total, incl. (Note 2)			**148,419**	**149,731**	**9,486**	**9,569**
payable within 1-5 years			148,419	146,869	9,486	9,386
payable after 5 years			0	2,862	0	183

Debts are secured with mortgages set on the registered immovable in the amount of 264,400 thousand kroons (15,748 thousand euro), commercial pledge set on its' assets in the amount of 41,300 thousand kroons (2,640 thousand euro). In addition the shares of AS Premia FFL are pledged in favour of Danske/Sampo Bank and the shares of AS Saaremere Kala , Premia Tallinna Külmhoone AS and OÜ Vettel are pledged in favour of UniCredit as collaterals.

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 kroons (482 thousand euro) and with a commercial pledge in the amount of 2,539 thousand kroons (162 thousand euro). As of 31 December 2010 the guaranteed residual value of the EU grants is 5,702 thousand kroons (364 thousand euro) and as of 31 December 2009 3,862 thousand kroons (247 thousand euro) respectively.

Note 17 Payables

	31.12.2010 EEK '000	**31.12.2009** EEK '000	**31.12.2010** EUR '000	**31.12.2009** EUR '000
Accounts payable	89,950	76,987	5,749	4,920
Employee-related payables	19,315	17,547	1,235	1,121
Shares buy-out obligation (Note 8)	0	6,376	0	407
Payables to group companies and shareholders (Note 30)	18,776	5,312	1,200	340
Interest payable	735	809	47	52
Other payables	3,102	3,559	198	228
Taxes payable, incl.:	17,683	21,096	1,130	1,348
social tax	3,592	3,224	230	206
VAT payable	10,694	14,532	683	929
personal income tax	2,452	2,352	157	150
other taxes	945	988	60	63
Total payables	**149,561**	**131,686**	**9,559**	**8,416**

Interest payable includes payable to related parties. See Note 30.

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Note 18 Target Financing

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Deferred income from target financing at the beginning of period	26,085	29,513	1,667	1,886
Target financing received during the period	5,647	1,591	361	102
Returned target financing	0	-117	0	-8
Change in value arising from exchange rates	598	-96	38	-6
Transferred to income during the period (see Note 26)	-6,058	-4,806	-387	-307
Income from target financing at the end of period	**26,272**	**26,085**	**1,679**	**1,667**
Revenue within 1 year	4,982	4,000	318	256
Revenue within 2-14 years	21,290	22,085	1,361	1,411

For further information regarding target financing-related off-balance sheet receivables, see Note 31.

In 2010 the Enterprise Estonia (EAS) financed the project of program of supporting development of know-how and skills of AS Premia Tallinna Külmhoone titled „Renewal of risk analysis on HAZOP method" in the amount of 94 thousand kroons (6 thousand euro).

The aim of the project was to bring the risk analysis up to date using the most modern method HAZOP (Hazard Analysis and Operability Studies), the result of which is in-depth risk analysis documentation, which is easy to handle and if necessary simple to supplement.

In 2010 EAS financed the project of AS Premia Tallinna Külmhoone for implementing an export marketing plan in the amount of 435 thousand kroons (28 thousand euro). In addition to that, in 2010 AS Premia Tallinna Külmhoone received temporary state aid in the total amount of 71 thousand kroons (5 thousand euro) while participating in the projects of the Association of Estonian Food Industry.

Note 19 Equity

As at 31 December 2010 the Company had 38,682,860 shares (2009: 2,418,286) and 19,163 own shares (2009: 16,202). The nominal value of a share is 10 Estonian kroons. The registered share capital as of 31.12.10 was 386,829 thousand kroons (24,723 thousand euro). The registered share capital as of 31.12.09 was 24,183 thousand EEK (1,546 thousand euro).. The amount of minimum share capital stipulated in the articles of association is 175,000,000 Estonian kroons and maximum capital is 700,000,000 Estonian kroons. The company does not have potential shares with voting rights.

According to Section 3.6 of the Articles of Association, the Supervisory Board of the Company shall be entitled to increase the share capital of the company by up to 10,000,000 kroons by issuing up to 1,000,000 new ordinary shares of the company during the period as from 1 April 2010 until 1 April 2013. The Supervisory Board is entitled to resolve increase of the share capital of the company either with monetary contributions or with non-monetary contributions. The Supervisory Board has all the rights of the General Meeting of shareholders in resolving the increase of share capital.

The following changes have occurred in share capital in 2010:

At the ordinary general meeting of shareholders held on 26 March 2010, the shareholders resolved a bonus issue and increase the share capital of AS Premia Foods without making contributions to the share capital in the account of issue premium in the amount of 217,646 thousand kroons (13,910 thousand euro). As a result of increasing the share capital, the amount of share capital amounted to 241,829 thousand kroons (15,456 thousand euro).

At the end of April, initial public offering (hereinafter IPO) of the shares of AS Premia Foods was successfully completed and the shares of AS Premia Foods were listed on the NASDAQ OMX Tallinn Stock Exchange. During the IPO 14,500,000 shares of AS Premia Foods were sold to public. As a result of the public issue, AS Premia Foods received altogether 203 000 thousand kroons (12,974 thousand euro), wherefrom the costs of the public offer were subtracted. The new amount of share capital of AS Premia Foods is registered to be 386,829 thousand kroons (24,723 thousand euro).

According to the prospectus of public offering, a preferential right to subscribe and acquire the offered shares was granted to the members of supervisory and management board and all the employees of the group in the amount corresponding up to 1,000 euro per person. The shares allocated under the referred preferential right were offered with 10% discount. The amount of discount for subscribing the above-referred preferential shares was in total 75 thousand kroons (5 thousand euro).

In May 2010, 142,857 company's own shares were sold in the value of 2,000 thousand kroons (128 thousand euro). Undistributed profit/accumulated loss of last periods was reduced in the amount of the disposal loss, in the total amount of 1,514 thousand kroons (98 thousand euro), which resulted from the sale of the company's own shares. Additional information on the transaction of sale of the company's own shares has been presented in Note 8.

In connection with the conversion of the share capital into euro, the nominal value has been decreased down to 0.6 euro after the balance sheet date. The new amount of the share capital is 23,209,716 euro. Please see Note 32 for additional information.

List of shareholders having over 5% shareholding as of the balance sheet date:

Shareholder	**31.12.2010** no of shares	**31.12.2010** holding	**31.12.2009** no of shares	**31.12.2009** holding
ING Luxembourg S.A., holding the shares of:	24,113,679	*62.337%*	*2,030,943*	*83.983%*
Amber Trust II S.C.A	14,813,540	38.295%	1,301,354	53.813%
Amber Trust S.C.A	5,381,370	13.912%	538,137	22.253%
KJK Fund SICAV:SIF (former DCF Fund II)	3,918,769	10.130%	191,452	7.917%
OÜ Rododendron (company owned by Kuldar Leis)	1,298,705	3.375%	129,524	5.356%

Earnings per share data are presented in Note 29.

Note 20 Segment Reporting

The group´s business segments are determined by parent company´s management board pursuant to reports monitored and analysed. Financial results are being monitored by geographical areas. The results of a business segment are being evaluated on the basis of external sales-revenues and operating profit indicators.

The following business 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 goods;

Other operations include provision of logistic services, the sale of other services, goods and materials. Other operations are of marginal importance for the group and none of these constitutes a separate segment for the reporting purposes.

The group´s secondary segment is the geographical segment distinguished by the locations of different geographical markets.

There is a relatively high level of integration between the Ice Cream and Frozen Food reportable segments. This integration includes shared marketing, 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 **2010**	*Note*	Fish	Ice cream	Frozen food	Other segments	Elimi-nations	Total
External revenue	*21*	465,599	413,642	310,261	19,634	0	1,209,136
Inter-segment revenue		3,829	0	128	324	-4,281	0
Total gross segment revenue		**469,428**	**413,642**	**310,389**	**19,958**	**-4,281**	**1,209,136**
Segment EBITDA		64,563	53,266	-8,895	8,379	0	117,313
Unallocated EBITDA							-6,418
Total EBITDA							**110,895**

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Depreciation/amortization		-17,239	-23,951	-12,569	-414	0	-54,173
Unallocated							-8,695
Total depreciation	*25*						**-62,868**
Segment operating profit		47,324	29,315	-21,464	7,965	0	63,140
Unallocated operating profit							-15,113
Total operating profit							**48,027**
Capital expenditures		23,554	5,264	1,638	189	0	30,645
Unallocated							295
Total capital expenditures							**30,940**

in thousands of EEK **2009**	*Note*	Fish	Ice cream	Frozen food	Other segments	Elimi-nations	Total
External revenue	*21*	458,215	251,797	350,739	14,222	0	1,074,973
Inter-segment revenue		2,220	0	0	0	-2,220	0
Total gross segment revenue		**460,435**	**251,797**	**350,739**	**14,222**	**-2,220**	**1,074,973**
Segment EBITDA		32,086	41,432	-4,340	464	0	69,642
Unallocated EBITDA							27,405
Total EBITDA							**97,047**
Depreciation/amortization		-16,264	-17,879	-13,612	-295	0	-48,050
Unallocated							-9,625
Total depreciation	*25*						**-57,675**
Segment operating profit		15,822	23,553	-17,952	169	0	21,592
Unallocated operating profit							17,780
Total operating profit							**39,372**
Capital expenditures		4,709	1,815	1,062	68	-281	7,373
Unallocated							3,259
Total capital expenditures							**10,632**

in thousands of Euros **2010**	*Note*	Fish	Ice cream	Frozen food	Other segments	Elimi-nations	Total
External revenue	*21*	29,757	26,437	19,829	1,255	0	77,278
Inter-segment revenue		245	0	8	21	-274	0
Total gross segment revenue		**30,002**	**26,437**	**19,837**	**1,276**	**-274**	**77,278**
Segment EBITDA		4,126	3,404	-569	536	0	7,497
Unallocated EBITDA							-410
Total EBITDA							**7,087**
Depreciation/amortization		-1,102	-1,531	-803	-26	0	-3,462
Unallocated							-556
Total depreciation	*25*						**-4,018**
Segment operating profit		3,024	1,873	-1,372	510	0	4,035
Unallocated operating profit							-966
Total operating profit							**3,069**
Capital expenditures		1,505	336	105	12	0	1,958
Unallocated							19
Total capital expenditures							**1,977**

in thousands of Euros **2009**	*Note*	Fish	Ice cream	Frozen food	Other segments	Elimi-nations	Total
External revenue	*21*	29,285	16,093	22,416	909	0	68,703
Inter-segment revenue		142	0	0	0	-142	0
Total gross segment revenue		**29,427**	**16,093**	**22,416**	**909**	**-142**	**68,703**
Segment EBITDA		2,050	2,648	-277	30	0	4,451
Unallocated EBITDA							1,751
Total EBITDA							**6,202**
Depreciation/amortization		-1,039	-1,143	-870	-19	0	-3,071
Unallocated							-615
Total depreciation	*25*						**-3,686**
Segment operating profit		1,011	1,505	-1,147	11	0	1,380
Unallocated operating profit							1,136
Total operating profit							**2,516**
Capital expenditures		301	116	68	4	-18	471
Unallocated							209
Total capital expenditures							**680**

Revenue from two major customers, each customer exceeding 10% threshold, in Fish segment, constituted 302,137 thousand kroons (19,310 thousand euro) of Group total revenues in 2010.

The secondary segment is the geographical area distinguished by the location of customers.

	Revenue from external customers			
	2010 EEK '000	**2009** EEK '000	**2010** EUR '000	**2009** EUR '000
Finland	410,656	389,547	26,246	24,897
Estonia	337,597	356,134	21,576	22,761
Latvia	169,892	184,401	10,858	11,785
Lithuania	144,929	136,397	9,263	8,717
Russia	143,557	0	9,175	0
Other geographical regions	2,505	8,494	160	543
Total	**1,209,136**	**1,074,973**	**77,278**	**68,703**

Other geographical regions include Sweden and other countries. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2010.

Note 21 Sales revenue

	2010 EEK '000	**2009** EEK '000	**2010** EUR '000	**2009** EUR '000
Fish and fish products	465,599	458,215	29,757	29,285
Ice-cream	413,642	251,797	26,437	16,093
Frozen food	310,261	350,739	19,829	22,416
Other	19,634	14,222	1,255	909
Total sales revenue	**1,209,136**	**1,074,973**	**77,278**	**68,703**

See also Note 20.

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Note 22 Cost of Goods Sold

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Cost of goods purchased for resale	-289,414	-311,788	-18,497	-19,927
Materials in production	-463,537	-344,244	-29,625	-22,001
Labour costs	-74,233	-73,255	-4,744	-4,682
Depreciation (Note 25)	-26,771	-22,465	-1,711	-1,437
Other cost of goods sold [1]	-63,063	-44,987	-4,031	-2,874
Total cost of goods sold	**-917,018**	**-796,739**	**-58,608**	**-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.

Note 23 Selling and Distribution Expenses

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Advertising, marketing and product development	-29,873	-26,387	-1,909	-1,686
Transportation services	-36,569	-41,602	-,2,337	-2,659
Labour costs	-77,088	-65,415	-4,927	-4,181
Depreciation (Note 25)	-25,898	-25,926	-1,655	-1,657
Other selling and distribution expenses [1]	-67,442	-53,406	-4,311	-3,414
Total selling and distribution expenses	**-236,870**	**-212,736**	**-15,139**	**-13,597**

[1] Other selling and distribution expenses comprise of property related expenses (rent, maintenance, insurance, utilities etc), personnel related expenses and other services.

Note 24 Administrative Expenses

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Labour costs	-24,818	-26,001	-1,586	-1,662
Depreciation (Note 25)	-10,199	-9,284	-652	-593
Other administrative expenses 1	-27,474	-26,570	-1,756	-1,698
Total administrative expenses	**-62,491**	**-61,855**	**-3,994**	**-3,953**

[1] Other administrative expenses comprise of outsourced services, consultancy fees, IT costs, personnel related expenses and other expenses.

Note 25 Depreciation

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Depreciation on tangible fixed assets (Note 12)	-52,225	-48,050	-3,338	-3,071
Depreciation on intangible fixed assets (Note 13)	-10,643	-9,625	-680	-615
Total depreciation (Notes 20,22,23,24)	**-62,868**	**-57,675**	**-4,018**	**-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.

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Note 26 Other Income and Other Expense

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Profit from revaluation of investment properties	0	29,940	0	1,914
Income from target financing (Note 18)	6,058	4,806	387	307
Insurance compensation	28,283	0	1,808	0
Other income	9,668	5,532	618	353
Other expenses	-4,735	-9,411	-303	-601
Total	**39,274**	**30,867**	**2,510**	**1,973**

On 28 June 2010, Heimon Kala Oy (the subsidiary of AS Premia Foods) and the insurance company Fennia executed an agreement for compensating the damages suffered in connection with the fire accident occurred in the Uusikaupunki production unit of Heimon Kala Oy in the amount of 45,375 thousand kroons (2,900 thousand euro). With the aim to provide fairness of comparability and considering the amount the insurance compensation the one-off costs related to the fire accident in the amount of 17,232 thousand kroons (1,101 thousand euro) have been accounted with the insurance compensation in accordance with IAS 1. In the account of the insurance compensation, the costs of the goods sold has been decreased by 15,163 thousand kroons (969 thousand euro), sales and marketing costs by 573 thousand kroons (37 thousand euro) and general maintenance costs by 1,496 thousand kroons (96 thousand euro).

Profit/Loss on Biological Assets

in thousands of EEK	Fries	Juveniles	Fish suitable for harvesting	**Total**
Acquisition and reclassification of assets	-5,455	6,101	50,984	51,630
Sale of biological assets	-412	0	-35,222	-35,634
Total 2010	**-5,867**	**6,101**	**15,762**	**15,996**
Acquisition and reclassification of assets	-554	-14	-12,844	12,276
Sale of biological assets	-2,105	0	-5,309	-7,414
Total 2009	**-2,659**	**-14**	**7,535**	**4,862**

in thousands of EUR	Fries	Juveniles	Fish suitable for harvesting	**Total**
Acquisition and reclassification of assets	-349	390	3,258	3,299
Sale of biological assets	-26	0	-2,251	-2,277
Total 2010	**-375**	**390**	**1,007**	**1,022**
Acquisition and reclassification of assets	-35	-1	-12,844	12,276
Sale of biological assets	-135	0	-339	-474
Total 2009	**-170**	**-1**	**482**	**311**

Note 27 Financial Income and Expenses

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Interest income	471	717	30	46
Other financial income	1,015	202	65	13
Interest expenses	-15,214	-24,568	-972	-1,570
Other financial expenses	-7,833	-5,555	-501	-355
Total	**-21,561**	**-29,204**	**-1,378**	**-1,866**

in thousands of Estonian kroons and Euros

Note 28 Income Tax Expense

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Earnings before tax (consolidated)	26,466	10,168	1,691	650
Calculated income tax according to statutory rate	-3,129	3,341	-200	214
Adjustment of calculated income tax:				
Non-deductible expenses (+)	7,105	4,858	454	310
Non-taxable income and tax incentives (-)	-355	-308	-23	-20
Tax losses utilised (-)	-19,616	0	-1,254	0
Tax losses carry forward (+)	8,314	1,639	531	105
Income tax expense /revenue	-7,681	9,530	-491	609
Deferred income tax expense	14,360	1,307	918	84
Deferred income tax revenue	-12,767	-10,196	-816	-652
Total income tax expense / revenue	**-6,088**	**641**	**-389**	**41**

The group's income tax expenses amounted to -6 088 thousand EEK (-389 thousand EUR) in 2010.

Effective tas rates in 2010 by countries:

Tax	Estonia	Latvia	Lithuania	Russia	Finland	Sweden
Value added tax (VAT)	20%	21%	21%	18%	23%	25%
Reduced rate of VAT	9%	10%	9%/5%	10%	13%/9%	12%/6%
Personal income tax	21%	26%	15%	13%	16-21%	31-44%
Social security tax	33%	24.09%+9%	30.96%+3%	26%	2.231%	14.86%
Pension insurance	-	-	-	-	22%	11.91%
Unemployment insurance tax	2.8%+1.4%	LVL 0.25 per employee	0.1%	-	0.34%+0.65%	4.65%
Pension tax	1%/2%	-	-	-	up to 53yrs 4.1% over 53yrs 5.2%	7%
Property tax	-	1.5%	0.1-1%	2.2% excl land	0.6-1.35%	0.4-0.75%
Corporate income tax	21%	15%	15%	20%	26%	26.3%
Income tax on dividends	0%/21%	10%	20%	9%/15%	28%	0%/15%/30%
Income tax on interest	0%	0%	0%	20%	28%	0%
Income tax on royalties	15%	5% - 15%	10%	20%	28%	26.3%

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).

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Note 29 Earnings Per Share

The earnings per share have been calculated based on net profit attributable to the shareholders of the parent company and the weighted average amount of ordinary shares.

	2010	2009
Average number of shares (in thousands)	26,380	1,221
Net profit attributable to the owners of the Company (in thousands of EEK)	20,156	10,003
Earnings per share (EEK)	**0.76**	**8.19**
Net profit attributable to the owners of the Company (in thousands of Euros)	1,288	639
Earnings per share (EUR)	**0.05**	**0.52**

Since the Company does not have potential ordinary shares, the diluted earnings per share equals to ordinary share profit. As at 31 December 2010 the Company had 38,682,860 shares (2009: 2,418,286) and 19,163 own shares (2009: 16,202). See also Note 19

Note 30 Related Party Transactions

A company considers parties to a transaction to be related, if one party has control over the other party or has an important influence on the other party´s financial decisions.

Transactions with related parties are transactions with the group´s highest management bodies, subsidiaries, shareholders, executive- and higher management and their close relatives and companies, where they have a majority holding.

Related parties are:

- shareholders with controlling interest (international investment fund Amber Trust II S.C.A has a controlling interest in AS Premia Foods)
- Executive- and higher management
- Relatives of the previously mentioned persons and companies related to them

During the reporting period sale and purchase transactions with related parties have been conducted in following volumes:

Party	Type of transaction	2010 EEK '000 Purchase	2010 EEK '000 Sale	2009 EEK '000 Purchase	2009 EEK '000 Sale	2010 EUR '000 Purchase	2010 EUR '000 Sale	2009 EUR '000 Purchase	2009 EUR '000 Sale
Amber Trust II S.C.A.	interest	4 696	0	6 155	0	300	0	393	0
Companies related to the members of management and supervisory board	services	2 036	222	2 621	219	130	14	168	14
	interest	0	0	603	84	0	0	39	5
	Total	**6 732**	**222**	**9 379**	**303**	**430**	**14**	**600**	**19**

The contract terms are based on market rates for these types of services.

At the end of the reporting period group´s balances with related parties were the following:

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Company	Debtor	Comments	Receivable as of 31.12.10 EEK '000	Receivable as of 31.12.09 EEK '000	Receivable as of 31.12.10 EUR '000	Receivable as of 31.12.09 EUR '000
Heimon Kala Oy	Amber Trust S.C.A.	Other receivable	1 721	-	110	-
Vettel OÜ	Companies related to the members of management and supervisory	Other receivable	13	5	1	-
Saaremere Kala AS		Other receivable	-	9	-	1
Heimon Kala Oy		Other receivable	99	-	6	-
GourmetHouse OÜ		Other receivable	-	176	-	11
	Total		**1 833**	**190**	**117**	**12**

Company	Debtor	Comments	Payable as of 31.12.10 EEK '000	Payable as of 31.12.09 EEK '000	Payable as of 31.12.10 EUR '000	Payable as of 31.12.09 EUR '000
Premia Foods AS	Amber Trust S.C.A, Amber Trust II S.C.A.	Loan	-	19 676	-	1 258
		Interest payable	-	1 838	-	117
Vettel OÜ		Interest payable	578	578	37	37
Premia Tallinna Külmhoone AS		Loan	-	31 293	-	2 000
		Interest payable	-	2 896	-	185
AB Premia KPC		Other payable	18 776	17 226	1 200	1 101
Premia Foods AS	Companies related to the members of management and supervisory board	Accounts payable	120	206	8	13
Premia Tallinna Külmhoone AS		Shares buyback obligation	-	6 376	-	408
Vettel OÜ		Accounts payable	14	12	1	1
GourmetHouse OÜ		Accounts payable	88	-	6	-
	Total		**19 576**	**80 101**	**1 252**	**5 120**

Other liability to Amber Trust II S.C.A. from December 2008 comprises of AB Premia KPC payable for buyback of its own shares in amount of 18,776 thousand kroons (1,200 thousand euro). As of 31 December 2009 the payable was recognized at discounted value. The liability is a non interest bearing obligation.

Management remuneration

In the financial period 01.01.10 – 31.12.10 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 13,915 thousand kroons (889 thousand euro). In 2009 the respective remuneration was 14,296 thousand kroons (914 thousand euro). The abovementioned management remuneration included dismissal compensation in the total amount of 948 thousand kroons (61 thousand euro). In 2009 the dismissal compensations accounted 1,761 thousand kroons (113 thousand euro). 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 1,620 thousand kroons (104 thousand euro).

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Note 31 Contingent liabilities and assets

Contingent liability relating to income tax on dividends

As of 31 December 2010, the retained earnings of the Group were 28,645 thousand kroons (1,831 thousand euro) (31 December 2009: 10,003 thousand kroons or 639 thousand euro). Payment of dividends to owners from 1 January 2009 is taxable by income tax expense 21/79 on the amount paid as net dividends. Therefore, of the retained earnings existing as of the balance sheet date, the owners can be paid 22,630 thousand kroons (1,446 thousand euro) as dividends (31 December 2009: 7,902 thousand kroons or 505 thousand euro) and the payment of dividends would be taxable by income tax on dividends in the amount of 6,015 thousand kroons (385 thousand euro) (31 December 2009: 2,101 thousand euros or 134 thousand euro).

Contingent liabilities relating to bank loans

The borrower is required under the conditions of the loan agreement to comply with the levels established for certain financial ratios such as the debt to EBITDA ratio and equity to balance sheet total ratio. As of the balance sheet date 31.12.2010 the financial covenants were met.

Contingent liabilities relating to the Tax Board

The tax authorities may at any time inspect the books and records of the company within 6 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. In 2009 and 2010 the tax authority has conducted tax audits in Finnish and Lithuanian subsidiaries. As a result of conducted tax audits no material precepts were made. The management of the company is not aware of any circumstances which may give rise to a potential material liability in this respect.

EU grants

In 2010, Vettel OÜ was granted a support investment support in the frames of the structural aid item 2.3 „Investments to processing and marketing project „European Fishing Fund 2007–2013“ in the amount of 2,944 thousand kroons (188 thousand euro). As at the balance sheet date part of the project was finalised and therefore the company had an off balance sheet receivable in the amount of 1,129 thousand kroons (72 thousand euro). The full finalisation of the project is planned to occur in October 2011.

Överumans Fisk AB has applied in the frames of the Fish breeding fund support programme for an investment support for the acquisition of sewerage water cleaning station, fish pumps and counters and ice machine. As at 31.12.2010 all the investments have been made. As at the balance sheet date the investment support has been recognised as off balance sheet liability as the company received the information on approving the application and receiving the support on 05.04.2011, the sewerage water cleaning station received support in the amount of 40% and other investments in the amount of 30% of the acquisition cost, the amount of the off balance sheet liability is approximately 2.6 million kroons (0.17 million euro).

Note 32 Subsequent Events

Accession with euro-zone

On 1 January 2011 was the date of Estonian accession into euro-zone and Estonia kroon (EEK) was replaced with euro (EUR). Due to that the company converted the accounting of its Estonian subsidiaries into euro and in 2011 and in the following years the financial reports will be compiled in euro. The comparative data will be converted with the official exchange rate of 15.6466 EEK/EUR.

Conversion of the share capitals of the Estonian entities belonging to the group into euro

On 4 February, AB „Premia KPC“, the sole shareholder of AS Premia Tallinna Külmhoone; AS Premia Foods, the sole shareholder of Saaremere Kala AS; Saaremere Kala AS, the sole shareholder of Vettel OÜ; and Saaremere Kala AS, the sole shareholder of GourmetHouse OÜ, adopted the resolutions on converting the share capitals of the referred companies into euro.

According to the above-mentioned resolutions, the share capitals of the Estonian companies belonging to the group of companies of AS Premia Foods are as follows:

Company	Registered share capital	Par value per share	New share capital	New par value per share
AS Premia Tallinna Külmhoone	40,082,840 EEK	10 EEK	2,561,760 EUR	share without nominal value
Saaremere Kala AS	7,143,880 EEK	10 EEK	456,577 EUR	share without nominal value
OÜ Vettel	13,539,700 EEK	13,539,700 EEK	865,345 EUR	865,345 EUR
OÜ GourmetHouse	42,000 EEK	42,000 EEK	2 684 EUR	2,684 EUR
AS Premia Foods	386,820,840 EEK	10 EEK	23,209,716 EUR	0,60 EUR

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Upon the conversion of the share capitals, all the share capitals have been rounded up or down to the closest possible amounts. In connection with the conversion of the share capitals into euro, all the Articles of Association of the above-referred companies were amended. See also Note 19.

Extra-ordinary General Meeting of shareholders on 22 March 2011

The Extra-ordinary General Meeting of shareholders held on 22 March 2011 at 11.00 resolved:

- that the minimum share capital of the Company shall amount to 20,000,000 euro and the maximum share capital shall amount to 80,000,000 euro.
- in connection with the conversion of the share capital of the Company into euro, to decrease the share capital of the Company by 1,513,137.53 euro by decreasing the nominal value of the share of the Company without making disbursements to the shareholders of the Company. The new amount of share capital of the Company is 23,209,716 euro which is divided into 38,682,860 ordinary shares with the nominal value of 0.6 euro. The rounding of the result of conversion of the nominal value of the shares has no legal consequences. The list of shareholders participating in the decrease of share capital will be determined on 5 April 2011 at 23.59.
- to extend the right of the Supervisory Board to increase the share capital of the Company by up to 600,000 euro by issuing up to 1,000,000 new ordinary shares of the Company during the period as from 31 January 2011 until 31 January 2014. As a result of the increase of share capital by the Supervisory Board, the maximum amount of the share capital of the Company may be 23,809,716 euro.
- approve the merger agreement executed between AS Premia Foods and OÜ TCS Invest and to resolve the merger of the Company and OÜ TCS Invest in the way that OÜ TCS Invest is the company being acquired and AS Premia Foods is the acquiring company and that OÜ TCS Invest is deemed to be dissolved without a liquidation proceeding. After the merger the Company's business name will remain AS Premia Foods.

Merger of AS Premia Foods and OÜ TCS Invest

In order to simplify the existing structure of the group and make it more comprehensive AS Premia Foods as the acquiring company and OÜ TCS Invest as the company being merged executed on 10 February 2010 notarised merger agreement.

OÜ TCS Invest is a holding company, which does not carry out independent economic activity. The only assets of OÜ TCS Invest comprise of the shareholding in the ultimate subsidiaries of Premia Foods in Russia (OOO Khladokombinat No. 1 and OOO Khladomagija). In the course of the contemplated merger, the above-named assets will be transferred to Premia Foods. According to the merger agreement, the acquiring company compensates to the sole shareholder of the company being merged Premia Tallinna Külmhoone AS the sole share of the company being merged in cash in the amount of 1,040 thousand kroons (66 thousand euro). The merger agreement will be reviewed by Rimess OÜ. The balance sheet date of the merger is 1 January 2011.

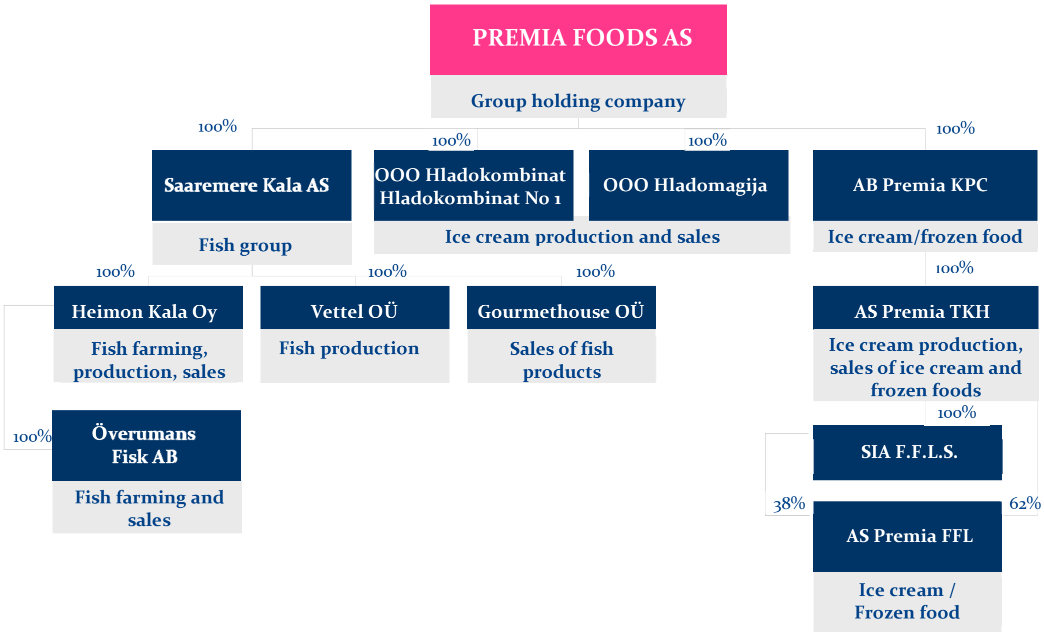
The merger is intra-group by its nature and in the course thereof the volume of assets, rights and obligations of the group will not be altered. Pursuant to the resolution of NASDAQ OMX Tallinna Börs AS, dated 26.01.11, AS Premia Foods was excluded from the obligation to publish a merger prospectus. The merger has been approved by the extraordinary General Meeting of shareholders held on 22 March 2011. See also Note 8.

Merger of Swedish subsidiaries Överumans Fisk AB and Skärgårdshavets Fisk AB

On 4 April 2011, Överumans Fisk AB and Skärgårdshavets Fisk AB initiated the merger process by filing relevant application with the Swedish Company Registration Office. In order to finalise the merger, the merger needs to be approved by the General Meetings of shareholders of both merging entities. As to this particular merger, the referred issue is the competence of the sole shareholder of the merging entities Premia's Finnish subsidiary Heimon Kala Oy. Due to legal requirements arising from the Swedish law, the merger can be finalised within 3-4 months. The final registration of the merger is expected to take place in August 2011.

The Swedish entities Överumans Fisk AB and Skärgårdshavets Fisk AB are engaged in fish farming and production and the merger has been planned to raise the efficiency of the respective operations of the group in Sweden. The contemplated merger of the Swedish entities is an intra-group merger and will not have any material impact of the business activities of Premia group of companies. In the course of the merger, the volume, essence and content of the rights, obligations and assets of Premia group of companies will not change. Further, the contemplated merger will make the group structure clearer, more transparent and more comprehensive.

After the abovementioned mergers the group structure will be as follows:



In addition Group has a 20% holding in AS Toidu- ja Fermentatsioonitehnoloogia Arenduskeskus (Competence Center of Food and Fermentation Technology).

Amendment to factoring agreement
01.03.2010, a factoring agreement between Heimon Kala Oy and Sampo Pankki Oy was terminated and a new one was executed with Pohjola Pankki Oyj, the new factoring agreement is without the right of recourse and the yearly interest expenditure is 0.65% lower if compared to the previous agreement.

Receipt of EU grants
By the time of compiling this report, Vettel OÜ has received support in the amount of 834 thousand kroons from the implementation plan of European Fishing Fund 2007 – 2013, which has at the balance sheet date been recognised as off balance sheet receivable.

Note 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..

in thousands of Estonian kroons and Euros

Statement of Financial Position

As at 31 December	31.12.2010 EEK '000	31.12.2009 EEK '000	31.12.2010 EUR '000	31.12.2009 EUR '000
Cash	1,284	11,859	82	758
Short-term financial investments	122,668	0	7,840	0
Receivables and prepayments	12,922	9,480	825	606
Total current assets	**136,874**	**21,339**	**8,747**	**1,364**
Long-term financial investments	618,862	422,506	39,552	27,003
Tangible assets	13	0	1	0
Total fixed assets	**618,875**	**442,506**	**39,553**	**27,003**
Total assets	**755,749**	**443,845**	**48,301**	**28,367**
Loans and borrowings	42,108	19,676	2,691	1,258
Payables	1,782	2,311	114	147
Total current liabilities	**43,890**	**21,987**	**2,805**	**1,405**
Loans and borrowings	101,038	3,986	6,458	255
Total noncurrent liabilities	**101,038**	**3,986**	**6,458**	**255**
Total liabilities	**144,928**	**25,973**	**9,263**	**1,660**
Share capital	386,829	24,183	24,723	1,546
Share premium	227,085	398,688	14,513	25,481
Treasury stock	-472	-3,986	-30	-255
Retained earnings	-2,621	-1,013	-168	-65
Total owners' equity	**610,821**	**417,872**	**39,038**	**26,707**
Total liabilities and owners' equity	**755,749**	**443,845**	**48,301**	**28,367**

in thousands of Estonian kroons and Euros

Statement of Comprehensive Income

For the year ended 31 December	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Sales	3,390	2,554	217	163
Gross profit	**3,390**	**2,554**	**217**	**163**
Administrative expenses	-8,765	-2,993	-560	-191
Operating profit	**-5,375**	**-439**	**-343**	**-28**
Financial income	11,740	1,477	750	94
Financial expenses	-6,459	-2,051	-413	-131
Profit before taxes	**-94**	**-1,013**	**-6**	**-65**
Net profit for the period	**-94**	**-1,013**	**-6**	**-65**
Other comprehensive income	0	0	0	0
Total comprehensive income	**-94**	**-1,013**	**-6**	**-65**

in thousands of Estonian kroons and Euros

Cash Flow Statement

	2010 EEK '000	2009 EEK '000	2010 EUR '000	2009 EUR '000
Cash flow from operations				
Operating profit	**-5,375**	**-439**	**-344**	**-28**
Adjustments:				
Depreciation on fixed assets	2	-472	0	-30
Change in receivables related to operating activities	-105,670	0	-6,754	0
Change in liabilities relating to operating activities	105,175	381	6,722	24
Total cash flow from operations	**-5,868**	**-530**	**-376**	**-34**
Cash flow from investments				
Net cash flow from acquisition of subsidiaries	-15	-35	-1	-2
Acquisition of associates	-206	0	-13	0
Loans granted	-219,069	-27,484	-14,001	-1,757
Repayment of loans granted	24,631	19,676	1,574	1,258
Interest received	2,668	159	171	10
Total cash flow from investments	**-191,991**	**-7,684**	**-12,270**	**-491**
Cash flow from financing				
Loans raised	99,075	19,676	6,332	1,257
Repayment of loans	-89,299	0	-5,707	0
Change in overdraft	-11,080	0	-708	0
Share issue (IPO)	191,043	0	12,210	0
Interest paid	-2,183	0	-140	0
Other financial expenses	-119	0	-8	0
Total cash flow from financing	**187,437**	**19,676**	**11,979**	**1,257**
TOTAL CASH FLOW:	**-10,422**	**11,462**	**-667**	**732**
CHANGE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year	**11,859**	**400**	**758**	**26**
Change in cash and cash equivalents	-10,422	11,462	-667	732
Gains/losses on conversion of foreign currencies	-153	-3	-9	0
Cash and cash equivalents at the end of the year	**1,284**	**11,859**	**82**	**758**

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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**
Bonus issue	217,646	-217,646	0	0	0	0	**0**
Shares IPO	145,000	46,043	0	0	0	0	**191,043**
Sale of treasury stock	0	0	0	3,514	0	-1,514	**2,000**
Profit for the period	0	0	0	0	0	-94	**-94**
As of 31.12.2010 according to IFRS	**386,829**	**227,085**	**0**	**-472**	**0**	**-2,621**	**610,821**
Adjustments according to the Estonian Accounting Act	0	0	0	0	5,249	31,266	36,515
Adjusted unconsolidated equity as of 31.12.2010	**386,829**	**227,085**	**0**	**-472**	**5,249**	**28,645**	**647,336**

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**
Bonus issue	13,910	-13,910	0	0	0	0	**0**
Shares IPO	9,267	2,942	0	0	0	0	**12,209**
Sale of treasury stock	0	0	0	225	0	-97	**128**
Profit for the period	0	0	0	0	0	-6	**-6**
As of 31.12.2010 according to IFRS	**24,723**	**14,513**	**0**	**-30**	**0**	**-168**	**39,038**
Adjustments according to the Estonian Accounting Act	0	0	0	0	335	1,999	2,334
Adjusted unconsolidated equity as of 31.12.2010	**24,723**	**14,513**	**0**	**-30**	**335**	**1,831**	**41,372**

Adjusted unconsolidated equity is the basis for the determination of distributable equity according to the Estonian Accounting Act.

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in thousands of Estonian kroons and Euros

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 2010.

Chairman of the Management Board	Kuldar Leis	.... April 15, 2011
Member of the Management Board	Silver Kaur	.... April 15, 2011
Member of the Management Board	Katre Kõvask	.... April 15, 2011

The supervisory board of AS Premia Foods has reviewed the consolidated 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	.... April 15, 2011
Member of the Supervisory Board	Lauri Kustaa Äimä	.... April 15, 2011
Member of the Supervisory Board	Harvey Sawikin	.... April 15, 2011
Member of the Supervisory Board	Aavo Kokk	Aavo Kokk .... April 15, 2011
Member of the Supervisory Board	Jaakko Karo	.... April 15 2011
Member of the Supervisory Board	Erik Haavamäe	.... April 15, 2011

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 2010, 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 30 – 78.

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 (Estonia). 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 2010, 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
Rimess OÜ, license 3
Tallinn
15 April 2011

in thousands of Estonian kroons and Euros

PROFIT ALLOCATION PROPOSAL

The retained earnings of the group of companies of AS Premia Foods as at 31 December 2011 is 28,645 thousand kroons (1,831 thousand euro).

The Management Board of AS Premia Foods makes the General Meeting of shareholders a proposal to distribute dividends in the amount of 6,050 thousand kroons (387 thousand euro), i.e. 0.01 euro per share from the retained earnings accumulated until 31 December 2010.

Chairman of the Management Board	Kuldar Leis	……………………………………	April 15, 2011
Member of the Management Board	Silver Kaur	……………………………………	April 15, 2011
Member of the Management Board	Katre Kõvask	……………………………………	April 15, 2011